

P.U. 41(2006)

INTERIM RATES ORDER

IN THE MATTER OF the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the “*EPCA*”) and the matter of the *Public Utilities Act* RSNL 1990, Chapter P-47 (the “*Act*”);

AND IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro (“Hydro”) for approvals of, under Section 70 of the *Act*, changes in the rates to be charged for the supply of power and energy to Newfoundland Power Inc., Rural Customers and Industrial Customers; and under Section 71 of the *Act*, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers;

AND IN THE MATTER OF revised application, pursuant to Section 70 and 75 of the *Act*, by Hydro for approval of, *inter alia*, rates to be charged its customers (the “Application”).

BEFORE:

Robert Noseworthy
Chair and Chief Executive Officer

Darlene Whalen, P. Eng.
Vice-Chair

1 **WHEREAS** Hydro is a statutory body corporate existing pursuant to the *Hydro Corporation Act, c.*
2 *H-16* of the Revised Statutes of Newfoundland and Labrador, as amended, and is a public utility
3 within the meaning of the *Act*; and

4
5 **WHEREAS** the rates for Hydro's customers were last set by Board Order Nos: i) P.U. 20(2004) for
6 Government departments; ii) P.U. 37(2005) for Labrador Interconnected customers and Hydro's
7 Isolated General Service customers; iii) P.U. 20(2006) for Newfoundland Power Inc.; iv) P.U.
8 22(2006) for Hydro's Island Interconnected, Isolated Rural Domestic customers (excluding
9 Government departments) and Isolated Rural Street and Area lighting (excluding Government
10 departments); and v) P.U. 31(2006) for Island Industrial Customers; and

11
12 **WHEREAS** Hydro filed a General Rate Application with the Board on August 3, 2006 seeking
13 approval of, among other things, a new schedule of rates, tolls and charges which, if approved,
14 would result in approximate average rate increases for Newfoundland Power Inc., Rural Island and
15 L'Anse au Loup Customers of 4.6%, for Industrial Customers and Rural Isolated Residential
16 Customers of 8.2%, for Labrador West Residential Customers ranging from 9% to 20%, and for
17 Rural Isolated General Service Customers, excluding Government, ranging from 16.75% to 17.25%;
18 and

19
20 **WHEREAS** on December 6, 2006 Hydro filed a revised General Rate Application seeking approval
21 of final rates, or in the alternative interim rates, for consumption on or after January 1, 2007
22 ("Hydro's Revised Application"); and

23
24 **WHEREAS** Hydro's Revised Application seeks an average rate increase of 0.4% to Newfoundland
25 Power Inc., a decrease for Industrial Customer rates of 13.9%, and minimal rate increases to Hydro's
26 other customers for 2007; and

27
28 **WHEREAS** a hearing has not been held in relation to Hydro's General Rate Application or Revised
29 Application; and

1 **WHEREAS** the Board has considered Hydro's request for a final rates Order to be effective January
2 1, 2007 and has determined that it will not approve final rates until fully testing the proposed rates,
3 which may involve a public hearing or other process; and

4 **WHEREAS** section 75 of the *Act* provides that the Board may make an interim order unilaterally
5 and without public hearing or notice, approving with or without modification a schedule of rates,
6 tolls and charges submitted by a public utility upon the terms and conditions that it may decide; and
7

8 **WHEREAS** Hydro's Revised Application proposes rates for Non-Government Rural Isolated
9 Domestic and General Service Customers which appear to be consistent with an Order in Council
10 issued under the authority of section 5.1 of the *EPCA*; and
11

12 **WHEREAS** the remaining rates set out in Hydro's Revised Application appear to be consistent with
13 an agreement between Hydro, the Consumer Advocate, the Island Industrial Customers and
14 Newfoundland Power Inc., which agreement is set out in four documents filed with the Board, in
15 particular:

