



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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1999 06 30

Honourable Paul Dicks, Q.C.
Minister of Justice and Attorney General
Department of Justice
4th Floor, East Block
Confederation Building
P.O. Box 8700
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Dear Minister:

It is with pleasure that I present this Annual Report on the operations of the Public Utilities Board for the year ended March 31, 1999. You will note that the Report format has been revised and that a statement of objectives has been established for 1999-2000.

I have the honour to submit this Report on behalf of an organization whose members I hold in high esteem, both individually and collectively.

Yours sincerely,

David A. Vardy,
Chair and Chief Executive Officer



OUR MISSION

Through our skilled staff and an investigative and monitoring process that invites full public participation, we ensure that the public of Newfoundland and Labrador are well served in a changing environment by achieving an equitable balance between the interests of consumers and service providers in the electric utility, automobile insurance and motor carrier industries.

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MESSAGE FROM THE CHAIR

This Report provides a summary of the activities of the Board in each of the areas of its mandate, including electric power and automobile insurance rate regulation as well as an overview of administrative activities and the financial statements of the Board. The year was an eventful one, from both a regulatory and an administrative perspective. There were two lengthy hearings that impacted upon electric power rates. The Board adopted an adjustment mechanism to provide for annual adjustment in the allowed return on rate base for Newfoundland Power. During the year the Board completed and released its strategic plan.

Electric Power

On July 1st, 1998, the Board issued an Order that resulted in a rate reduction of 2.1%, beginning January 1st, 1998. This was the outcome of a hearing into the rate of return on capital and the capital structure of Newfoundland Power. The Order reduced the allowed rate of return and the lower cost of capital was reflected in an Order for reduced rates.

In the same Order the Board adopted an automatic adjustment formula to allow annual adjustment in the rate of return on rate base. This formula was based upon the equity risk premium model using the long-term government bond rate as the risk free rate.

On June 15th, 1998, the Court of Appeal of the Supreme Court of Newfoundland released its Opinion on a case stated by the Board in 1996. The Court ruled that the Board can use an allowed return on rate base for rate-making purposes but cannot regulate the rate of return earned on common equity. With respect to the question of excess earnings, the Court ruled that the Board has the jurisdiction and the duty to determine the disposition of any such excess earnings.

A further hearing into matters relating to Newfoundland Power began in November. This hearing dealt with a rate application from Newfoundland Power and other matters including credit collection, operating costs, executive and management compensation, as well as an early retirement program. The hearing also reviewed possible excess earnings by Newfoundland Power in 1992 and 1993. The Order issued by the Board on January 15th, 1999 approved a rate increase of 1% beginning February 1st, 1999. The Order also ruled on the question of excess earnings and divided the amount identified as excess earnings between the Company and customers.

During the fall hearing a Report on Newfoundland Power's service quality and reliability was tabled. This Report had been commissioned by the Board early in 1998. A similar engineering and quality of service report for Newfoundland Hydro was also undertaken.

The Board, having heard evidence upon activities by Newfoundland Power and Newfoundland Hydro to achieve Y2K compliance, monitored progress by both utilities in solving the Y2K problem throughout the year.

Staff of the Board undertook a review of the filing requirements for both Newfoundland Power and Newfoundland and Labrador Hydro. The purpose of this review was to harmonize the filing requirements for the two companies and to reduce the cost in time and money of preparing such filings. The Board has directed that certain reports previously filed monthly now be filed on a quarterly basis.

A comprehensive review was undertaken of contributions in aid of construction. These relate to the provision of line extensions on behalf of commercial and residential customers. The purpose of the review was to monitor compliance with a revised Contributions in aid of Construction (CIAC) Policy that arose from a hearing into this matter in 1997.

The Board undertakes an annual regulatory review of both Newfoundland Power and Newfoundland and Labrador Hydro. The 1997 review of Newfoundland Power was considered during the fall hearing, along with a Report by the Board's Financial Consultants on the issues that were specific to that hearing.

During the year Government announced the commissioning of an energy policy review. This review will address options for restructuring the electric power industry and will consider possible changes in electric power regulation and in pricing. It is the intention of the Board to provide input to Government during the course of this review with particular reference to regulatory options.

Automobile Insurance

During 1998, the Board adopted the revised benchmark rates for use with filings made during 1998. On an overall basis, the rate changes indicated by the benchmarks represented rate decreases in both Territories 1 and 2, on full coverage, and a small increase in rates for Territory 3. The Board is encouraged by the 1998 benchmarks, as it represents the first time in twelve years that there has been a decline in liability rates in either Territory 1 or 2.

