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P.U. 3(2006)

IN THE MATTER OF the
PUBLIC UTILITIES ACT,
R.S.N.L. 1990, c. P-47, as amended,
(the “*Act*”)

AND

IN THE MATTER OF the application
(the “Application”) by Newfoundland Power Inc.
 (“Newfoundland Power”) for an order pursuant
to Sections 70, 78 and 80 of the *Act* and
Order No. P.U. 39 (2005):

- (a) approving its forecast rate base for 2006
in the amount of \$743,976,000;
- (b) approving the operation of the automatic adjustment
formula (the “Formula”) to determine a rate of return
on rate base for 2006; and
- (c) providing final approval of a schedule of rates,
tolls and charges on all electrical usage on and
after January 1, 2006.

WHEREAS Newfoundland Power is a corporation duly organized and existing under the laws
of the Province of Newfoundland and Labrador, is a public utility within the meaning of the Act
and is subject to the provisions of the *Electrical Power Control Act, 1994*; and

1 **WHEREAS** by Order Nos. P.U. 16 (1998-99), P.U. 36 (1998-99) and P.U. 19 (2003), the Board
2 ordered the establishment of the Formula for use in determining Newfoundland Power's rate of
3 return on rate base and in setting customer rates, tolls and charges (collectively "Customer
4 Rates") in years subsequent to a test year; and

5
6 **WHEREAS** by Order No. P.U. 50 (2004), the Board approved Customer Rates to reflect a rate
7 of return on rate base for 2005 of 8.68% in a range of 8.50% to 8.86%; and

8
9 **WHEREAS** by Order No. P.U. 16 (2005), the Board approved Newfoundland Power's current
10 Customer Rates to include the rate stabilization and municipal tax adjustment factors for the
11 period July 1, 2005 through June 30, 2006; and

12
13 **WHEREAS** by Order No. P.U. 39 (2005), the Board ordered, in effect, that the Customer Rates
14 approved in Order No. P.U. 16 (2005) be effective, on an interim basis, on all electrical usage on
15 and after January 1, 2006; and that Newfoundland Power apply for approval of the forecast 2006
16 rate base, application of the Formula to determine the rate of return on rate base for 2006, and
17 approval of its Customer Rates, no later than January 15, 2006; and

18
19 **WHEREAS** by Order No. P.U. 40 (2005), the Board ordered, in effect, that: Newfoundland
20 Power recognize for regulatory purposes \$3,086,000 of the 2005 Unbilled Revenue in 2006;
21 Newfoundland Power defer recovery of increased depreciation expense of \$5,793,000 in 2006;
22 Newfoundland Power deduct the average value of unrecognized 2005 Unbilled Revenue from

1 rate base commencing in 2006; and Newfoundland Power use book common equity for the
2 calculation of the rate of return on rate base commencing in 2006; and

3

4 **WHEREAS** Appendix A to the Application sets out the calculation of the forecast cost of
5 common equity for 2006 in accordance with Order No. P.U. 19 (2003); and

6

7 **WHEREAS** Appendix B to the Application sets out the calculation of the weighted average cost
8 of capital for 2006 based upon the operation of the Formula and the forecast 2006 cost of
9 common equity indicated in Appendix A; and

10

11 **WHEREAS** Appendix C to the Application sets out the 2006 forecast average rate base
12 reflecting the required adjustments resulting from Order No. P.U. 40 (2005); and

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14 **WHEREAS** Appendix D to the Application sets out the 2006 forecast average invested capital
15 reflecting the required adjustments resulting from Order No. P.U. 40 (2005); and

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17 **WHEREAS** Appendix E to the Application sets out the calculation of the 2006 rate of return on
18 rate base based upon the operation of the Formula; and

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20 **WHEREAS** the operation of the Formula yields a forecast rate of return on rate base of 8.54%
21 for 2006, and a rate of return on rate base of 8.54% is within the range of 8.50% to 8.86%
22 approved in Order No. P.U. 50 (2004); and

23

1 **WHEREAS** the operation of the Formula requires no change from the approved range of rate of
2 return on rate base approved in Order No. P.U. 50 (2004) and consequently no change in
3 Customer Rates.

4

5 **IT IS THEREFORE ORDERED THAT:**

6 The Board approves:

7

8 (i) pursuant to Section 78 of the *Act*, the forecast rate base for 2006 of \$743,976,000;

9

10 (ii) pursuant to Section 80 of the *Act*, a rate of return on rate base for 2006 of 8.68% in
11 a range of rate of return on rate base of 8.50% to 8.86%; and

12

13 (iii) pursuant to Sections 70 and 80 of the *Act*, the continued use of the Customer Rates
14 approved in Order No. P.U. 16 (2005) as Newfoundland Power's schedule of rates,
15 tolls and charges for all electrical usage on and after January 1, 2006.

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1 **DATED** at St. John's, Newfoundland and Labrador, this 27th day of January 2006.

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G. Cheryl Blundon

21 Board Secretary

Robert Noseworthy
Chair and Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair