



BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NOTICE OF APPLICATION and PRE-HEARING CONFERENCE

NEWFOUNDLAND POWER INC. 2003 GENERAL RATE APPLICATION

On October 11, 2002 the Board received a general rate application from Newfoundland Power Inc. for a full review of Newfoundland Power's 2003 costs, including cost of capital (the "Application"). Newfoundland Power is requesting, among other things, that the Board approve an increase in rates to be charged to its customers. While the average increase proposed is 1.39%, the specific impacts upon customers will vary depending on electricity consumption. Schedule A below contains the proposals Newfoundland Power has requested the Board to consider and approve in its Application.

All customers of Newfoundland Power as well as customers of Newfoundland and Labrador Hydro whose rates are based on the rate schedules of Newfoundland Power may be affected by the outcome of the Application.

PUBLIC HEARING AND PRE-HEARING CONFERENCE

The Board will hold a public hearing to consider the Application. In advance of the public hearing the Board will convene a pre-hearing conference beginning at **2:00 P.M. on Wednesday, October 30, 2002** in the Board's Hearing Room, Prince Charles Building, 120 Torbay Road, St. John's. Specifically, the pre-hearing conference will:

1. Identify intervenors and other interested parties;
2. Provide focus to the issues to be heard;
3. Set the dates and locations for the public hearing;
4. Establish the procedures to be followed during the public hearing;
5. Set the timetable for the filing of evidence, information requests, responses and other submissions to the Board; and
6. Settle any other matters which come before the Board in connection with the hearing of the Application.

HOW TO SEE THE APPLICATION

Copies of the Application are available for public viewing at the offices of the Board between the hours of 8:30 a.m.- 12:30 p.m. and 1:30 p.m. - 4:00 p.m. or upon request from the Board Secretary at (709) 726-8600 or on the Board's website at www.pub.nf.ca. A copy of the Application can also be viewed at any of Newfoundland Power's regional offices located throughout the Province.

HOW TO PARTICIPATE

The Application will be heard in accordance with the procedures established by the Board, and as set out in *Newfoundland Regulation 39/96* ("the Regulations") with respect to the filing of evidence, requests for information, and other matters. An interested person or organization can participate in the Application in one of the following three ways:

- 1) **Intervenor Submission** - Any person wishing to be made a party to the hearing must apply to the Board by way of an Intervenor's Submission. As set out in section 9 of the Regulations, the submission shall:
 - a) be signed or executed by the intervenor or an agent for the intervenor;
 - b) contain a concise statement of :
 - i) the intervenor's interest in the matter,
 - ii) the disposition of the proceedings which the intervenor advocates, if any,
 - iii) the facts the intervenor proposes to show in evidence,
 - iv) the reasons why the intervenor believes the Board should decide in the manner advocated,

- v) the qualification of expert witnesses, if any, whose opinions are to be relied upon, and
- vi) a list of that information and support documents that may be useful in explaining the intervenor's representation;
- c) if the intervenor proposes to confine the representation to the cross examination of an argument at the public hearing, so state; and
- d) be endorsed with the name, address, telephone and fax numbers of the intervenor or the intervenor's agent to whom communication may be sent.

Intervenor Submissions must be received by the Board before 3:00 P.M., Monday, October 28, 2002.

- 2) **Oral Presentation** - Any person or organization who does not wish to formally intervene in the Application and thereby become a party in the proceeding, but who wishes to make a presentation to the Board, may request the opportunity to make an Oral Presentation. Persons or organizations interested in making an Oral Presentation must write to the Board outlining their interest in the proceeding, along with their address and telephone number. **The Board will publish a further notice of the filing requirements and dates for Oral Presentations once the hearing schedule has been set.**
- 3) **Letter of Comment** - Any interested person or organization who does not wish to intervene or make an Oral Presentation may file a Letter of Comment for the consideration of the Board. All Letters of Comment must clearly state the person's interest in the proceeding, and the person's views regarding the proceeding, together with any relevant information that may be useful in explaining or supporting those views.
The Board will accept all Letters of Comment received before the closing day of the hearing.