An application from Facility Association for a 30% rate increase was rejected by the Board.

The Board assisted Government in its evaluation and implementation of the recommendation of the Select Committee of the House of Assembly on Insurance. The Board is awaiting the outcome of Government's decision with respect to the Select Committee's Report.

Expropriation

The administration of the Expropriation Act became the responsibility of the Board on December 16, 1996. In preparation for the hearing of applications under this amended legislation, the Board has compiled information from other jurisdictions with respect to land value arbitration. The Board's Legal Counsel provided training to assist staff and commissioners to prepare themselves for arbitration activities.

Strategic Plan

The Board completed its strategic plan in October, 1998 and presented it to the Minister of Justice. The plan embodies a significant input of time and effort by all members of the organization, and sets out ten goals, along with specific objectives associated with each. The plan also identifies the core values of the Board and provides a statement of its mandate and mission. The mission statement is as follows:

Mission

Through our skilled staff and an investigative and monitoring process that invites full public participation, we ensure that the public of Newfoundland and Labrador are well served in a changing environment by achieving an equitable balance between the interests of consumers and service providers in the electric utility, automobile insurance and motor carrier industries.

Legislative Changes

The Board submitted to the Minister of Justice a number of proposals for changes in legislation. These changes were approved by the House of Assembly in December of 1998. Section 91 of the *Public Utilities Act* was amended to allow the Board to exercise its discretion as to whether a public hearing should be held to deal with applications for the placement of bond issues by a public utility. This particular

change was one of a number of legislative changes accepted by Government and approved by the House of Assembly.

Web Site

The Board now has a web site at <http://www.pub.nf.ca>. This site provides ready access to legislation governing the Board and to recent Board Orders. Significant progress in other aspects of information technology has been made possible by the appointment of an Information Technology Officer.

Objectives

The Board has established the following objectives for 1999-2000:

- * Continue to monitor Y2K compliance by public utilities.
- * Implement new and harmonized filing requirements for Newfoundland Power and Newfoundland and Labrador Hydro.
- * Review the scope and mode of regulation of electric utilities as an input by the Board into Government's energy policy review.
- * Review possible legislative changes to improve the efficiency of the automatic adjustment formula which is designed to achieve an annual adjustment in the allowed cost of capital without the necessity of a costly hearing into the cost of capital.
- * Complete a comprehensive review of the system of accounting used by Facility Association in order to determine the extent, if any, of profits from Newfoundland operations.
- * Implement key recommendations resulting from a review of internal controls conducted for the Board by its auditors.
- * Review the Board's records management and improve public access to the records and database maintained by the Board.
- * Prepare an ongoing Board calendar accessible to the public on our Web Site.
- * Report to Government with recommendations concerning intervenor funding.
- * Develop a media and public relations plan so that the public can be better informed on the role and the activities of the Board.
- * Improve the organizational structure to increase the Board's efficiency and provide greater administrative empowerment of staff.
- * Build upon the strength of the Board's human resources through an improved program of personal and professional development.
- * Improve communication as to the achievement of goals and objectives by each member of the organization and the organization as a whole.
- * Establish a regional office of the Board in Corner Brook with a mandate to address complaints and inquiries from automobile insurance customers, and customers of the

electric power utilities, particularly the customers of Newfoundland and Labrador Hydro living in rural areas of the Province.

- * Prepare new procedural regulations for the hearing of land value arbitration applications for approval by the Lieutenant-Governor in Council.

Personnel

During the year the Board bade farewell to its former Legal Counsel, Mr. Sean Hanrahan. I would like to welcome newly appointed Commissioner Mr. William Crosbie, who brings to the Board his professional expertise as an electrical engineer and his experience as a businessman. During the year the Board also welcomed the appointment of Mr. Mike McNiven as Information Technology Officer, Mr. Don Seaward as Compliance Officer and Mr. Randy Pelletier as the Board's Legal Counsel.

I wish to convey my deep gratitude to the Vice-Chair and Commissioners who have given their support to me as Chair during the year. Commissioners and staff have worked together as a highly skilled team to serve the public interest through the efficient performance of the Board's statutory duties.

The Board recognizes the dedication and efficiency of its staff. The organization is blessed with a high level of professionalism and enthusiasm. We believe that it is important that the success achieved from the efforts of our staff be recognized and celebrated.

