

## RATE STABILIZATION REPORT

Newfoundland and Labrador Hydro

August 2015



**NEWFOUNDLAND AND LABRADOR HYDRO  
RATE STABILIZATION PLAN REPORT  
August 31, 2015**

## Newfoundland and Labrador Hydro

### Rate Stabilization Plan Report August 31, 2015

#### Summary of Key Facts

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (Hydro), as amended by Board Order No. P.U. 40 (2003) and Order No. P.U. 8 (2007), 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 Test Year Cost of Service Study was approved by Board Order No. P.U. 8 (2007) and is based on projections of events and costs that are forecast to happen during a test year. Finance charges are calculated on the balances using the test year Weighted Average Cost of Capital which is currently 7.529% per annum. Holyrood's operating efficiency is set, for RSP purposes, at 630 kWh/barrel regardless of the actual conversion rate experienced.

	2007 Test Year Cost of Service			
	Net Hydraulic Production	No. 6 Fuel Cost	Utility Load	Industrial Load
	(kWh)	(\$Can/bbl.)	(kWh)	(kWh)
January	427,100,000	54.17	574,800,000	78,300,000
February	388,680,000	54.73	518,600,000	70,900,000
March	415,080,000	55.46	524,700,000	76,600,000
April	355,520,000	55.46	429,200,000	75,600,000
May	324,240,000	55.46	358,700,000	69,500,000
June	328,500,000	54.49	298,400,000	73,800,000
July	386,790,000	54.49	293,400,000	77,500,000
August	379,140,000	54.49	287,000,000	77,900,000
September	363,560,000	54.49	297,700,000	73,000,000
October	340,510,000	54.56	360,200,000	74,400,000
November	364,390,000	54.56	439,300,000	74,100,000
December	398,560,000	58.98	543,800,000	72,700,000
<b>Total</b>	<b>4,472,070,000</b>		<b>4,925,800,000</b>	<b>894,300,000</b>

**Rate Stabilization Plan  
Plan Highlights  
August 31, 2015**

	Actual	Cost of Service	Variance	Year-to-Date Due (To) From customers	Reference
Hydraulic production year-to-date	3,260.2 GWh	3,005.1 GWh	255.1 GWh \$	(22,418,465)	Page 4
No 6 fuel cost - Current month	\$ 68.94	\$ 54.49	\$ 14.45	\$ 24,616,824	Page 5
Year-to-date customer load - Utility	4,081.9 GWh	3,284.8 GWh	797.1 GWh \$	(1,000,445)	Page 8
Year-to-date customer load - Industrial	322. GWh	600.1 GWh	-278.1 GWh \$	(13,700,019)	Page 10
				<u>\$ (12,502,105)</u>	
<b>Rural rates</b>					
Rural Rate Alteration (RRA) <sup>(1)</sup>	\$ (5,851,653)				
Less : RRA to utility customer	<u>\$ (5,213,823)</u>				Page 9
RRA to Labrador interconnected	(637,830)				
Fuel variance to Labrador interconnected	<u>\$ 183,991</u>				Page 6
Net Labrador Interconnected	<u>\$ (453,839)</u>				
<b>Current plan summary</b>					
<b>One year recovery</b>					
Due (to) from utility customer	\$ (56,352,629)				Page 9
Due (to) from Industrial customers	<u>\$ 8,821,022</u>				Page 11
Sub total	(47,531,607)				
<b>Four year recovery</b>					
Hydraulic balance	<u>\$ (69,246,117)</u>				Page 4
<b>Segregated Load Variation</b>					
Utility Customer	\$ (478,849)				Page 12
Industrial Customer	<u>\$ (51,767,703)</u>				
Sub Total	\$ (52,246,552)				
Utility RSP Surplus	\$ (130,162,645)				Page 13
Industrial RSP Surplus	<u>\$ (10,765,862)</u>				Page 14
Total plan balance	<u>\$ (309,952,783)</u>				

<sup>(1)</sup> Beginning January 2011, the RRA includes a monthly credit of \$98,295. This amount relates to the phase in of the application of the credit from secondary energy sales to CFB Goose Bay to the Rural deficit as stated in Section B, Clause 1.3(b) of the approved Rate Stabilization Plan Regulations which received final approval in Order No. P.U. 33 (2010) issued December 15, 2010.

