

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD**

**NO. P.U. 26(2017)**

1 **IN THE MATTER OF** the *Electrical Power*  
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1  
3 (the “*EPCA*”) and the *Public Utilities Act*, RSNL  
4 1990, Chapter P-47 (the “*Act*”), as amended,  
5 and regulations thereunder; and  
6

7 **IN THE MATTER OF** a general rate  
8 application filed by Newfoundland and  
9 Labrador Hydro on July 30, 2013; and  
10

11 **IN THE MATTER OF** an amended general  
12 rate application filed by Newfoundland and  
13 Labrador Hydro on November 10, 2014; and  
14

15 **IN THE MATTER OF** Order No. P.U. 49(2016)  
16 arising from the amended general rate  
17 application; and  
18

19 **IN THE MATTER OF** an application filed  
20 by Newfoundland and Labrador Hydro on  
21 January 27, 2017 setting out revised proposals  
22 to reflect Order No. P.U. 49(2016); and  
23

24 **IN THE MATTER OF** Order No. P.U. 24(2017); and  
25

26 **IN THE MATTER OF** an application by Newfoundland  
27 and Labrador Hydro for approval of a change in rates to  
28 be charged to its Island Industrial customers and revised  
29 Rate Stabilization Plan rules.  
30

31  
32 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and  
33 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,  
34 and is subject to the provisions of the *EPCA*; and  
35

36 **WHEREAS** in Order No. P.U. 24(2017) the Board ordered that Hydro file a revised Schedule of  
37 Rates, Tolls and Charges and Rate Stabilization Plan (“RSP”) rules, to be effective July 1, 2017,  
38 incorporating the finding of the Board; and

1 **WHEREAS** on June 29, 2017 Hydro filed an application (the “Application”) seeking approval  
2 of a change in the rates to be charged for the supply of power and energy to Hydro’s Island  
3 Industrial customers and for approval of changes to the RSP rules; and  
4

5 **WHEREAS** the Application proposes rate changes for Island Industrial customers, including:

- 6 (i) an RSP Recovery Adjustment;
- 7 (ii) an RSP Mitigation Adjustment;
- 8 (iii) a Fuel Rider; and
- 9 (iv) a Conservation and Demand Management Cost Recovery Adjustment; and


10  
11 **WHEREAS** the proposed changes to the RSP rules discontinue the segregation of the RSP Load  
12 Variation balance effective April 1, 2017 to reflect the findings of the Board in Order No. P.U.  
13 24(2017) which result in a zero balance in the segregated RSP Load Variation as of March 31,  
14 2017; and  
15

16 **WHEREAS** the Board has reviewed the Application and is satisfied that it reflects the  
17 determinations of the Board in Order No. P.U. 24(2017) and should be approved.  
18  
19

20 **IT IS THEREFORE ORDERED THAT:**  
21

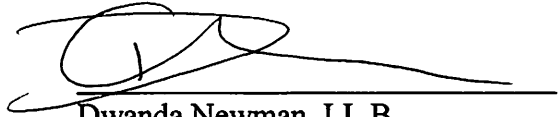
- 22 1. The rates proposed by Hydro to be effective for all electrical consumption on or after July  
23 1, 2017 for its Island Industrial customers, as set out in Schedule A to this Order, are  
24 approved.  
25
- 26 2. The Rate Stabilization Plan rules as set out in Schedule B to this Order are approved.  
27
- 28 3. The interim rates approved for Industrial Customers in Order Nos. P.U. 29(2013), P.U. 21  
29 (2015) and P.U. 35(2015), effective for consumption on and after September 1, 2013, are  
30 approved on a final basis.  
31
- 32 4. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 6<sup>th</sup> day of July, 2017.