The Board believes that an investment in the professional development of its human resources is essential to the high performance of the organization. Accordingly, the Board has supported education and training in a variety of subject areas, including: information technology; secretarial skills; management and supervisory practices; and regulatory affairs.

The Board expresses its appreciation to its auditors, its financial and actuarial consultants as well as to other experts who were retained during the year. In light of the highly specialized nature of the Board's work, the Board relies heavily upon the technical and professional skills of its staff and consultants, as well as upon the specialized knowledge of commissioners.

CONCLUSION

As Chair and Chief Executive Officer of the Board I wish to report that the organization is well positioned in order to discharge its responsibilities during the coming years. Members of the organization work together in a harmonious and collegial fashion. The organization functions well as a highly dedicated team of professionals who know their business well. It is a team of which I am proud! The Board's strategic plan will serve it well in defining performance targets for the organization as a whole and for each individual member.

David A. Vardy,
Chair and Chief Executive Officer.

WHO WE ARE & WHAT WE DO

The Board by legislative statute is comprised of the Chairperson and Chief Executive Officer, Vice-Chairperson and one Commissioner, all full-time, and up to six part-time Commissioners.

The Board operates at arms length from Government as an independent, quasi-judicial regulatory agency appointed by the Lieutenant-Governor in Council, and operates primarily under the authority of the *Public Utilities Act, R.S.N.1990*. Statutory responsibilities includes the administration of:

- i) *The Electrical Power Control Act;*
- ii) *The Act to Amend the Electrical Power Control Act;*
- iii) *The Public Utilities Acquisition of Lands Act;*
- iv) *The Automobile Insurance Act;*
- v) *The Motor Carrier Act;*
- vi) *The Motor Vehicle Transport Act; and,*
- vii) *The Expropriation Act*

The Board submits its annual report and annual budget to the Minister of Justice. Board orders and decisions are independent of any reporting structure. The Board is fully funded by assessments upon the industries it regulates and receives no funding from the consolidated revenue fund.

Primarily, the Board is charged with the general supervision of public utilities, as defined by the Act, operating in the province. The two major electric utilities operating in the province are Newfoundland Power Inc. and Newfoundland & Labrador Hydro Corporation. The Board is mandated to ensure: legislative compliance; that the rates charged are reasonable and just, and that service provided is safe and reliable. The Board is also charged with the supervision of the rates charged by the 55 registered automobile companies operating in the Province and has limited regulation of the motor carrier industry in relation to specified passenger and ambulance operations.

Regulatory activities include: monitoring compliance with reporting requirements and Board Orders, considering applications, managing complaints, responding to inquiries and conducting hearings on various matters as well as conducting investigations into particular matters or concerns relating to service quality and activities initiated by Government.

Besides the Board members, there are ten full time staff members who manage the administrative operations of the Board and provide professional and support services to the Board. The internal structure of the organization is comprised of two components, the Administrative Service Division and the Regulatory Affairs Division.

The Administrative Service Division manages the human and financial resources of the Board. Responsibilities include: policy and planning activities; staffing; training; accounting and financial management; legal services; information systems and technology services; records management; internal and external communications; public interface; inventory control and physical security. Staff include Director of Administrative Services and Board Secretary, Legal Counsel, Executive Secretaries, Accountant, Information Technology Officer and Clerk-Stenographer.

The Regulatory Affairs Division consists primarily of staff and consultants who: provide advice and recommendations on applications submitted to the Board; assess regulatory filings; complete compliance and financial audits; provide expertise in the areas of financial and economic regulation; and participate in customer complaint management. Staff members include the Manager of Regulatory Affairs; Economic and Financial Analyst and Compliance Auditor.

As a relatively small organization, staff from both divisions work closely together to fulfill the Board's mandate. The Board encourages active staff participation in decisions that affect the organization, which helps to achieve the strategic goal of a team-based environment.

REGULATORY ACTIVITIES

The Electric Utility companies are required to file with the Board, monthly, quarterly and annual reports on matters that assist the Board in fulfilling its general supervisory responsibilities charged under the Board's legislative mandate. These reports are a combination of regulatory requirements resulting from existing legislation, Board orders and/or Board requests.

As part of its Strategic Objectives the Board is undergoing a comprehensive review of the reports filed with the Board to determine what information is necessary to fulfil its legislative mandate and to ensure that the monitoring services are both qualitative and cost-efficient for the regulated companies. The Board anticipates this review to be completed before the summer of 1999.