Newfoundland and Labrador Hydro

**Rate Stabilization Plan  
Net Hydraulic Production Variation  
August 31, 2015**

	A Cost of Service Net Hydraulic Production (kWh)	B Actual Net Hydraulic Production (kWh)	C Monthly Net Hydraulic Production Variance (kWh) (A - B)	D Cost of Service No. 6 Fuel Cost (\$Can/bbl.)	E Net Hydraulic Production Variation (\$) (C / O <sup>(1)</sup> X D)	F Financing Charges (\$)	G Cumulative Variation and Financing Charges (\$) (E + F) (to page 12)
Opening balance							(43,358,639)
January	427,100,000	552,847,228	(125,747,228)	54.17	(10,812,266)	(263,079)	(54,433,984)
February	388,680,000	499,182,662	(110,502,662)	54.73	(9,599,700)	(330,278)	(64,363,962)
March	415,080,000	541,731,013	(126,651,013)	55.46	(11,149,310)	(390,528)	(75,903,800)
April	355,520,000	465,330,843	(109,810,843)	55.46	(9,666,840)	(460,546)	(86,031,186)
May	324,240,000	330,671,190	(6,431,190)	55.46	(566,149)	(521,994)	(87,119,329)
June	328,500,000	291,683,519	36,816,481	54.49	3,184,333	(528,597)	(84,463,593)
July	386,790,000	283,730,984	103,059,016	54.49	8,913,787	(512,483)	(76,062,289)
August	379,140,000	294,997,247	84,142,753	54.49	7,277,680	(461,508)	(69,246,117)
September							
October							
November							
December							
	<u>3,005,050,000</u>	<u>3,260,174,686</u>	<u>(255,124,686)</u>		<u>(22,418,465)</u>	<u>(3,469,013)</u>	<u>(69,246,117)</u>
Hydraulic Allocation <sup>(2)</sup>							
Hydraulic variation at year end					<u>(22,418,465)</u>	<u>(3,469,013)</u>	<u>(69,246,117)</u>

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

(2) At year end 25% of the hydraulic variation balance and 100% of the annual financing charges are allocated to customers as follows:.

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**Rate Stabilization Plan  
No. 6 Fuel Variation  
August 31, 2015**

	A	B	C	D	E	F	G
	Actual Quantity No. 6 Fuel (bbl.)	Actual Quantity No. 6 Fuel for Non-Firm Sales (bbl.)	Net Quantity No. 6 Fuel (bbl.) (A - B)	Cost of Service No. 6 Fuel Cost (\$Can/bbl.)	Actual Average No. 6 Fuel Cost (\$Can/bbl.)	Cost Variance (\$Can/bbl.) (E - D)	No.6 Fuel Variation (\$) (C X F) (to page 6)
January	371,046	0	371,046	54.17	78.04	23.87	8,856,879
February	312,401	0	312,401	54.73	69.30	14.57	4,551,686
March	311,001	0	311,001	55.46	69.51	14.05	4,369,560
April	203,774	0	203,774	55.46	66.49	11.03	2,247,631
May	166,934	0	166,934	55.46	65.90	10.44	1,742,792
June	93,931	0	93,931	54.49	65.90	11.41	1,071,756
July	86,425	0	86,425	54.49	68.64	14.15	1,222,917
August	38,312	0	38,312	54.49	68.94	14.45	553,603
September							
October							
November							
December							
	<u>1,583,825</u>	<u>0</u>	<u>1,583,825</u>				<u>24,616,824</u>

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Allocation of Fuel Variance - Year-to-Date  
August 31, 2015