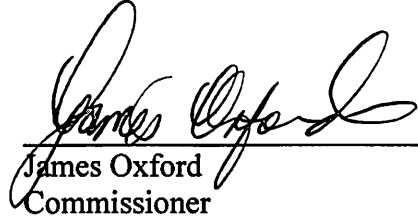
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Darlene Whalen, P.Eng.  
Vice-Chair



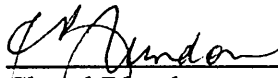
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Dwanda Newman, LL.B.  
Commissioner



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James Oxford  
Commissioner



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Cheryl Blundon  
Board Secretary

**NEWFOUNDLAND AND LABRADOR HYDRO**

**INDUSTRIAL – FIRM**

**Availability:**

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

**Base Rate\*:**

**Demand Charge:**

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$7.99 per kilowatt (kW) per month of billing demand.

**Firm Energy Charge:**

Base Rate ..... @ 3.971 ¢ per kWh

**RSP Adjustment:**

**RSP Adjustment:**

Current Plan - Normal..... @ (0.373) ¢ per kWh

Current Plan Mitigation Adjustment. @ (0.313) ¢ per kWh

Current Plan - Total ..... @ (0.686) ¢ per kWh

Fuel Rider ..... @ 0.625 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours..... @ (0.061) ¢ per kWh

**CDM Cost Recovery Adjustment**..... @ 0.009 ¢ per kWh

**NEWFOUNDLAND AND LABRADOR HYDRO**

**INDUSTRIAL – FIRM**

**Specifically Assigned Charges:**

The table below contains the additional annual specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	<b>Annual Amount</b>
Corner Brook Pulp and Paper Limited	\$ 870,898
North Atlantic Refining Limited	\$ 89,293
Teck Resources Limited	\$ 199,399
Vale	\$ 480,243

**\*Subject to RSP Adjustments and CDM Cost Recovery Adjustment:**

RSP Adjustments refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates and also provides for disposition of the Industrial Customer RSP Surplus.

The CDM Cost Recovery Adjustment is updated annually to provide recovery over a seven year period of costs charged annually to the Conservation and Demand Management (CDM) Cost Deferral Account.

**Adjustment for Losses:**

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

**General:**

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND AND LABRADOR HYDRO**

**INDUSTRIAL – FIRM**

**Availability:**

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

**Rate:**

**Non-Firm Energy Charge (¢ per kWh):**

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2013 (3.47%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 618 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl.

**Adjustment for Losses:**

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

**General:**

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**INDUSTRIAL - WHEELING**

**Availability:**

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy and whose Industrial Service Agreement so provides.

**Rate:**

**Energy Charge:**

All kWh (Net of losses)\* ..... @ 0.423 ¢ per kWh

\* For the purpose of this Rate, losses shall be 3.47%, the average system losses on the Island Interconnected Grid for the last five years ending in 2013.

**General:**

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. **This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN**

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro) is established for Hydro's Utility customer, Newfoundland Power, and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro's Holyrood generating station;
- customer load (Utility and Island Industrial); and
- rural rates.

The formulae used to calculate the Plan's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

**Section A: Hydraulic Production Variation**

**1. Activity:**

Actual monthly production is compared with the Test Year Cost of Service Study in accordance with the following formula:

$$\{(A - B) \div C\} \times D$$

Where:

- A = Test Year Cost of Service Net Hydraulic Production (kWh)
- B = Actual Net Hydraulic Production (kWh)
- C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)
- D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$/Can /bbl.)

**2. Financing:**

Each month, financing charges, using Hydro's approved Test Year weighted average cost of capital, will be calculated on the balance.

**3. Hydraulic Variation Customer Assignment:**

Customer assignment of hydraulic variations will be performed annually as follows:

$$(E \times 25\%) + F$$

Where:

- E = Hydraulic Variation Account Balance as of December 31, excluding financing charges
- F = Financing charges accumulated to December 31

The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.



**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

**4. Customer Allocation:**

The annual customer assignment will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances respectively as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

**Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration**

**1. Activity**

**1.1 Fuel Cost Variations**

This is based on the consumption of No. 6 Fuel at the Holyrood Generating Station:

$$(G - D) \times H$$

Where:

D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$/Can /bbl.)

G = Monthly Actual Average No. 6 Fuel Cost (\$/Can /bbl.)

