

P.U. 9 (2002-2003)

**IN THE MATTER OF THE PUBLIC
UTILITIES ACT, 1990, CHAPTER P-47
("THE ACT")**

AND

**IN THE MATTER OF THE APPLICATION
BY NEWFOUNDLAND POWER INC.
("THE APPLICANT")** for approval of rate
stabilization and municipal tax adjustments to
be applied to the rates of the Applicant for
the period July 1, 2002 to June 30, 2003
pursuant to section 71 of the Act.

WHEREAS the Applicant 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 also subject to the provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS Newfoundland and Labrador Hydro Corporation ("Hydro") maintains a Retail Rate Stabilization Plan ("RSP"), the operational guidelines of which are included in the Board of Commissioners of Public Utilities' ("the Board") Report to the Minister Responsible for Energy dated August 6, 1985; and

WHEREAS by Order No. P.U. 34 (1985), the Board approved the establishment of a Rate Stabilization Account (“RSA”) by the Applicant, and the Board also approved the inclusion of a Rate Stabilization Adjustment in the rates charged by the Applicant; and

WHEREAS the rate stabilization clause included in the Applicant’s “Schedule of Rates, Rules & Regulations” provides for the calculation of the balance in the RSA and the calculation of the Rate Stabilization Adjustment; and the Rate Stabilization Adjustment is to be recalculated on July 1st of each year to reflect the accumulated balance in the Applicant’s RSA as of December 31st of the previous year, and any change in the mill rate charged to the Applicant by Hydro as a result of the operation of its RSP; and

WHEREAS the Rate Stabilization Adjustment included in the Applicant’s rates for the period July 1, 2001 to June 30, 2002 is 0.172 cents/kWh; and

WHEREAS by Order No. P.U. 17 (1987), the Board ordered that municipal taxes no longer be included as an expense in the determination of revenue requirement but that they be collected through a Municipal Tax Adjustment (MTA) factor included in the rates of the Applicant; and

WHEREAS the municipal tax clause included in the Applicant’s “Schedule of Rates, Rules & Regulations” provides for the calculation of the MTA factor and the MTA factor is to be recalculated on July 1st of each year to reflect taxes charged to the Applicant by municipalities; and

WHEREAS the MTA factor included in the Applicant's rates for the period July 1, 2001 to June 30, 2002 is 1.02507; and

WHEREAS the Applicant applied on May 30, 2002 for approval of rate stabilization and municipal tax adjustments to be applied to the rates of the Applicant for the period July 1, 2002 to June 30, 2003, pursuant to Section 71 of the Act (the "Application"); and

WHEREAS in Order No. P.U. 7 (2002-2003), the Board ordered that the RSP mill rate to be paid by the Applicant to Hydro for the period July 1, 2002 to June 30, 2003 shall be 1.77 mills/kWh; and

WHEREAS the Application was amended to reflect the provisions of Order No. P.U. 7 (2002-2003) with respect to the recovery of the balance in the RSP (the "Amended Application"), which Amended Application was received by hand at the Board on June 18, 2002, together with an accompanying affidavit and schedules; and

WHEREAS Schedule A presents the calculation of the Rate Stabilization Adjustment of 0.163 cents/kWh proposed by the Amended Application to be used by the Applicant in billing customers for the period July 1, 2002 to June 30, 2003; and

WHEREAS Schedule B presents the calculation of the MTA factor of 1.02501 cents/kWh proposed by the Amended Application to be used by the Applicant in billing customers for the period July 1, 2002 to June 30, 2003; and

WHEREAS in accordance with the rate stabilization clause and the municipal tax clause, the Rate Stabilization Adjustment and the MTA factor for the period July 1, 2002 to June 30, 2003 is to apply to all bills based on meter readings taken on and after July 1, 2002.

IT IS THEREFORE ORDERED THAT:

The Board approves the Rate Stabilization Adjustment factor of 0.163 cents/kWh and the MTA factor of 1.02501 to be applied to all bills based on meter readings for the period July 1, 2002 to June 30, 2003.

DATED at St. John's, Newfoundland, this 20th day of June, 2002.

Robert Noseworthy,
Chair and Chief Executive Officer.

Darlene Whalen, P.Eng.,
Vice-Chairperson.

G. Cheryl Blundon,
Director of Corporate Services
and Board Secretary.

SCHEDULE A

**Calculation of the Rate Stabilization Adjustment
for the period July 1, 2002 to June 30, 2003**

That in accordance with the Rate Stabilization Clause, the Rate Stabilization Adjustment for the period July 1, 2002 to June 30, 2003 is calculated as follows:

(i) by removing the previous Rate Stabilization Adjustment of +0.172 cents/kWh

(ii) by calculating the new adjustment as follows:

$$B = \text{Amount owed to Hydro: } 1.77 \text{ mills/kWh} \times 4,423,256,932 = \$ 7,829,165$$

$$C = \text{Balance in the Applicant's RSA at December 31, 2001} = \$ (362,875)$$

$$D = \text{Total Energy Sales by the Applicant from January 1, 2001 to December 31, 2001} = 4,574,655,000 \text{ kWh}$$

$$\begin{aligned} \text{Rate Stabilization Adjustment} &= \frac{B + C}{D} \\ &= \frac{\$7,829,165 + \$ (362,875)}{4,574,655,000} \\ &= 0.00163 \text{ \$/kWh or } 0.163 \text{ cents/kWh} \end{aligned}$$

SCHEDULE B

**Calculation of the Municipal Tax Adjustment Factor
for the period July 1, 2002 to June 30, 2003**

That in accordance with the Municipal Tax Clause, the Municipal Tax Adjustment factor for the period July 1, 2002 to June 30, 2003 is calculated as follows:

X = Amount of all municipal taxes paid in 2001 = \$8,837,902

Y = Amount of Revenue earned in 2001 to which MTA factor shall apply, calculated as follows:

Normalized Revenue from rates for 2001 = \$352,956,000

Add: RSA revenue for 2001 = \$8,076,000

Add: 2001 Weather Normalization Revenue Adj. = (\$5,511,000)

Less: Forfeited Discounts = \$2,164,000

Y = \$353,357,000

$$\begin{aligned}
 \text{Municipal Tax Adjustment Factor} &= \frac{X}{Y} + 1.00000 \\
 &= \frac{\$8,837,902}{\$353,357,000} + 1.00000 \\
 &= 1.02501
 \end{aligned}$$