

1 **Q. Provide an explanation for a 40% increase in uncollectable bills from \$500,000 in**
2 **2000 to \$700,000 in 2002.**

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4 A. Since 1998, the Company has significantly improved the success of its collections
5 processes. This is reviewed at pages 46 to 48 of the *Operations & Customer Service*
6 *Evidence*.

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8 Uncollectible bills in 2002 are significantly lower than in prior years. In 1998,
9 uncollectible bills were \$1.2 million. The \$700,000 forecast of uncollectible bills for
10 2002 represents a 42 per cent decline from the 1998 level.

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12 The results of a survey of the collection practices of Canadian electric utilities are shown
13 in the response to Request for Information CA-392. Newfoundland Power's bad debt
14 expense as a portion of revenues in 2002 is forecast to be 0.20 per cent, compared to a
15 survey average of 0.46 per cent.

16
17 The forecast increase in the Company's uncollectible bills expense over 2000 and 2001
18 levels is partly the result of the overall increase in revenue resulting from energy sales
19 increases and a 3.68 per cent increase in rates effective September 1, 2002. The increase
20 also reflects the impact of a number of large corporate insolvencies. In 2002, large
21 corporate insolvencies resulted in approximately \$150,000 in bad debt write-offs, as
22 compared to write-offs of approximately \$26,000 in 2000 and \$17,000 in 2001.