



REPORT
OF
THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
TO
THE HONOURABLE
MINISTER OF MINES AND ENERGY
GOVERNMENT OF NEWFOUNDLAND AND LABRADOR
ON
A REFERRAL BY NEWFOUNDLAND AND LABRADOR HYDRO
FOR
PROPOSED RATES TO BE CHARGED
TO
NEWFOUNDLAND LIGHT & POWER CO. LIMITED
FOR THE PERIOD OF JULY 1, 1990 TO JUNE 30, 1991,
FOR THE PERIOD OF JULY 1, 1991 TO JUNE 30, 1992,
AND FOR A PERIOD COMMENCING JULY 1, 1992.

Board's 1990 Report

Other than to minimize the rate shock that will be felt, there is no justification for not placing the entire increase in the rates immediately.

NLP submitted that cost deferrals are against generally accepted utility practice of matching rates to costs in the period in which they occur and that cost deferrals should not be made especially when they can be reasonably avoided.

Noseworthy concluded that the policy of deferring losses from operations does not conform with generally accepted accounting principles but Hydro has the authority under the EPCA.

Section 4.1(c) allows Hydro to include in its forecast costs the costs incurred after March 31, 1989, which have been deferred by Hydro and which would, unless recovered from its customers, cause Hydro to recover less than the minimum margin of profit approved by the Board.

Mr. Abery stated that Hydro's position is that it will not ask the Board at the next rate hearing to include in the rates any costs incurred in addition to those amounts which the Board may approve as deferrals at this hearing.

CONCLUSIONS

The Board believes that the \$2.7 million deficit as of March 31, 1989, less the \$365,000 payment by Government in 1989 is not a proper charge to rates and recommends that it be charged to the equity of Hydro as would happen in any normal amalgamation.