	Twelve Months-to-Date				Year-to-Date Fuel Variance				Reallocate Rural Island Customers <sup>(1)</sup>	
	Utility (kWh)	Industrial Customers (kWh)	Rural Island Customers (kWh)	Total (kWh) (A+B+C)	Utility (\$) (A/D X H)	Industrial Customers (\$) (B/D X H)	Rural Island Interconnected (\$) (C/D X H)	Total (\$) (from page 5)	Utility (\$) (G X 89.10%) (to page 7)	Labrador Interconnected (\$) (G X 10.90%)
January	5,890,897,269	402,932,390	463,594,915	6,757,424,575	7,721,132	528,119	607,628	8,856,879	541,397	66,231
February	5,891,118,830	404,174,993	464,095,981	6,759,389,805	11,686,181	801,760	920,624	13,408,565	820,276	100,348
March	5,898,943,058	413,601,854	464,255,448	6,776,800,361	15,475,171	1,085,035	1,217,919	17,778,125	1,085,166	132,753
April	5,925,788,958	423,885,478	464,507,117	6,814,181,554	17,414,917	1,245,730	1,365,109	20,025,756	1,216,312	148,797
May	5,887,164,744	433,252,252	467,460,216	6,787,877,213	18,879,986	1,389,429	1,499,133	21,768,548	1,335,728	163,405
June	5,902,880,945	449,298,904	467,463,782	6,819,643,631	19,769,889	1,504,789	1,565,626	22,840,304	1,394,973	170,653
July	5,925,549,955	454,301,524	469,468,501	6,849,319,980	20,817,807	1,596,065	1,649,349	24,063,221	1,469,570	179,779
August	5,926,329,343	462,566,991	470,341,009	6,859,237,343	21,268,750	1,660,087	1,687,987	24,616,824	1,503,996	183,991
September										
October										
November										
December										

(1) The Fuel Variance initially allocated to Rural Island Interconnected is re-allocated between Utility and Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Cost of Service Study, which is 89.10% and 10.90% respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Allocation of Fuel Variance - Monthly  
August 31, 2015

	A	B	C	D	E	F	G
	Utility					Industrial	
	Fuel Variance		Rural Allocation		Total Fuel Variance	Fuel Variance	
	Year-to-Date	Current Month	Year-to-Date	Current Month	Activity for	Year-to-Date	Current Month
	Activity	Activity <sup>(1)</sup>	Activity	Activity <sup>(1)</sup>	the month	Activity	Activity <sup>(1)</sup>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 6)		(from page 6)		(B + D)	(from page 6)	(to page 11)
					(to page 10)		
January	7,721,132	7,721,132	541,397	541,397	8,262,529	528,119	528,119
February	11,686,181	3,965,049	820,276	278,879	4,243,928	801,760	273,641
March	15,475,171	3,788,990	1,085,166	264,890	4,053,880	1,085,035	283,275
April	17,414,917	1,939,746	1,216,312	131,146	2,070,892	1,245,730	160,695
May	18,879,986	1,465,069	1,335,728	119,416	1,584,485	1,389,429	143,699
June	19,769,889	889,903	1,394,973	59,245	949,148	1,504,789	115,360
July	20,817,807	1,047,918	1,469,570	74,597	1,122,515	1,596,065	91,276
August	21,268,750	450,943	1,503,996	34,426	485,369	1,660,087	64,022
September							
October							
November							
December							
		<u>21,268,750</u>		<u>1,503,996</u>	<u>22,772,746</u>		<u>1,660,087</u>

(1) The current month activity is calculated by subtracting year-to-date activity for the prior month from year-to-date activity for the current month.



Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Load Variation - Utility  
August 31, 2015

	A	B	C	D	E	F	G	H	I	J	K
	Firm Energy					Secondary Energy					
	Cost of Service Sales	Actual Sales	Sales Variance	Cost of Service No. 6 Fuel Cost	Firm Energy Rate	Load Variation	Cost of Service Sales	Actual Sales	Firming Up Charge	Load Variation	Total Load Variation
	(kWh)	(kWh)	(kWh)	(\$Can/bbl.)	(\$/kWh)	(\$)	(kWh)	(kWh)	(\$/kWh)	(\$)	(\$)
			(B - A)			$C \times \{(D/O^1) - E\}$				(G - H) x I	(F + J)
	(to page 10)										
January	574,800,000	740,593,181	165,793,181	54.17	0.08805	(342,508)	0	0	0.00841	0	(342,508)
February	518,600,000	668,359,635	149,759,635	54.73	0.08805	(176,265)	0	0	0.00841	0	(176,265)
March	524,700,000	712,055,312	187,355,312	55.46	0.08805	(3,420)	0	0	0.00841	0	(3,420)
April	429,200,000	569,863,970	140,663,970	55.46	0.08805	(2,568)	0	0	0.00841	0	(2,568)
May	358,700,000	419,451,865	60,751,865	55.46	0.08805	(1,109)	0	0	0.00841	0	(1,109)
June	298,400,000	344,343,122	45,943,122	54.49	0.08805	(71,576)	0	0	0.00841	0	(71,576)
July	293,400,000	326,065,882	32,665,882	54.49	0.09509	(280,859)	0	0	0.00908	0	(280,859)
August	287,000,000	301,205,728	14,205,728	54.49	0.09509	(122,140)	0	0	0.00908	0	(122,140)
September											
October											
November											
December											
	<u>3,284,800,000</u>	<u>4,081,938,695</u>	<u>797,138,695</u>			<u>(1,000,445)</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>(1,000,445)</u>

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

Newfoundland and Labrador Hydro

**Rate Stabilization Plan  
Summary of Utility Customer  
August 31, 2015**

	A	B	C	D	E	F	H
	Load Variation	Allocation Fuel Variance	Allocation Rural Rate Alteration <sup>(1)</sup>	Subtotal Monthly Variances	Financing Charges	Adjustment <sup>(2)</sup>	Cumulative Net Balance
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 8)	(from page 7)		(A + B + C)			(to page 12)
Opening Balance							(39,004,557)
January		8,262,529	(1,089,741)	7,172,788	(236,660)	(7,220,784)	(39,289,213)
February		4,243,928	(1,026,064)	3,217,864	(238,387)	(6,516,506)	(42,826,242)
March		4,053,880	(994,211)	3,059,669	(259,848)	(6,942,539)	(46,968,960)
April		2,070,892	(857,580)	1,213,312	(284,984)	(5,556,174)	(51,596,806)
May		1,584,485	(785,246)	799,239	(313,064)	(4,089,656)	(55,200,287)
June		949,148	(632,878)	316,270	(334,928)	(3,357,345)	(58,576,290)
July		1,122,515	(243,708)	878,807	(355,412)	596,701	(57,456,194)
August		485,369	415,605	900,974	(348,615)	551,206	(56,352,629)
September							
October							
November							
December							
Year to date		22,772,746	(5,213,823)	17,558,923	(2,371,898)	(32,535,097)	(17,348,072)
Hydraulic allocation (from page 4)							0
Total		22,772,746	(5,213,823)	17,558,923	(2,371,898)	(32,535,097)	(56,352,629)

(1) The Rural Rate Alteration is allocated between Utility and Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Cost of Service Study, which is 89.10% and 10.90% respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

(2) The RSP adjustment rate for the Utility was 0.975 cents per kwh effective July 1, 2014 to June 30, 2015 and is 0.183 cents per kwh effective July 1, 2015 to June 30, 2016.

Newfoundland and Labrador Hydro

**Rate Stabilization Plan  
Load Variation - Industrial  
August 31, 2015**

	A	B	C	D	E	F
	Cost of Service Sales	Actual Sales	Sales Variance (B - A)	Cost of Service No. 6 Fuel Cost	Firm Energy Rate	Load Variation $C \times \{(D/O^1) - E\}$ (to page 11)
	(kWh)	(kWh)	(kWh)	(\$)	(\$/kWh)	(\$)
January	78,300,000	39,850,167	(38,449,833)	54.17	0.03676	(1,892,659)
February	70,900,000	32,931,012	(37,968,988)	54.73	0.03676	(1,902,740)
March	76,600,000	43,047,754	(33,552,246)	55.46	0.03676	(1,720,282)
April	75,600,000	41,422,843	(34,177,157)	55.46	0.03676	(1,752,323)
May	69,500,000	41,350,135	(28,149,865)	55.46	0.03676	(1,443,293)
June	73,800,000	42,523,308	(31,276,692)	54.49	0.03676	(1,555,454)
July	77,500,000	38,774,560	(38,725,440)	54.49	0.04044	(1,783,386)
August	77,900,000	42,073,551	(35,826,449)	54.49	0.04044	(1,649,882)
September						
October						
November						
December						
	<u>600,100,000</u>	<u>321,973,330</u>	<u>(278,126,670)</u>			<u>(13,700,019)</u>

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

Newfoundland and Labrador Hydro

**Rate Stabilization Plan  
Summary of Industrial Customers  
August 31, 2015**

	A	B	C	D	E	F
	Load Variation	Allocation Fuel Variance	Subtotal Monthly Variances	Financing Charges	Adjustment	Cumulative Net Balance
	(\$)	(\$)	(\$) (A + B)	(\$)	(\$)	(\$)
	(from page 9)	(from page 7)				(to page 12)
Opening Balance						6,774,833
January		528,119	528,119	41,106	0	7,344,058
February		273,641	273,641	44,560	0	7,662,259
March		283,275	283,275	46,491	0	7,992,025
April		160,695	160,695	48,492	0	8,201,212
May		143,699	143,699	49,761	0	8,394,672
June		115,360	115,360	50,935	0	8,560,967
July		91,276	91,276	51,944	0	8,704,187
August		64,022	64,022	52,813	0	8,821,022
September						
October						
November						
December						
Year to date	0	1,660,087	1,660,087	386,102	0	2,046,189
Hydraulic allocation (from page 4)						0
Total	0	1,660,087	1,660,087	386,102	0	8,821,022

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Load Variation January - December 2014  
August 31, 2015

	A	B	C	D	E	F	G
	Utility Customer			Island Industrial Customers			Total To Date <sup>(1)</sup>
	Load Variation	Financing Charges	Total To Date	Load Variation	Financing Charges	Total To Date	
		(\$)	(\$)		(\$)	(\$)	(\$)
	(from page 8)		( A + B )	(from page 9)		{ D + E }	{ C + F }
							(to page 15)
Opening Balance			519,908			(35,979,573)	(35,459,665)
January	(342,508)	3,155	180,555	(1,892,659)	(218,306)	(38,090,538)	(37,909,983)
February	(176,265)	1,096	5,386	(1,902,740)	(231,114)	(40,224,392)	(40,219,006)
March	(3,420)	33	1,999	(1,720,282)	(244,061)	(42,188,735)	(42,186,736)
April	(2,568)	12	(557)	(1,752,323)	(255,980)	(44,197,038)	(44,197,595)
May	(1,109)	(3)	(1,669)	(1,443,293)	(268,166)	(45,908,497)	(45,910,166)
June	(71,576)	(10)	(73,255)	(1,555,454)	(278,550)	(47,742,501)	(47,815,756)
July	(280,859)	(444)	(354,558)	(1,783,386)	(289,678)	(49,815,565)	(50,170,123)
August	(122,140)	(2,151)	(478,849)	(1,649,882)	(302,256)	(51,767,703)	(52,246,552)
September							
October							
November							
December							
<b>Total</b>	<b>(1,000,445)</b>	<b>1,688</b>	<b>(478,849)</b>	<b>(13,700,019)</b>	<b>(2,088,111)</b>	<b>(51,767,703)</b>	<b>(52,246,552)</b>

(1) Per Board Order No. P.U. 29(2013), the load variation from the Industrial and Utility Customers as of September 1, be held in a separate account until its disposition.

