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NEWFOUNDLAND AND LABRADOR

AN ORDER OF THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NO. P.U. 36 (1998-99)

IN THE MATTER OF THE PUBLIC
UTILITIES ACT, R.S.N. 1990,
CHAPTER P-47 ("THE ACT")

AND

IN THE MATTER OF A HEARING WITH
REGARD TO VARIOUS MATTERS AFFECTING,
AMONG OTHER THINGS, NEWFOUNDLAND
POWER INC.'S ("NP") CURRENT RATES, TOLLS
AND CHARGES AND RATE OF RETURN ON
RATE BASE PURSUANT TO THE ACT

INTRODUCTION

This hearing addressed a number of issues which arose from hearings in 1996 and in the spring and early summer of 1998, along with applications from the company, dated April 24, 1998, August 4, 1998 and September 11, 1998. The hearing in 1996 was a general rate hearing which resulted in P.U. 7(1996-97), while the spring hearing, in 1998, which resulted in P.U. 16 (1998-99) was convened, principally, to focus on issues relating to the cost of capital. This order will finalize rates for 1998 and set rates for 1999 in response to an application for a rate increase, as well as address issues which were set over by P.U. 7 (1996-97) and P.U. 16 (1998-99) and those issues raised in two other applications from the company.

Messrs. Ian F. Kelly, Q.C. and Peter Alteen, LL.B., on behalf of NP;

Mr. Dennis M. Browne, Q.C., Government appointed consumer advocate;

Mr. Mark Kennedy, LL.B., counsel for the consumer advocate;

Mr. Jack Harris, M.H.A., Signal Hill-Quidi Vidi and Leader of the Newfoundland and Labrador New Democratic Party, on behalf of his constituents;

Mr. Paul Coxworthy, LL.B., on behalf of Abitibi-Consolidated and Irving Oil Limited;

Mr. John P. Andrews, LL.B., on behalf of Her Majesty in Right of the Province; and

Mr. Geoffrey P. Young, LL.B., on behalf of Newfoundland and Labrador Hydro Corporation Limited.

Assisting the Board were:

Mr. V. Randell J. Earle, Q.C., legal counsel;

Ms. G. Cheryl Blundon, Clerk of the Board;

Ms. Doreen Dray, Financial and Economic Analyst of the Board; and

Mr. William R. Brushett, C.A., Partner, Grant Thornton.

At the pre-hearing conference, Mr. Randell Earle, Q.C., advised that letters were received from: Newfoundland & Labrador Hydro ("Hydro") on August 31, 1998 and September 8, 1998; and the Government of Newfoundland and Labrador ("Government"), on September 15, 1998, giving notice that both parties would be making representations to the Board to defer the review of two items, namely:

- i) rate design alternatives, based upon marginal cost, time-of-use design principles and other innovative rate options; and,
- ii) the demand and energy rates for power purchased by NP from Hydro.

Hydro, in its letter dated August 31, 1998, expressed concern that these two items had particular significance for Hydro. They stated that: the Board reviews Hydro's wholesale rates to NP at Hydro's rate hearings; the issue of the structure of this rate should be addressed in context with Hydro's other rate issues; and the issue of marginal cost based rates has implications for customers of both NP and Hydro. Consequently, these issues are best addressed at a hearing in which Hydro is the proponent. Hydro indicated that a general rate hearing is proposed for 1999.

In its letter dated September 8, 1998, Hydro further requested that these two matters be deferred because of the energy policy review announced by Government on August 31, 1998. This review of the Province's energy policy is to include pricing.

On September 15, 1998, Government wrote the Board requesting deferral of the above-mentioned issues, noting the announced energy policy review and that a review of these matters, at this time, may be duplicative, leading to unnecessary regulatory costs.

Because of the submissions received from Hydro and Government, NP asked the Board to make a determination on the scope of issues to be dealt with at the hearing.

Mr. Harris, appearing on behalf of his constituents, advised the Board of his intention to request intervenor status in the proceedings to ask the Board to include a review of the policies, rules and practices of NP in relation to issuing cut-off notices to customers for non-payment of bills, as well as his intention to bring forward evidence of unfair collection practices used by NP, and to offer suggestions to improve the current policies.

Upon hearing representations from the parties, and, hearing no objections, the Board decided it would defer the following matters:

- i) the cost of service and associated methodology;
- ii) the basic customer charge;
- iii) curtailable rates;
- iv) rate design based upon marginal cost;
- v) time of use design principles;
- vi) other innovative rate options; and
- vii) the demand and energy rates for power purchased by NP from Hydro

until further consideration at a pre-hearing conference, to be held in May 1999. The Board decided to include Mr. Harris' intervention, to review changes to the credit collection policies and rules with respect to cut-off notices, as part of the scope of the current hearing.

The Board also set the schedule for the filing of documents and exhibits as well as requests for information and responses. The order of intervenors was also fixed. It was agreed the hearing would begin on November 9, 1998 at 9:00 a.m. in the hearings room of the Board. Notice of the hearing was subsequently advertised in local newspapers circulated throughout the Province.

Written reports were filed, as evidence, on behalf of the Board by:

- i) Mr. Dan Brown, P.Eng., Engineering Consultant, dated October 26, 1998, entitled, Report on Newfoundland Light & Power Co. Limited Re Quality of Service and Reliability of Supply; and
- ii) Mr. William R. Brushett, C.A., Partner, Grant Thornton, Financial Consultant, dated October 23, 1998, entitled, Financial Consultants' Report - Newfoundland Power 1998 Rate Hearing.