Another form of regulatory activity utilized by the Board has been regularly scheduled meetings with the senior executives from the Electric Utility's. These meetings have been held on a bi-monthly basis. Agenda items discussed at these meetings include:

- ⇒ recently filed regulatory reports,
- ⇒ current financial highlights,
- ⇒ operating highlights,
- ⇒ issues of public importance,
- ⇒ review of the price of oil, used in generation facilities,
- ⇒ changes in personnel in key positions, and
- ⇒ energy planning.

As a follow through of reviewing the reporting requirements for the Board, the Board is also reviewing the possibility of changing the reporting calendar of the Utilities from a monthly to quarterly basis. It is expected that the scheduling change will occur in the upcoming year.

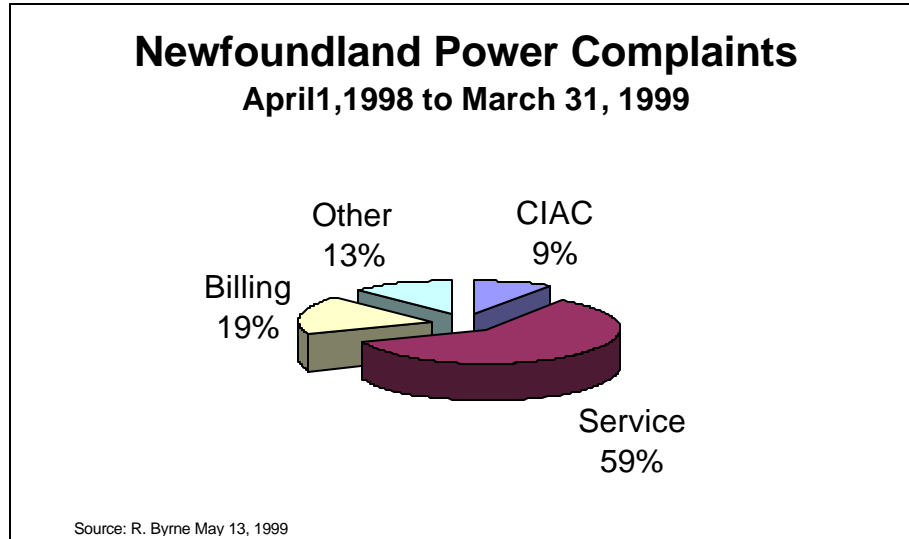
The Board remains cognizant of adhering to the principles of natural justice by ensuring that its independence is not compromised. Official recordings and transcripts are made available for the scrutiny of any interested person and/or party.

It is important to note that the Board suspends the quarterly meetings with the Utilities during hearings. There is also a professional agreement that contentious issues that may lead to formal investigations by the Board are not discussed during these meetings.

Communication between the Utilities and the Board is an integral part of regulation. The Board and Utilities conduct open and effective communication. Normally, all official communication and correspondence is routed through the office of the Board Secretary. The Board Secretary is charged under the Public Utilities Act to keep a full record of the proceedings of the Board.

The Board is available to assist the public in the resolution of complaints with the utilities in the areas of utility policies and practices, customer billings, and disconnection of accounts. The Manager of Regulatory Affairs is the liaison with the Utilities in the resolution of complaint management from customers who are unable to resolve disputes with their respective utilities on their own. The Board has a specific policy when intervening on behalf of customers. The staff in the Regulatory Affairs division must be satisfied that the customer has made an attempt to resolve the matter, before intervening on behalf of the customer.

During the year, the Board dealt with 32 complaints in the categories outlined in the following graph. The largest number of complaints was received in the Service category, which involved the termination or threatened termination of electricity service by the utility for non payment of account or excessive outstanding bills. In the majority of these cases, Board staff were successful in making payment arrangements suitable to the customer and the utility.



The Board communicates Board Orders to the public through the issuing of press releases. In the last year the Board has attempted to improve its public awareness and accessibility with the creation of the Board's web-site which gives an overview of the Board and its activities.