HOW TO CONTACT THE BOARD

All correspondence and requests for further information should be addressed to the Board Secretary at the address set out below. The Board encourages the electronic filing of documents and the Board's Information Technology Officer, Mr. Mike McNiven, is available to support this type of filing at 709-726-1158, toll free 1-866-782-0006, or by e-mail at ito@pub.nf.ca

Copies of the Board's legislation and regulations are available for viewing on the Board's website at www.pub.nf.ca or at the Board's office.

Board Contact Information:

Office: Suite E210, Prince Charles Building, 120 Torbay Road, St. John's
Mail: P.O. Box 21040, St. John's, NL, A1A 5B2
Telephone: 709-726-8600 or 1-866-782-0006 (toll free)
Facsimile: 709-726-9604
E-mail: ito@pub.nf.ca

Dated at St. John's, Newfoundland and Labrador, this 16th day of October 2002.

Cheryl Blundon
Board Secretary

SCHEDULE A – NEWFOUNDLAND POWER PROPOSALS
CONTAINED IN THE APPLICATION

1. Newfoundland Power proposes the Board approve accounting treatments and policies with effect from January 1, 2003 to:
 - a. Amortize the recovery over a five year period, of an amount of \$5.6 million that has accumulated in the Weather Normalization Reserve;
 - b. Adopt on a prospective basis, the market related method of valuing pension assets for the purposes of determining pension expense;
 - c. Amortize over a three year period, the estimated Board and Consumer Advocate's regulatory costs of \$1.2 million incurred with respect to this Application; and
 - d. Credit one-half the balance of \$944,000 in the Excess Revenue Account to Newfoundland Power's revenues in each of 2003 and 2004 to reduce revenue requirements from rates that would otherwise be recovered from customers in those years.
2. Newfoundland Power proposes the Board approve provision for customer recovery of the remaining balance of the 1992 and 1993 excess earnings by reducing revenue requirement to be recovered from rates by \$176,000 in 2003 and \$349,000 in 2004.
3. Newfoundland Power proposes the Board approve the calculation of depreciation expense with effect from January 1, 2003 by:

- a. Use of the depreciation rates as recommended in the Depreciation Study filed with the Application; and
 - b. Adjustment of depreciation expense to amortize over a 3-year period an accumulated reserve variance of \$17.2 million identified in the Depreciation Study filed with the Application.
4. Newfoundland Power proposes that the Board approve rates, tolls and charges effective for service provided on and after May 1, 2003, to provide an average increase in electrical rates of 1.39 per cent, based upon:
 - a. A forecast average rate base for 2003 of \$597,232,000 and for 2004 of \$619,125,000;
 - b. A rate of return on average rate base of 10.48 per cent in the range of 10.23 to 10.73 per cent; and
 - c. A forecast revenue requirement to be recovered from electrical rates, following implementation of the proposals set out in Paragraphs 1, 2 and 3 above, of \$377,328,000 for 2003 and \$385,010,000 for 2004.
5. Newfoundland Power proposes the Board approve continued use of the Automatic Adjustment Formula with changes to:
 - a. Adopt the method used by the National Energy Board and the British Columbia Utilities Commission to determine the risk free rate;
 - b. Use an equity risk premium of 4.75 per cent at a risk free rate of 6 per cent for 2003; and
 - c. Allow a range of return on rate base of 50 basis points.
6. Newfoundland Power proposes the Board approve amendments to the Rules and Regulations governing Newfoundland Power's provision of electrical service to its customers to:
 - a. Eliminate the statement preparation fee;
 - b. Reduce the fee applicable for customer name changes from \$14 to \$8; and
 - c. Extend the application of the reconnection fee to circumstances where customers request reconnection of service following a landlord's request for disconnection of service.
7. Newfoundland Power proposes the Board defer dealing with outstanding issues related to revenue recognition and the Unbilled Revenue Increase Reserve Account pending resolution of an outstanding dispute with the Canada Customs and Revenue Agency.
8. Newfoundland Power proposes the Board approve additional capital expenditures for 2003 of \$425,000 to permit Newfoundland Power to undertake a load research program.