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Utility RSP Surplus  
August 31, 2015

	A	B	C	D
	Industrial Customer Adjustment	Utility Payout	Financing Charges	Cumulative Balance
	(\$)	(\$)	(\$)	(\$)
	(from page 10)			(to page 15)
Opening Balance				(124,013,626)
January			(752,453)	(124,766,079)
February			(757,018)	(125,523,097)
March			(761,611)	(126,284,708)
April			(766,232)	(127,050,940)
May			(770,882)	(127,821,822)
June			(775,559)	(128,597,381)
July			(780,265)	(129,377,646)
August			(784,999)	(130,162,645)
September				
October				
November				
December				
Year to date	-	-	(6,149,019)	(6,149,019)
Total			(6,149,019)	(130,162,645)

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Industrial RSP Surplus  
August 31, 2015

	A	B	C	D	E
	Industrial Surplus	Teck Allocation <sup>(1)</sup>	Industrial Drawdown	Financing Charges	Cumulative Balance
	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 11)		(from page 11)		(to page 15)
Opening Balance					(10,892,683)
January		66,034		(66,091)	(10,892,740)
February		53,454		(66,092)	(10,905,378)
March		64,516		(66,168)	(10,907,030)
April		59,311		(66,178)	(10,913,897)
May		56,094		(66,220)	(10,924,023)
June		53,528		(66,282)	(10,936,777)
July		4,795	140,256	(66,359)	(10,858,085)
August		7,686	150,418	(65,881)	(10,765,862)
September					
October					
November					
December					
Year to date	0	365,418	290,674	(529,271)	126,821
Total	0	365,418	290,674	(529,271)	(10,765,862)

(1) Per Board Order No. P.U. 29(2013), the RSP drawdown adjustment rate for Teck Resources is 1.111 cents per kwh effective September 1, 2013. Effective July 1, 2015 the RSP drawdown adjustment rate for Teck Resources is 1.141 cents per kwh.

Newfoundland and Labrador Hydro

Rate Stabilization Plan  
Overall Summary  
August 31, 2015

	A	B	C	D	E	F	G
	Hydraulic Balance	Utility Balance	Industrial Balance	Segregated Load Balance	Utility RSP Surplus	Industrial RSP Surplus	Total To Date
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	(from page 4)	(from page 10)	(from page 11)	(from page 12)	(from page 13)	(from page 14)	(A + B + C + D + E + F)
Opening Balance	(43,358,639)	(39,004,557)	6,774,833	(35,459,665)	(124,013,626)	(10,892,683)	(245,954,337)
January	(54,433,984)	(39,289,213)	7,344,058	(37,909,983)	(124,766,079)	(10,892,740)	(259,947,941)
February	(64,363,962)	(42,826,242)	7,662,259	(40,219,006)	(125,523,097)	(10,905,378)	(276,175,426)
March	(75,903,800)	(46,968,960)	7,992,025	(42,186,736)	(126,284,708)	(10,907,030)	(294,259,209)
April	(86,031,186)	(51,596,806)	8,201,212	(44,197,595)	(127,050,940)	(10,913,897)	(311,589,212)
May	(87,119,329)	(55,200,287)	8,394,672	(45,910,166)	(127,821,822)	(10,924,023)	(318,580,955)
June	(84,463,593)	(58,576,290)	8,560,967	(47,815,756)	(128,597,381)	(10,936,777)	(321,828,830)
July	(76,062,289)	(57,456,194)	8,704,187	(50,170,123)	(129,377,646)	(10,858,085)	(315,220,150)
August	(69,246,117)	(56,352,629)	8,821,022	(52,246,552)	(130,162,645)	(10,765,862)	(309,952,783)
September							
October							
November							
December							