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Nov. 25, 2003

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Board of Commissioners of Public Utilities  
Prince Charles Road  
P.O. Box 21040  
St. John's, NL.  
A1A 5B2

**Re: Newfoundland and Labrador Hydro 2003 General Rate Application**

The Board of Directors of the Corner Brook Downtown Business Association wishes to express concern regarding the proposed rate hike on three fronts:

**Desire to increase profits from approximately 3% to 9.75%**

Merriam-Webster defines tax as 1 a: a charge usually of money imposed by authority on persons or property for public purposes b: a sum levied on members of an organization to defray expenses 2: a heavy demand.

The primary issue with this "profit increase" is that the flow through of the additional revenues will ultimately come from the general public and be redistributed back in some form or another. Just with CBPP the exact amounts extracted from this area could be as much as \$5 million plus the "tax multiplier effect". What ratio that multiplier factor is has yet to be determined but a typical tax increase can usually be a factor of 70% or greater. In other words, we could be talking about \$8.5 million in terms of lost wages or consumables less from Corner Brook Pulp and Paper. That's from one employer here in the City of Corner Brook. When this is combined with the proposed increase on other businesses and households it multiplies again.

Newfoundland and Labrador Hydro says as a business they have a right to expect a reasonable rate of return. As a business group we would normally agree. But, what business has the ability to increase profits in today's world by saying they want more and just increasing the costs to its customers to generate it? What business desires to increase profits from their customers and then dividend less of these same dollars back?

**Rate Stabilization Plan (RSP)**

It is our understanding that part of the rationale behind the increase is to pay off the \$60-70 million in this current program. They are already in the midst of paying off \$100 over


a five year term from previous period. This deficit occurs apparently due to variations in costs associated with supplying electricity to their customers. The intent is to pay this new RSP amount off in a 2-year term. (They have also tabled a lower rate increase, which pays the RSP off over a 4-year term). In the real business world when negative cost variations occur and you have to deal with paying down a resulting debt, you stretch that out over a reasonable period of time. Also, you never have the luxury of just going to your customers and asking for a price increase to cover off that additional "revenue requirement". What business model exists where whenever you have cost challenges you have the ability to put it totally on your customers over a narrow time frame?

### **New Sources of Power**

The CBDDBA supports any expansion in power generation. This would be an indication of increased business demand, which is only a positive to the economy. However, we have concerns with the thought process as to how Newfoundland and Labrador Hydro are justifying a profit increase. Also, we have concerns with the time frames in which they are attempting to deal with the RSP. As a result, we have questions regarding both the costing models and amortization periods of these new sources of power.

The paper business has to deal with global prices in the commodity market. They have currency issues, which today are working directly against them. They have a customer demand that is derived on the market for paper as a whole and their respective ability to compete on a cost basis. Cost basis, the primary factor that allows anyone in the paper business to make or lose money. An unnecessary cost increase based on questionable rationale will affect thousands of businesses and households here in the Corner Brook area. As Newfoundlanders, it seems we struggle to compete every day. Why we would allow a "pseudo business" to have such a potential negative impact is a question that you as a board will have to decide.

Regards,



Jeff Burt  
Chairperson