

1 **Q. In reference to the evidence of Philip Hughes, page 9 – Customer Rates – please**
2 **advise if the customers of Newfoundland Power have been informed of the**
3 **customers' liability arising out of the debt in the rate stabilization account and of**
4 **proposed increases as established by the Board in Order No. P.U. 7 (2002-2003) to**
5 **deal with that liability.**

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7 A. In Order No. P.U. 7 (2002-2003) Newfoundland and Labrador Hydro was granted
8 approval to increase the rate it charges to Newfoundland Power for the purchase of
9 power, effective September 1, 2002. On August 28, 2002 the Board approved an increase
10 in Newfoundland Power's electrical rates of approximately 3.68 per cent effective
11 September 1, 2002 to recover the increase in costs associated with the purchase of power
12 from Hydro. Attachment A is a copy of the Notice to Customers included with all
13 customers' bills for September 2002, advising customers of the rate increase.
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15 Each year Newfoundland Power makes application to the Public Utilities Board for
16 approval to revise the Rate Stabilization Adjustment (RSA) factor that forms part of the
17 electricity rates charged to customers. The revision takes place on July 1st, and at that
18 time the Company also informs customers of the rate increase (or decrease) using bill
19 inserts and/or bill messages. The information provided to customers will also give an
20 explanation as to the general operation of the rate stabilization account. On July 1, 2002
21 electricity rates decreased by an average of approximately 0.1 per cent due to a change in
22 the RSA factor approved by the Board in Order No. P.U. 9 (2002-2003). A bill message
23 to this effect was included on all customers' bills for July 2002.
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25 Any change in rates to Newfoundland Power's customers as a result of Order No. P.U. 7
26 (2002-2003) with respect to the balance in Hydro's Rate Stabilization Plan (RSP) will not
27 be implemented until July 1, 2003. The amount of any increase cannot be fully
28 determined as yet and therefore has not been communicated to customers. In late May or
29 early June, 2003, Newfoundland Power will seek approval from the Board to change the
30 RSA factor, based on any change in the amount charged to Newfoundland Power from
31 Hydro's RSP as well as the operation of the Company's own RSA. Upon Board approval,
32 the Company will communicate the impact of the revised RSA factor to all its customers.