- 16 (i) Agreement on Cost of Service, Rate Design and Rate Stabilization Plan matters dated
17 October 20, 2006;
- 18 (ii) Agreement on Cost of Service, Rate Design and Other Issues dated November 23, 2006;
- 19 (iii) Agreement on Matters pertaining to Revenue Requirement dated November 23, 2006;
- 20 (iv) Agreement on Labrador Interconnected Rates dated November 23, 2006; and
21

22 **WHEREAS** if, after a full review of Hydro's Revised Application, it is determined that excess
23 revenue has been earned by Hydro as a result of the interim Order the Board may order, pursuant to
24 Section 75(3) of the *Act*, that customers of Hydro receive a refund; and

1 **WHEREAS** the Board is satisfied that granting approval of interim rates for January 1, 2007 is
2 appropriate and reasonable in the circumstances.

3

4 **IT IS THEREFORE ORDERED THAT:**

5

6 Pursuant to section 75 of the *Act* the Board approves, on an interim basis, the schedule of rates, tolls
7 and charges attached as Schedule “A” to this Order to be effective on all energy consumed on and
8 after January 1, 2007.

DATED at St. John’s, Newfoundland and Labrador this 14th day of December 2006.

Robert Noseworthy
Chair and Chief Executive Officer

Darlene Whalen, P. Eng.
Vice-Chair

Cheryl Blundon
Board Secretary

Schedule “A”

Order No: P.U. 41(2006)

Issued: December 14, 2006

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY - INTERIM

Availability:

This rate is applicable to service to Newfoundland Power (NP).

Definitions:

"Billing Demand"

In the Months of January through March, billing demand shall be the greater of:

- (a) the highest Native Load less the Generation Credit, beginning in the previous December and ending in the current Month; and
- (b) the Minimum Billing Demand.

In the Months of April through December, billing demand shall be the greater of:

- (a) the Weather-Adjusted Native Load less the Generation Credit, plus the Weather Adjustment True-up; and
- (b) the Minimum Billing Demand.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	80,104
Thermal Generation Credit	<u>37,826</u>
Total Generation Credit	117,930

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, Newfoundland Power will be provided an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY - INTERIM (Continued)

"Maximum Native Load" means the maximum Native Load of NP in the four-Month period beginning in December of the preceding year and ending in March of the current year.

"Minimum Billing Demand" means ninety-nine percent (99%) of:

NP's test year Native Load less the Generation Credit.

"Month" means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

"Native Load" is the sum of:

- (a) the amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter; and
- (b) the total generation by NP averaged over the same fifteen-minute periods.

"Weather-Adjusted Native Load" means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load
plus (Weather Adjustment, rounded to 3 decimal places, x 1000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

"Weather Adjustment True-up" means one-ninth of the difference between:

- (a) the greater of:
 - the Weather Adjusted Native Load less the Generation Credit, times three; and
 - the Minimum Billing Demand, times three; and
- (b) the sum of the actual billed demands in the Months of January, February and March of the current year.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY - INTERIM (Continued)

Monthly Rates:

Billing Demand Charge:

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

\$4.00 per kW of billing demand

Energy Charge:

First 250,000,000 kilowatt-hours* @ 3.246 ¢ per kWh

All excess kilowatt-hours* @ 8.805 ¢ per kWh

Firming-up Charge:

Secondary energy supplied by

Corner Brook Pulp and Paper Limited* @ 0.841 ¢ per kWh

RSP Adjustment:

All kilowatt-hours @ 0.425 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment 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.

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 to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses:

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering, shall be applied to the metered demand.