The Board issued its Strategic Planning Report in the spring of 1999 detailing the summary of its findings during the strategic planning process as well as the goals and objectives for the future. As these goals and objectives are achieved, it is anticipated that changes in the regulatory environment will lead to more efficient and effective regulation

COMMISSIONERS

Year End - March 31, 1999

Chair & CEO



David A. Vardy was appointed as Chair and Chief Executive Officer of the Public Utilities Board for the Province of Newfoundland and Labrador in September of 1994. Mr. Vardy holds a Masters Degree in Economics from Princeton University in New Jersey. He has held a number of senior positions with the Province of Newfoundland and Labrador including that of Secretary to the Cabinet and Clerk of the Executive Council. Prior to that appointment he was President of the Newfoundland Institute of Fisheries and Marine Technology. He worked as an Economist with the Federal Departments of Fisheries and Finance. Mr. Vardy also taught as a Member of the Economics Faculty of Memorial University and Queens University in Kingston, Ontario.

Vice - Chair



Leslie E. Galway was appointed as Vice-Chair of the Board in January, 1995 and previously as Commissioner in March, 1990. Ms. Galway holds a Masters Degree in Business Administration and a Chartered Accountant designation. Prior to joining the Board, Ms. Galway was a senior manager with Clarkson Gordon/Woods Gordon and taught as a member of the Faculty of Business Administration of Memorial University of Newfoundland.



Raymond A. Pollett was appointed to the Board as a full time commissioner on December 17, 1997, after serving four years as a part-time commissioner. Prior to this full time appointment, he was elected as Mayor of the City of Corner Brook for three consecutive terms (1985-1997). He was also a self-employed Realtor from 1970-1990. He was awarded the Queens 25th Anniversary Medal for Community Service (1952-1977) and is an International Lifetime Member of the Corner Brook Lions Club. Since 1985 he was actively involved in the initial planning and construction of the "Corner Brook Canada Games Centre", and was a founding member of the "1999 Canada Winter Games" (Host Society) which were held in Corner Brook on behalf of the province of Newfoundland and Labrador.



Fred Saunders was appointed as a part-time commissioner with the Board in May of 1997. This is Mr. Saunders' second term with the Board having served in several senior level positions, including that of commissioner, between 1968 and 1978. Fred has held senior management positions in the private sector including that of President and CEO of Day & Ross (Nfld), Ltd. He has also been involved in several community activities having served for five years as Chairperson of the Janeway Children's Hospital Foundation Board of Directors.



William B. Crosbie was appointed part-time Commissioner of the Public Utilities Board in September of 1998. Mr. Crosbie graduated with a B.Eng. degree from Nova Scotia Technical College (now TUNS), in 1973. He has pursued a career in consulting engineering for twenty years and has been president of Crosbie Engineering Ltd. for ten years. He has volunteered with the Canadian Diabetes Association, the Newfoundland and Labrador Sailing Association and Topsail Anglican Church. He has particular interest in power generation, transmission and distribution systems.



William Finn was appointed as a part-time Commissioner of the Public Utilities Board in May, 1997. Mr. Finn is a graduate of St. Mary's University and Dalhousie Law School, Halifax, Nova Scotia. Mr. Finn has been involved in private law practice since 1975. He is a former member of the Board of Regents for Memorial University and was appointed Queen's Counsel in 1997.



Gary R. Vey was appointed as a part-time Commissioner in 1997. Mr. Vey is currently Executive Director of the Gander International Airport Authority Inc. He has held a number of positions in the financial industry and worked for 14 years as a small business and community development consultant. Mr. Vey is a graduate of the College of Trades and Technology and the University of Waterloo.



Darlene Whalen was appointed as a part-time Commissioner of the Public Utilities Board in May of 1997. Ms. Whalen holds a Bachelor of Engineering degree (Civil) and a Masters degree in Applied Science and Environmental Engineering, both from Memorial University. She is a registered professional engineer and has worked in the consulting field in the area of water resources engineering. She currently works with the Faculty of Engineering and Applied Science at Memorial University where she manages the Co-operative Education Office and does sessional teaching in the area of environmental science and engineering.

THE ELECTRICAL POWER INDUSTRY

During the 1998-99 fiscal year, the Board conducted two major hearings and two shorter hearings. The larger hearings both involved Newfoundland Power Inc. and had a direct impact on the rates being charged to the ratepayers of the province.

NEWFOUNDLAND POWER INC.- CAPITAL STRUCTURE AND RATE OF RETURN

The first hearing, which came about as a result of falling interest rates, an investigation initiated by the Board and a subsequent request by a municipality, was ordered by the Board in order to review the rate of return being earned and the capital structure of Newfoundland Power Inc. Included in the topics being covered were the frequency of a full cost of capital review and the appropriateness of an automatic adjustment formula.

