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Nov. 25, 2003

**PRESENTATION TO PUBLIC UTILITIES BOARD HEARING**

**BY MAYOR P. BOUTCHER, CITY OF CORNER BROOK**

**TUESDAY, 25 NOVEMBER 2003**

**MR. CHAIRMAN:**

**MEMBERS OF THE BOARD:**

I would like first to thank the Board for convening meetings here in the City of Corner Brook in response to the large number of objections received from people in this region. I am sure you will be hearing from a lot of other interest groups expressing concerns about the proposed rate increase by Newfoundland and Labrador Hydro.

I am here today on behalf of the City Council and the residents of the City of Corner Brook to express concerns on the impact these rate increases will have on the City. I will not be providing a lot of statistical information as I am sure you have been, or will be, provided with this information. I will be speaking in general terms.

I have three major areas of concern:

1. The impact this will have on the residents and the businesses in the City.
2. The impact on the City of Corner Brook and its budget.
3. The impact on the Corner Brook Pulp and Paper Mill.

I understand the original rate increase before the Board would have resulted in an increase to the customer of approximately 13.5 percent. I also understand this has now been revised and the increase now being requested would result in an increase of 9.8 percent.

#### Impact on Residents

The typical residential consumer with electric hot water and electric heat will have their yearly cost increased by approximately \$220.00 per year if the increase is 9.8 percent; and \$300.00 per year if the increase is 13.5 percent.

Residents have no other option but to absorb any increase in costs. Many residents are not in a financial position to take increases of this magnitude, particularly those living on fixed incomes or who are in a low income bracket.

I can only imagine the impact this will have on our hospitals, schools, etc., who are already running deficits.

City of Corner Brook

Currently Newfoundland Power charges approximately \$780,000 annually for services provided to the City of Corner Brook. The bulk of this, approximately \$500,000, is paid for street lighting.

I also understand in the past the flow through of the rate increases from Newfoundland and Labrador Hydro are applied across the board on all rates, including street lighting rates. If this is the case, a 13.5 percent increase will equate to an increase of approximately \$105,000 annually, and a 9.8 percent increase will equate to \$76,000 annually.

When any increase in the cost of power charged by Newfoundland and Labrador Hydro is being passed on to the consumer by a general rate increase, I would urge the Board to give special consideration to the rates charged for street lighting. Only approximately 25 percent of the rate charged is for the power consumed. The other 75 percent is for capital cost maintenance, etc. Therefore, the rate increase should only apply to the 25 percent portion relative to the power usage.

The City has only two options – to either transfer this increase on to the taxpayer, or to absorb the cost - resulting in a decrease in the level of services provided. Any transfer would further compound the increase I previously referred to for the residents of Corner Brook.

Impact on Corner Brook Pulp and Paper Mill

Where the mill is a direct purchaser of power, and purchases one-third of its power requirements from Newfoundland and Labrador Hydro, I understand the increase will be 28.5 percent, creating a financial impact of approximately five million dollars per annum.

The mill does not have the option to transfer this increase on to the customer as paper prices are set by the international market place and any increases directly affects the mill's bottom line. We are concerned the impact this increase may have on the viability of the mill. It could result in reduced production, translating into reduced jobs, which would certainly have a great financial impact on this region.

We have just elected a new Premier and Government with a mandate to stimulate economic growth to provide added revenue for increased public services. An increase of this magnitude by Newfoundland and

Labrador Hydro will certainly discourage development and put us in a less competitive position for growth. Instead of encouraging new growth, we may be putting existing businesses in jeopardy.

I understand that a significant portion of this increase is in place to address an unfunded liability in the Rate Stabilization Plan (RSP). Trying to recover these costs at this time puts an added burden on exporters like Corner Brook Pulp and Paper who are selling in US dollars, especially considering the current strength of the Canadian dollar.

**The purpose of the Rate Stabilization Plan (RSP) was to add stability – not to cause instability.**

In conclusion, I would urge the Board to give grave consideration to the concerns that the City of Corner Brook and other groups are expressing here today and to find a solution to this problem and significantly reduce the impact upon the residents of this province.

Thank you.