

P.U. 18 (2004)

IN THE MATTER OF the *Electrical Power Control Act*, R.S.N., 1994, c. E-5.1 (the “*EPCA*”) and the *Public Utilities Act* R.S.N., 1990, c. P-47 (“the *Act*”) and their subordinate regulations;

AND IN THE MATTER OF the Application by Newfoundland Power Inc. (“NP”) for approval of (1) amendments to NP’s Rate Stabilization Clause and Municipal Tax Clause and (2) Rate Stabilization and Municipal Tax Adjustments to be applied to the rates of NP for the period July 1, 2004 to June 30, 2005 pursuant to Section 71 of the *Act*.

BEFORE: **Robert Noseworthy**
 Chair and Chief Executive Officer

Darlene Whalen, P.Eng.
 Vice-Chair

G. Fred Saunders
 Commissioner

WHEREAS NP is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is also subject to the provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS Newfoundland and Labrador Hydro ("Hydro") maintains a Retail Rate Stabilization Plan ("RSP"), the operational guidelines of which are included in the Board of Commissioners of Public Utilities' (the "Board") Report to the Minister Responsible for Energy dated August 6, 1985, and amended in Order No. P.U. 7 (2002-2003) and Order No. P.U. 40 (2003); and

WHEREAS by Order No. P.U. 34(1985) the Board approved the establishment of a Rate Stabilization Account by NP, and the Board also approved the inclusion of a Rate Stabilization Adjustment in the rates charged by NP, as described in the Rate Stabilization Clause included in NP's Schedule of Rates, Rules and Regulations; and

WHEREAS the Rate Stabilization Clause provides for the calculation of the balance in the Rate Stabilization Account as well as the Rate Stabilization Adjustment, and

WHEREAS the Rate Stabilization Adjustment is to be recalculated on July 1st of each year to reflect the accumulated balance in NP's Rate Stabilization Account as of March 31st of the current year and any change in the mill rate charged to NP by Hydro as a result of the operation of Hydro's RSP; and

WHEREAS the Rate Stabilization Adjustment approved in Order No. P.U. 18(2003) and included in NP's rates for the period July 1, 2003 to June 30, 2004 was 0.326 cents/kWh; and

WHEREAS by Order No. P.U. 17(1987) the Board ordered that municipal taxes be collected through a Municipal Tax Adjustment factor included in the rates of NP; and

WHEREAS the Municipal Tax Clause included in NP's Schedule of Rates, Rules & Regulations provides for the calculation of the Municipal Tax Adjustment factor which is to be recalculated on July 1st of each year to reflect taxes charged to NP by municipalities; and

WHEREAS the Municipal Tax Adjustment factor approved in Order No. P.U. 18(2003) and included in NP's rates for the period July 1, 2003 to June 30, 2004 was 1.02438; and

WHEREAS on May 28, 2004 NP filed with the Board an Application with the attachments set out below requesting approval of the amendments to its Rate Stabilization Clause and Municipal Tax Clause, and approval of a revised Rate Stabilization Adjustment and Municipal Tax Adjustment to be applied to the rates of NP for the period July 1, 2004 to June 30, 2005:

- (i) Schedule A, the revised Rate Stabilization Clause proposed by NP;
- (ii) Schedule B, the revised Municipal Tax Clause proposed by NP;
- (iii) Schedule C, Hydro's calculation of the RSP adjustment to the mill rate to be paid by NP to Hydro for the period July 1, 2004 to June 30, 2005;
- (iv) Schedule D, the calculation of the Rate Stabilization Adjustment of 0.688 cents/kWh proposed in the Application to be used by NP in billing customers for the period July 1, 2004 to June 30, 2005;
- (v) Schedule F, the calculation of the Municipal Tax Adjustment factor of 1.02486 proposed in the Application to be used by NP in billing customers for the period July 1, 2004 to June 30, 2005; and

