

Board of Commissioners of Public Utilities

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MEDIA RELEASE **DECEMBER 14, 2006**

Public Utilities Board Grants Interim Approval of Hydro and Newfoundland Power Electricity Rates - Customers Will See Little or No Rate Increase

The Board of Commissioners of Public Utilities (the "Board") issued two Orders today [Order Nos. P.U. 41 (2006) and P.U. 42 (2006)] granting interim approval of electricity rates for consumers in the Province. The result of these Orders is that there will be virtually no rate increase for residential customers of both Newfoundland and Labrador Hydro ("Hydro") and Newfoundland Power Inc. ("Newfoundland Power") on January 1, 2007. Hydro's Industrial Customers will receive a 13.9% decrease.

Hydro's General Rate Application (GRA) filed in August of this year sought rate increases of 4.6% to 20%, excluding government departments. Following a negotiation process established by the Board as part of the GRA proceeding Hydro was able to file a revised application in early December proposing lower rates (See Backgrounder). This revised application reflects an agreement of all of the parties to the GRA and significantly reduces or eliminates all rate increases originally proposed.

The Board commends the efforts of the parties over the past few months in reaching agreement on the majority of the issues contained in Hydro's GRA, with the result that rate impacts have been minimized for all electricity consumers. This settlement is the culmination of a concerted effort by the Board to encourage favourable resolution through the use of alternative dispute resolution mechanisms. These mechanisms are designed to secure agreement on issues where possible among the parties in advance of a public hearing, hence streamlining the process and reducing regulatory costs. While these mechanisms are not always successful the Board is optimistic that, with appropriate oversight and refinement, there can be continued improvement in the regulation of the utilities in this Province.

In order to allow a timely implementation of these rates for 2007 the Board has approved Hydro's revised rates and the resulting consumer rates for both Hydro's and Newfoundland Power's residential and general service customers on an interim basis. Following the conclusion of a public hearing, which will be held in January 2007 and will focus on the remaining issues which are not part of the negotiated agreement, the Board will review the details of the agreement reached by the parties and issue a final Decision and Order on all matters covered in the GRA. A notice of the dates and times for the public hearing and the ways in which the public can participate will be published early in January.

A copy of these Orders are available for pick-up at the Board's Office and can be viewed on the Board's website at www.pub.nl.ca

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BACKGROUND

December 14, 2006

Following are the noteworthy electricity rate changes for January 1, 2007 as a result of Newfoundland and Labrador Hydro's (Hydro's) re-filed General Rate Application:

Hydro and Newfoundland Power Customers on the Island Interconnected and L'anse au Loup Systems will receive an overall average increase in rates of approximately 0.07 per cent as a result of both Hydro's re-filed rate application and Newfoundland Power's application of the automatic adjustment formula.

Hydro Rural Isolated Customers will also be subject to less than one per cent rate increase due to a contribution by the Government of Newfoundland and Labrador. Government will be covering the cost of the increase in 2007 through a direct contribution to Hydro and will partially cover the increase in 2008 to allow a phase-in of the required rate increase over 2008 and 2009 to customers. This rate increase is related to the rising cost of fuel to these communities. In future, these customers may be subject to annual rate adjustments as a result of fuel price changes similar to the Rate Stabilization Plan on the island.

Labrador Interconnected System Customers in Happy Valley-Goose Bay and Labrador West will receive no rate increase as a result of this revised application. In addition, the phase-in of rate equalization will be suspended in 2007 and then completed from 2008 to 2011.

Industrial Customers will see a 13.9 per cent decrease primarily due to the reduction of the outstanding rate stabilization plan balance earlier this year by the Government of Newfoundland and Labrador.

Most Municipalities will experience a small reduction in street lighting costs.

Hydro's initial proposed rate changes and the rate changes approved on an interim basis for January 1, 2007 for key customer groups are shown below:

Electricity Rate Summary for Key Customer Groups

Customer Group	Original GRA August 3, 2006 %	Interim Rate Changes Approved* %
Newfoundland Power Customers	4.6	0.07
Island Industrial Customers	8.2	-13.9
Hydro Rural Island Interconnected and L'anse au Loup Customers	4.6	0.07
Hydro Rural Isolated Residential Customers	8.1	0.08
Rural Isolated General Service Customers		
0 – 10 kW (kilowatts)	17.2	0.90
Over 10 kW	17.2	-0.23
Happy Valley-Goose Bay Residential Customers	0.0	0.0
Labrador West Residential Customers	19.6	0.0

* The actual amount of the rate change will vary for individual customers depending on the class of service and the amount of electricity used.