

FAX TRANSMISSION

FROM: The Board of Commissioners of Public Utilities

P.O. Box 21040, St. John's, NF. A1A 5B2

Fax: (709) 726-9604

DATE: June 7, 2002

The following is a Press Release with respect to the Board's Decision and Order regarding Newfoundland and Labrador Hydro's (NLH) Application for a General Rate Review

PRESS RELEASE

The Newfoundland and Labrador Board of Commissioners of Public Utilities (the "Board") today released its Decision and Order, Order No. P.U. 7(2002-2003), on the Newfoundland and Labrador Hydro ("NLH") General Rate Application. The 218 page document was prepared following a hearing which concluded at the end of January, 2002 after 61 days. This Application is NLH's first since becoming fully regulated in 1996 and also represents NLH's first request for a rate increase since 1991.

In particular, NLH's Application requested an increase in rates to its major retail customer, Newfoundland Power Inc., its large industrial customers and other customers served directly by NLH. As well, NLH sought approval of its 2002 Capital Budget. The hearing addressed other related issues contained in the Application, including NLH's financial targets, policies related to rural rates and its revenue requirement which is the amount of money NLH is allowed to recover from customers through electricity rates.

There are three separate systems operated by NLH. These involve (1) the Island Interconnected system which serves most of the Island portion of the province; (2) the Labrador Interconnected system which serves Labrador West and Happy Valley-Goose Bay and is fed from Churchill Falls; and (3) the Rural Isolated system, which serves communities on the Island and coastal Labrador, primarily through self-contained diesel generation plants. Because of the variety of decisions made by the Board affecting costs on each of these systems, NLH will be required to file a revised Schedule of Rates incorporating the decisions of the Board before final rates can be set. It is expected that these rates will be set by August 1, 2002.

With regard to the rates proposed, NLH stated at the time of its filing that the major factor driving its proposed rate increase is the cost of Bunker C (No. 6 fuel) needed for the Holyrood Thermal Generating Station which supplies approximately one-third of the electricity on the Island. Over the past 10 years the price of fuel in base rates was set at \$12.50 per barrel, while the actual price has been significantly higher, exceeding \$40 per barrel at times. NLH has been recovering the difference in the actual price of fuel and the \$12.50 in base rates in the Rate Stabilization Plan (RSP). This plan has been in place since 1985 and is designed to smooth rate fluctuations due to differences in forecasts of hydraulic production, load forecasts and fuel prices.

In its Application NLH had requested that the Board set the price of No. 6 fuel in base rates at \$20 per barrel with the difference between the actual cost and the \$20 per barrel accumulating in the RSP. The Board has decided that, to reflect true "cost based" rates connecting the price of fuel with the price of electricity, the price of No. 6 fuel in base rates will be set at the forecast price for 2002, on average \$25.91 per barrel. In order to mitigate the impact of this decision on rates, the Board has ordered NLH to freeze the estimated balance of

approximately \$84,000,000 (December 31, 2001) of the RSP to be recovered over a five year period starting in 2003.

The Board in the Order approved a modified 2002 Capital Budget for NLH.

The Board also sets out in its Decision and Order a number of other directives aimed at addressing operational efficiencies, financial targets, improved regulatory reporting, as well as customer service and conservation issues.

In addressing this first application of NLH as a fully regulated utility, the Board sees this as the first step in a staged process in the effective regulation of NLH which will benefit both consumers and the utility alike.

The Summary of Board Decisions and Order is attached to this Press Release. Also the complete documentation comprising the Decision and Order are available for pick-up at the Board's Office and can be viewed on the Board's website at www.pub.nf.ca.

Media Contact:	Dwanda Newman, Legal Counsel
	Phone: (709) 726-6781
	Toll Free: 1-866-782-0006
	E-mail: dnewman@pub.nf.ca
	Facsimile: (709) 726-9604