WHEREAS by Order Nos. P.U. 7(2002-2003) and P.U. 14(2004) the Board approved certain amendments to Hydro's Rate Stabilization Plan which necessitate amendments to NP's Rate Stabilization Clause; and

WHEREAS NP has proposed that the Rate Stabilization Clause and Municipal Tax Clause be amended so that revised rates resulting from changes to the Rate Stabilization Adjustment and the Municipal Tax Adjustment factor are implemented consistent with revisions to rates resulting from changes in revenue requirement; and

WHEREAS, in accordance with the amended Rate Stabilization Clause and the Municipal Tax Clause proposed in the Application, the Rate Stabilization Adjustment and the Municipal Tax Adjustment factor for the period July 1, 2004 to June 30, 2005 is to be applied to all electrical consumption on and after July 1, 2004; and

WHEREAS the Board is satisfied that the changes to the Rate Stabilization Clause and the Municipal Tax Clause proposed by NP are necessary and reasonable; and

WHEREAS the Board is also satisfied that the Rate Stabilization and Municipal Tax Adjustments should be approved as filed.

IT IS THEREFORE ORDERED THAT:

The Board hereby approves the following:

1. the Rate Stabilization Clause set out in Schedule A;
2. the Municipal Tax Clause set out in Schedule B; and
3. the Rate Stabilization Adjustment of 0.688 cents/kWh and the Municipal Tax Adjustment factor of 1.02486 to be applied to all bills based on consumption on and after July 1, 2004 to June 30, 2005.

DATED at St. John's, Newfoundland and Labrador, this 25th day of June 2004.

Robert Noseworthy,
Chair and Chief Executive Officer.

Darlene Whalen, P.Eng.,
Vice-Chair.

G. Fred Saunders,
Commissioner.

G. Cheryl Blundon
Board Secretary.

Schedule A

Order No. P. U. 18 (2004)

NEWFOUNDLAND POWER INC.

RATE STABILIZATION CLAUSE

The Company shall include a rate stabilization adjustment in its rates. This adjustment shall reflect the accumulated balance in the Company's Rate Stabilization Account ("RSA") and any change in the rates charged to the Company by Newfoundland and Labrador Hydro ("Hydro") as a result of the operation of its Rate Stabilization Plan ("RSP").

I. RATE STABILIZATION ADJUSTMENT ("A")

The Rate Stabilization Adjustment ("A") shall be calculated as the total of the Recovery Adjustment Factor and the Fuel Rider Adjustment.

The Recovery Adjustment Factor shall be recalculated annually, effective the first day of July in each year, to amortize over the following twelve (12) month period the annual plan recovery amount designated to be billed by Hydro to the Company, and the balance in the Company's RSA.

The Recovery Adjustment Factor expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{B + C}{D}$$

Where:

- B = the annual plan recovery amount designated to be billed by Hydro during the next twelve (12) months commencing July 1 as a result of the operation of Hydro's RSP.
- C = the balance in the Company's RSA as of March 31st of the current year.
- D = the total kilowatt-hours sold by the Company for the 12 months ending March 31st of the current year.

The Fuel Rider Adjustment shall be recalculated annually, effective the first day of July in each year, to reflect changes in the RSP fuel rider applicable to Newfoundland Power. The Fuel Rider Adjustment expressed in cents per kilowatt-hour and calculated to the nearest 0.001 cent shall be calculated as follows:

$$\frac{E \times F}{D}$$

Where:

- D = corresponds to the D above.
- E = the total kilowatt-hours of energy (including secondary energy) sold to the Company by Hydro during the 12 months ending March 31 of the current year.
- F = the fuel rider designated to be charged to Newfoundland Power through Hydro's RSP.

The Rate Stabilization Adjustment ("A") shall be recalculated and be applied as of the effective date of a new wholesale mill rate by Hydro, by resetting the Fuel Rider Adjustment included in the Rate Stabilization Adjustment to zero.