At the pre-hearing conference held on April 2 and 6, 1998, the government appointed consumer advocate, Dennis M. Browne, Q.C., requested that other issues held over from the 1996 rate hearing of Newfoundland Power Inc. be included in the scope of this hearing. These were:

- industrial inflation index
- executive and management compensation
- cost of service methodology
- basic customer charge
- curtailable rates
- rate design
- demand energy rate from Newfoundland Hydro

On the basis of submissions of the parties present at the pre-hearing conference, the Board decided to defer these issues to a later date and to focus on the issues contained in the public notice.

The consumer advocate and Abitibi-Consolidated Inc. acted as intervenors in the proceeding, and evidence was presented by expert witnesses engaged by the company, the consumer advocate and the Board, as well as by management and staff of Newfoundland Power Inc.

The resulting order, P.U. 16(1998-99), used 1997 test year financial projections, deemed a common equity ratio of 45% and a rate of return on common equity of 9.25%, and allowed a rate of return on rate base of 9.91%. This resulted in a rate reduction, effective January 1, 1998, of 2.1%.

An automatic adjustment formula to set rates for the upcoming year was put in place. The rate of return on rate base would be determined, using the approved formula, in November or December of each year, and any rate change would become effective on January 1 of the following year.

It was also ordered that the 1999 test year data be examined at a hearing to be held in the fall of 1998. At that time the Board would examine the accounting methodology for calculating the allowed rate of return on rate base in the context of the relationship between the rate of return on rate base and the cost of various components of capital structure. The rate of return allowed for the interim order would be finalized at that time.

Automatic Adjustment Formula

The formula that was put in place, for the first time in Newfoundland, to set rates for the upcoming year, employs the following to arrive at an appropriate return on rate base:

1. calculation of the appropriate return on common equity through the equity risk premium model, using the 30 year Government of Canada bonds as the risk free rate;

2. an estimate of the appropriate return on common equity and the subtraction from the current year's forecast value of the forecast long-term bond rate for the following year, with the difference being multiplied by a factor of .20. The resulting factor will be used to adjust the risk premium in the opposite direction, and the adjusted risk premium will be added to the forecast long-term bond rate to produce the rate of return on equity for the following year;
3. the newly calculated rate of return on common equity, the appropriate rate of return on preferred equity and the embedded cost of debt to determine the allowed rate of return on rate base. The manner of determination would be decided by the Board after having heard further evidence on accounting methodology as to how this could best be achieved. A hearing into this matter and other outstanding issues remaining from the 1996 hearings was scheduled for the fall of 1998; and
4. a full cost of capital hearing after the formula has been used for three consecutive years without a public hearing.

Stated Case

Pursuant to Section 101 of the *Act*, the Board, by its own motion, requested from the Supreme Court of Newfoundland, Court of Appeal, a ruling on the matter of a case by the Board to the Court of Appeal for its hearing and opinion on the jurisdiction of the Board. The Reference was heard on March 11 & 12, 1997, and an opinion was rendered on June 15, 1998.

Among other matters, the Coram provided opinion regarding the Board's jurisdiction to:

- set and fix the level of return on common equity;
- regulate the return on rate base;
- require a public utility to maintain ratios within its capital structure; and
- deal with excess earnings of the utilities being regulated.

It is the opinion of the Coram that the Board has the jurisdiction to "determine" a "just and reasonable return" on rate base as is contained in Subsection 80(1) of the *Act*. However, this determination does not include within it the power to set and fix a rate of return on common equity, as Subsection 80(1) makes no reference to "determining, let alone setting and fixing, the rate of return on common equity". (Opinion, June 15, 1998, page 29, paragraph 57).

On the question of the ratio of debt and equity, the Coram stated that the Board does not have the jurisdiction to require a public utility to maintain:

- “ i) a ratio; or
- ii) a ratio within a stated range of ratios of equity and debt, as a means of obtaining the capital requirements of the utility.” (Opinion, June 15, 1998, p.7, number (7))

It is the feeling of the Coram that this is a management decision, and that "... the powers of the Board should be generally regulatory and corrective, not managerial." (Opinion, June 15, 1998, p.56, paragraph 136)

With regard to excess earnings, the opinion of the Coram is that, if, as previously stated, the Board has the jurisdiction to prescribe the maximum rate of return which a utility may earn in a given year, then it must have the jurisdiction to deal with excess revenue to which, by definition, the utility will not be entitled.