NEWFOUNDLAND AND LABRADOR HYDRO
UTILITY - INTERIM (Continued)

Weather Adjustment: This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- (a) Weather adjustment shall be undertaken for NP's actual Maximum Native Load.
- (b) Weather adjustment shall be derived from Hydro's general NP native peak demand forecasting model.
- (c) By September 30th of each year, Hydro shall provide NP with updated weather adjustment coefficient incorporating the latest year of actuals.
- (d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to Environment Canada's weather station data for the St. John's, Gander, and Stephenville airports. NP's regional customer counts shall be used to weight regional weather data. Hydro shall consult with NP to resolve any circumstances arising the availability of, or revisions to, Environment Canada's weather data and/or wind chill formulation.
- (e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding 19 hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition on underlying weather data.
- (f) Subject to the availability of Environment Canada weather data, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of Weather-Adjusted Native Load by April 5th of each year.

General:

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach mutual agreement, the billing will be based on Hydro's best estimate.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL –FIRM - INTERIM

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:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.68 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*@ 3.676 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment 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.

Specifically Assigned Charges:

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

	Annual Amount
Abitibi-Consolidated (Grand Falls)	\$ 1,244
Abitibi-Consolidated (Stephenville)	\$ 104,647
Corner Brook Pulp and Paper Limited	\$ 347,167
North Atlantic Refining Limited	\$ 150,976
Aur Resources Inc.	\$ 186,169

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 – NON-FIRM - INTERIM

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 2005 (2.68%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 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 - INTERIM

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)*@ 0.384 ¢ per kWh

* For the purpose of this Rate, losses shall be 2.68%, the average system losses on the Island Interconnected Grid for the last five years ending in 2005.

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 No. 1.2G
DOMESTIC DIESEL
GOVERNMENT DEPARTMENTS - INTERIM

Availability:

For Service to Government Departments throughout the Island and Labrador diesel service areas of Hydro, to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

Rate:

Basic Customer Charge..... \$41.03 per month

Energy Charge:
All kilowatt-hours@ 78.10 ¢ per kWh

Minimum Monthly Charge \$41.03

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 2.1G
GENERAL SERVICE DIESEL 0-10 kW
GOVERNMENT DEPARTMENTS - INTERIM (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is less than 10 kilowatts.

Rate:

Basic Customer Charge.....\$44.82 per month

Energy Charge:
All kilowatt-hours@ 69.701¢ per kWh

Minimum Monthly Charge \$44.82

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
RATE 2.2G
GENERAL SERVICE DIESEL OVER 10 KW
GOVERNMENT DEPARTMENTS - INTERIM (Continued)

Availability:

For Service (excluding Domestic Service) to Government Departments throughout the Island and Labrador diesel service areas of Hydro where the maximum demand occurring in the 12 months ending with the current month is 10 kilowatts or greater.

Rate:

Basic Customer Charge:\$66.37 per month

Demand Charge:

The maximum demand registered on the meter in the current month.....@ \$53.68 per kW

Energy Charge:

All kilowatt-hours..... @ 49.554 ¢ per kWh

Discount:

A discount of 1.5% of the amount of the current month's bill, but not less than \$1.00 or more than \$500.00, will be allowed if the bill is paid within 10 days after it is issued.

General:

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales tax (HST) which applies to electricity bills.**

NEWFOUNDLAND AND LABRADOR HYDRO
RATE No. 4.1G
STREET AND AREA LIGHTING SERVICE DIESEL
GOVERNMENT DEPARTMENTS - INTERIM (Continued)

Availability:

For Street and Area Lighting Service to Government Departments throughout the Island and Labrador Diesel service areas of Hydro, where the electricity is supplied by Hydro and all fixtures, wiring and controls are provided, owned and maintained by Hydro.

Monthly Rate:

	SENTINEL / STANDARD
MERCURY VAPOUR	
250W (9,400 lumens)	\$63.95
HIGH PRESSURE SODIUM ¹	
100W (8,600 lumens)	51.80
150W (14,400 lumens)	63.95

¹ Only High Pressure Sodium fixtures are available for all new installations and replacements.

General:

Details regarding conditions of service are provided in the Rules and Regulations.
This rate schedule does not include the Harmonized Sales Tax (HST), which applies to electricity bills.