H = Monthly Actual Quantity of No. 6 Fuel consumed less No. 6 fuel consumed for non-firm sales (bbl.)

**1.2 Load Variations**

**Firm:** Firm load variation is comprised of fuel and revenue components. The load variation is determined by calculating the difference between actual monthly sales and the Test Year Cost of Service Study sales, and the resulting variance in No. 6 fuel costs and sales revenues. It is calculated separately for Newfoundland Power firm sales and Industrial firm sales, in accordance with the following formula:

$$(I - J) \times \{(D \div C) - K\}$$

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

Where:

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh /bbl.)  
D = Monthly Test Year Cost of Service No. 6 Fuel Cost (\$/Can /bbl.)  
I = Actual Sales, by customer class (kWh)  
J = Test Year Cost of Service Sales, by customer class (kWh)  
K = Firm energy rate, by customer class

**Secondary:** Secondary load variation is based on the revenue variation for Utility Firm-Up Secondary energy sales compared with the Test Year Cost of Service Study, in accordance with the following formula:

$$(J - I) \times L$$

Where:

I = Actual Sales (kWh)  
J = Test Year Cost of Service Sales (kWh)  
L = Secondary Energy Firming Up Charge

**1.3 Rural Rate Alteration**

Newfoundland Power Rate Change Impacts:

This component is calculated for Hydro's rural customers whose rates are directly or indirectly impacted by Newfoundland Power's rate changes, with the following formula:

$$(M - N) \times O$$

Where:

M = Cost of Service rate  
N = Existing rate  
O = Actual Units (kWh, bills, billing demand)

**2. Monthly Customer Allocation: Load and Fuel Activity**

Each month, the year-to-date total for fuel price variation and the year-to-date total for the load variation will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh for: Utility Firm and Firm-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

The year-to-date portion of the fuel price variation and the year-to-date portion of the load variation which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The current month's activity for Newfoundland Power, Island Industrials and regulated Labrador Interconnected customers will be calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month. The current month's activity allocated to regulated Labrador Interconnected customers will be removed from the Plan and written off to Hydro's net income (loss).

**3. Monthly Customer Allocation: Rural Rate Alteration Activity**

Each month, the rural rate alteration will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the Plan and written off to Hydro's net income (loss).

**4. Plan Balances**

Separate plan balances for Newfoundland Power, the Island Industrial customer class and the segregated load variation will be maintained. The RSP balances shall be adjusted by other amounts as ordered by the Board. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.

**Section C: Fuel Price Projection**

A fuel price projection will be calculated to anticipate forecast fuel price changes and to determine fuel riders for the rate adjustments. For industrial customers, this will occur in October each year, for inclusion with the RSP adjustment effective January 1. For Newfoundland Power, this will occur in April each year, for inclusion with the RSP adjustment effective July 1.

**1. Industrial Fuel Price Projection:**

In October each year, a fuel price projection for the following January to December shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(S + T) \times U] - V \times W$$

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

Where:

- S = the September month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for the following January to December  
T = Hydro's average fuel contract premium or (discount) (\$US/bbl) for the following January to December  
U = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of September  
V = average Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)  
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year.

The industrial customer allocation of the forecast fuel price change will be based on 12 months-to-date kWh as of the end of September and is the ratio of Industrial Firm invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of an estimate of the fuel rider based on 12 months-to-date kWh sales to the end of September will be reported to industrial customers, Newfoundland Power, and the Public Utilities Board, by the 10<sup>th</sup> working day of October.

**2. Newfoundland Power Fuel Price Projection:**

In April each year, a fuel price projection for the following July to June shall be made to estimate a change from Test Year No. 6 Fuel Cost. Hydro's projection shall be based on the change from the average Test Year No. 6 fuel purchase price, in Canadian dollars per barrel, determined from the forecast oil prices provided by the PIRA Energy Group, and the current US exchange rate. The calculation for the projection is:

$$[(X + T) \times Y] - V \times W$$

Where:

- T = Hydro's average fuel contract premium or (discount) (\$US/bbl) for the following July to June  
V = average Test Year Cost of Service purchase price for No. 6 Fuel (\$Can /bbl.)  
W = the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year.  
X = the average of the March month-end PIRA Energy Group average monthly forecast for No. 6 fuel prices at New York Harbour for July to December of the current year and for the January to June period of the subsequent year.  
Y = the monthly average of the \$Cdn / \$US Bank of Canada Noon Exchange Rate for the month of March.

