

Q. Please provide an accounting for any funds in the Excess Earnings Account

A. Board Order P.U. 36(1998-1999), page 98, 9(b), a copy of which is attached, deals with the disposition of the 1992 and 1993 surplus. It also states "a review will take place before the end of the year 2003 as to the disposition of any outstanding amount."



**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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

**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 PUBLIC UTILITIES ACT**

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6. FORTIS AND OTHER INTER-CORPORATE ISSUES

- (a) With respect to the concerns raised by the consumer advocate concerning inter-corporate charges and the use of time sheets, the directives set by P.U. 7 (1996-97) continue to be appropriate.
- (b) The treatment by the company of non-regulated expenses continues to be appropriate.

7. EARLY RETIREMENT PROGRAM

The proposed amortization and funding of pension liability associated with an extension to an early retirement program offered in 1997 and the allocation of the retirement allowance to operations in 1997 are hereby accepted.

8. INCREASE IN PENSION BENEFIT

The proposal of the company to charge to operating account the pension liability associated with the 2% increase in basic benefits paid to individuals who retired prior to January 1, 1993 and amortized over a 15 year period commencing July 1, 1998, is hereby approved as is the funding of the pension liability associated with the 2% increase over a 15 year period, commencing July 1, 1998.

9. WITH RESPECT TO POSSIBLE EXCESS EARNINGS IN 1992 AND 1993

- (a) There were excess earnings in 1992 and 1993 in the amount of \$1,081,000 and \$827,000, respectively, on an after tax basis.

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- (b) The amount of \$1,908,000, which is the total of the after tax excess earnings for 1992 and 1993, be established as a component of common equity on which no return will be allowed for the period 1999-2003. The total amount to be recovered is \$954,000, which represents one-half of the after tax excess earnings, and a review will take place before the end of the year 2003 as to the disposition of any outstanding amount.
- (c) Approval of the definition of "excess earnings" in the company's system of accounts be hereby rescinded and the definition be replaced with earnings above the maximum of the allowed range of rate of return on rate base.

10. WITH RESPECT TO THE FINALIZATION OF RATES, TOLLS
AND CHARGES FOR 1998 UNDER SECTION 70 OF THE ACT

- (a) The 1998 financial projections are accepted as appropriate and reasonable for the purpose of finalizing rates, tolls and charges for 1998.
- (b) The Board will allow a rate of return on rate base for 1998 of 9.81%. The range of return on rate base for 1998 will be from 9.63% to 9.99%, with a midpoint of 9.81%. The allowed rate of 9.81% for 1998 will provide NP with the opportunity to earn a rate of return on common equity of 9.25% and a rate of return on preferred equity, and on common equity in excess of 45%, of 6.33%.
- (c) The rates, tolls and charges set as interim rates by Order No. P.U. 21 (1998-99) and by P.U. 16 (1998-99) be and are hereby approved as final, pursuant to Section 70 of the Act.