

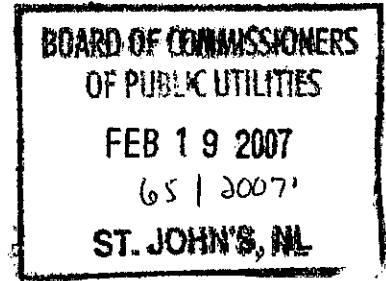
Western School District

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P. O. Box 368, 10 Wellington Street
Corner Brook, NL A2H 6G9

February 12, 2007

Board of Commissioners of Public Utilities
P.O. Box 21040
Suite E210, Prince Charles Building
120 Torbay Road
St. John's, NL A1A 5B2
Facsimile: 709:726-9604



Attn: Cheryl Blundon, Board Secretary

Dear Commissioners:

Re: Burgeo School- Preferred Electrical Rate, Detrimental Effect of NL Hydro Rate Application

The Town of Burgeo was incorporated on June 15, 1950, and is governed by a town council that consists of a mayor and five councillors. The Town operates under the authority of the Municipalities Act of the Province of Newfoundland and Labrador.

As a result of the high cost of providing roads and services to a single isolated community, the town had no road connection with other areas of the province and very few services prior to its incorporation. Yet these services were available in many other similar size and even smaller towns throughout the province. In fact, Burgeo was accessible only by an irregularly scheduled coastal boat service, float plane or helicopter until 1979, when a road connection was finally completed to the Trans Canada Highway near Stephenville.

Due to this general lack of services, the Town Council took on the responsibility of providing all local services needed by its residents. One of the decisions the Town Council of the day made was to set up an electrical utility and begin providing electrical power to the town.

For an extended period of time the town owned and operated the electrical utility company and used a diesel generating system to supply electricity to all homes, institutions and business establishments within the community.

As a result of a significant growth in the population of the town during the 1960s, fueled by the resettlement of nearby islands and hamlets and an increasing birth rate, the local School Board began planning for the construction of a new school. One of the decisions the board needed to make was, how will heat be generated for the school? The board was considering using hot water radiation, utilizing oil-fired boilers, until it was approached by the town indicating it was generating an excess amount of electricity that could be supplied at a low cost to heat the school.

Discussions began between the town and the board about the cost of supplying this electricity for the school. The town offered a preferred rate of 1¢ per kilowatt hour for the supply of electricity to the new school and entered into a contract with the school board to supply electricity for an indefinite period of time at that rate.

As a result of the enactment of the Rural Electrification Act during the 1960s and subsequent negotiations, an agreement was entered into between the Government of Newfoundland and the Town of Burgeo to transfer all assets in the town-owned utility to the province. One of the conditions of this transfer was the requirement to honor existing contracts entered into by the Municipality on behalf of the town-owned utility. These conditions have been the subject of previous submissions to the Public Utilities Board but the contract has always been honored to this date.

As a result of the deteriorating condition of the original school and a decline in the student population, it became necessary to replace that building with a new structure. During 2006, the Western School District disposed of the original property through a public tender and relocated all of its educational programs to the new Burgeo Academy

In a General Rate Application dated August 3, 2006, and a revised application dated December 6, 2006, Newfoundland Hydro has made the following request of the Public Utilities Board:

- 6.(i) *that the policy outlined in Order No. P.U. 7 (2002-2003) of charging rates based on full cost recovery for Government departments and agencies, **excluding hospitals and schools, in Isolated Rural Systems, be continued;***
- (k) *that the Rules and Regulations which govern the provision of service to Rural Customers be confirmed with the exceptions that:*
 - i) ***the rate for the Burgeo school and Library be deleted; and***
 - ii) *Sections 16 and 17 of the Rules and Regulations be amended so that all rates paid by Rural isolated customers, excluding Government departments, shall be adjusted between Hydro General Rate Applications to reflect changes made to Newfoundland Power's rates, including changes to rates arising from Municipal Tax and Rate Stabilization adjustments and from Fuel Rider adjustments.*

The effect of this change will be the establishment of a demand rate and an increased rate per kwh for the provision of electricity at the Burgeo School and therefore higher costs to heat and operate the school than was anticipated.

It is the contention of the Western School District that, since there was no time limit, expiry date, or conditions attached to the original contract between the Town of Burgeo and the Burgeo School Board, there was an implicit understanding of both parties to the original agreement that this contract would extend for an indefinite period of time and would therefore apply to any replacement buildings required in the future.

The Western School District further contends that the preferred rate for the supply of electricity to the Burgeo School should be retained and that this rate should now be transferred to and applied to all electricity supplied to the replacement building - Burgeo Academy.

As a result, the Western School District requests that the Board of Commissioners deny approval for Article 6(k)(i) of the present application by Newfoundland Hydro and direct that the preferred rate for the Burgeo School be retained and applied to the present school.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Brown", written over a horizontal line.

Donald I. Brown, Chair

DIB/bh