II. RATE STABILIZATION ACCOUNT ("RSA")

The Company shall maintain a RSA which shall be increased or reduced by the following amounts expressed in dollars:

1. At the end of each month the RSA shall be:
 - (i) increased (reduced) by the amount actually charged (credited) to the Company by Hydro during the month as the result of the operation of its Rate Stabilization Plan.
 - (ii) increased (reduced) by the excess cost of fuel used by the Company during the month calculated as follows:

$$(G/H - P) \times H$$

Where:

- G = the cost in dollars of fuel and additives used during the month in the Company's thermal plants to generate electricity other than that generated at the request of Hydro.
- H = the net kilowatt-hours generated in the month in the Company's thermal plants other than electricity generated at the request of Hydro.
- P = the base rate in dollars per kilowatt-hour paid during the month by the Company to Hydro for firm energy.
- (iii) reduced by the price differential of firmed-up secondary energy calculated as follows:

$$(P - J) \times K$$

Where:

- J = the price in dollars per kilowatt-hour paid by the Company to Hydro during the month for secondary energy supplied by Deer Lake Power and delivered as firm energy to the Company.
- K = the kilowatt-hours of such secondary energy supplied to the Company during the month.
- P = corresponds to P above.
- (iv) reduced (increased) by the amount billed by the Company during the month as the result of the operation of the Rate Stabilization Clause calculated as follows:

$$\frac{L \times A}{100}$$

Where:

- L = the total kilowatt-hours sold by the Company during the month.
 - A = the Rate Stabilization Adjustment in effect during the month expressed in cents per kilowatt-hour.
 - (v) increased (reduced) by an interest charge (credit) on the balance in the RSA at the beginning of the month, at a monthly rate equivalent to the mid-point of the Company's allowed rate of return on rate base.
2. On the 31st of December in each year, commencing in 1989, the RSA shall be increased (reduced) by the amount that the Company billed customers under the Municipal Tax Clause for the previous calendar year is less (or greater) than the amount of municipal taxes for that year.
 3. The annual kilowatt-hours used in calculating the Rate Stabilization Adjustment to the monthly streetlighting rates are as follows:

	<u>Fixture Size (watts)</u>				
	<u>100</u>	<u>150</u>	<u>175</u>	<u>250</u>	<u>400</u>
Mercury Vapour	-	-	840	1,189	1,869
High Pressure Sodium	546	802	-	1,273	1,995

III. RATE CHANGES

The energy charges in each rate classification (other than the energy charge in the "Maximum Monthly Charge" in classifications having a demand charge) shall be adjusted as required to reflect the changes in the Rate Stabilization Adjustment. The new energy charges shall be determined by subtracting the previous Rate Stabilization Adjustment from the previous energy charges and adding the new Rate Stabilization Adjustment. The new energy charges shall apply to all bills based on consumption on and after the effective date of the adjustment.

Schedule B

Order No. P. U. 18 (2004)

NEWFOUNDLAND POWER INC.

MUNICIPAL TAX CLAUSE

I. MUNICIPAL TAX ADJUSTMENT ("MTA")

The Company shall include a MTA in its rates to reflect taxes charged to the Company by municipalities.

A MTA factor shall be calculated annually, effective the first day of July in each year, to collect over the following twelve (12) month period, an amount to cover municipal taxes. The MTA factor rounded to the nearest fifth decimal shall be calculated as follows:

$$\frac{X}{Y} + 1.00000$$

Where:

X = the amount of all municipal taxes paid by the Company in the previous calendar year.

Y = the amount of revenue earned by the Company in the previous calendar year less the amount collected by the Company under the Municipal Tax Clause in that year.

The MTA factor shall apply to all charges in all rate descriptions. These charges shall be adjusted annually effective the first day of July in each year to reflect changes in the MTA factor. The new charges rounded to the nearest significant number expressed in the rate descriptions shall be determined by multiplying each charge by the MTA factor. The new charges shall apply to all bills based on consumption on and after the first day of July.

The MTA factor shall be applied after application of the Rate Stabilization Adjustment.