The Newfoundland Power customer allocation of the forecast fuel price change will be based on

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

12 months-to-date kWh as of the end of March and is the ratio of Newfoundland Power Firm and Firmed-Up Secondary invoiced energy to the total of: Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The amount of the forecast fuel price change, in Canadian dollars, and the details of the resulting fuel rider applied to the adjustment rate will be reported to Newfoundland Power, industrial customers, and the Public Utilities Board, by the 10<sup>th</sup> working day of April.

**Section D: Adjustment**

**1. Newfoundland Power**

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery / repayment of the balance for the following three months (if any), estimated using the energy sales (kWh) for April, May and June from the previous year

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the following calendar year),

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

A fuel rider shall be added to the above adjustment rate, based on the Newfoundland Power Fuel Price Projection amount (as per Section C.2 above) divided by 12-months-to-date kWh sales to the end of March.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**RATE STABILIZATION PLAN (Continued)**

**2. Island Industrial Customers**

As of December 31 each year, the adjustment rate for industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year,

divided by 12-months-to-date kWh sales to the end of December.

A fuel rider shall be added to the above adjustment rate, based on the Industrial Fuel Price Projection (as per Section C.1 above) amount divided by 12-months-to-date kWh sales to the end of December.

When new Test Year base rates come into effect, if a fuel rider forecast (either March or September) is more current than the test year fuel forecast, a fuel rider will be implemented at the same time as the change in base rates reflecting the more current fuel forecast and the new test year values.

Otherwise, the fuel rider portion of the RSP Adjustment will be set to zero upon implementation of the new Test Year Cost of Service rates, until the time for the next fuel price projection.

**Section E: RSP Surplus:**

**1. August 31, 2013 Balance:**

The net load variation for Newfoundland Power and the Industrial Customers from January 1, 2007 to August 31, 2013, including financing (the RSP Surplus), will be removed from the respective customer class balance, and allocated based upon direction provided by Government in Orders in Council OC2013-089 and OC2013-207. The balances which remain after this amount is removed will form the adjusted August 31, 2013 current plan balances for each customer class.

The Industrial Customer class allocated amount will be used, firstly, to reduce the Industrial Customer class adjusted August 31, 2013 RSP balance to zero. OC2013-089 states that the remaining IC RSP Surplus is to be used to fund a three-year phase-in of rate increases for Island Industrial customers.

The monthly RSP adjustment resulting from the Teck Resources Limited RSP Adjustment rate of (1.141)¢ per kWh determined in accordance with Order No. P.U. 17(2015), will become effective July 1, 2015 and segregated from the other components of the Industrial Customer RSP until its disposition is ordered by the Board of Commissioners of Public Utilities.

**NEWFOUNDLAND AND LABRADOR HYDRO**

**RATE STABILIZATION PLAN (Continued)**

**1.1 Industrial Customer RSP Surplus Disposition**

Effective December 31, 2014, a one-time transfer from the Industrial Customer RSP Surplus will be applied to the Industrial Customer RSP current plan balance to reduce the December 31, 2014 current plan balance to zero. This transfer is in accordance with Order No. P.U. 14(2015).

The Industrial Customer RSP Surplus will be used to fund the difference between the approved base rate and net billing rates that result from the application of the Industrial Customer RSP Surplus Adjustment demand and energy rates as approved by the Board.

**1.2 Newfoundland Power RSP Surplus Disposition**

The Newfoundland Power allocated amount of the RSP Surplus will be refunded to Newfoundland Power and Hydro's Rural customers in accordance with Hydro's Customer Refund Plan approved in Order No. P.U. 36(2016).

**2. Plan Balances**

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year weighted average cost of capital.