NEWFOUNDLAND POWER INC.– RATES, TOLLS AND CHARGES, RATE OF RETURN ON RATE BASE AND OTHER MATTERS

The hearing scheduled for the fall of 1998 to deal with

- the issues that remained outstanding from the 1996 rate hearing,
- the finalization of the rate of return on rate base,
- rates for 1998 and 1999, and
- the examination of test year data for 1999

was expanded by two applications from the company. These, received on April 24, 1998 and on August 4, 1998, were for approval of the amortization and funding of pension liability associated with an early retirement program and an increase in pension benefits paid from the company retirement plan, respectively.

At the pre-hearing conference, correspondence from Newfoundland and Labrador Hydro and from the Government of Newfoundland & Labrador was read into the record. Both made representations to the Board to defer the review of:

1. rate design alternatives, based on marginal cost, time-of-use design principles and other innovative rate options; and
2. the demand and energy rates for power purchased by Newfoundland Power Inc. from Newfoundland and Labrador Hydro.

These requests arose from concerns of Newfoundland and Labrador Hydro that these issues should be addressed in context with Hydro's other rate issues and the potential implications from Hydro's customers, and from the possible effects of the newly announced Energy Policy Review of the province's energy policy on pricing.

Since there were no objections to the representations of the parties on this subject, the Board decided to defer the following matters:

- i. the cost of service and associated methodology;
- ii. the basic customer charge;
- iii. curtailable rates;
- iv. rate design based upon marginal costs;
- v. time of use design principles;
- vi. other innovative rate options; and
- vii. the demand and energy rates for power purchased by Newfoundland Power Inc. from Newfoundland and Labrador Hydro

until further consideration at a pre-hearing conference, to be held in May 1999.

It would, however, consider the application of Newfoundland Power Inc., filed on September 11, 1998, for the following:

- i. an average of 1.48% rate increase, to become effective January 1, 1999;
- ii. revisions to the Rules and Regulations governing the company's provision of service; and
- iii. its 1999 capital budget.

Written reports were filed as evidence,

- on behalf of the Board by an engineering consultant, Mr. Dan Brown, P.Eng., dated October 26, 1998, entitled Report on Newfoundland Light & Power Co. Limited Re: Quality of Service and Reliability of Supply;
- on behalf of the Board by its financial consultant, Mr. William R. Brushett, C.A., Grant Thornton, dated October 23, 1998, entitled Financial Consultants' Report – Newfoundland Power 1998 Rate Hearing; and
- on behalf of the company by management consultants, Mr. Ron Goldthorpe and Mr. Jim Blewett, Hay Management Consultants, dated September 9, 1998, entitled Newfoundland Power – Review of Total Compensation for Senior Positions.

Written and oral presentations were received on behalf of the company, a number of consumer groups and individuals, the consumer advocate and the MHA for Signal Hill – Quidi Vidi and Leader of the Newfoundland & Labrador New Democratic Party. Abitibi-Consolidated also requested intervenor status.

In addition to the pre-filed evidence, during the course of the hearing other evidence was introduced in the form of consent exhibits and responses to information requests of the Board, intervenors and the company.

The final order of the Board, P.U. 38 (1998-99), dealt with:

1. the credit collection practices and policy of the company;
2. the HST savings of the company;
3. the adoption of the GDP deflator for Canada to forecast non-labour operating costs;
4. the operating costs and revenues for 1998 and 1999;
5. executive and management compensation;

6. inter-corporate issues;
7. the early retirement program;
8. an increase in the pension benefit;
9. excess earnings in 1992 and 1993;
10. the finalization of rates, tolls and charges for 1998;
11. the automatic adjustment formula;
12. the capital budget;
13. the rate base;
14. rates, tolls and charges for 1999, using 1999 test year financial projections as adjusted by the order;
15. revenue requirement for 1999.

As a result of the evidence presented, the Board ordered a rate of return on rate base for 1998 of 9.81%, within a range of 9.63% to 9.99%. The rate of return on common equity estimated was 9.25%, and the rate of return on preferred equity and on common equity in excess of 45% was 6.33%. The result was a rate increase of 1% which became effective February 1, 1999.

The automatic adjustment formula was finalized and would use a common equity component of the lesser of either (a) 45%, or (b) the projected average value of common equity for the test year.

The rate of return on rate base would be calculated as was determined in Order P.U. 16(1998-99), which resulted from the May 1998 hearing. It would use an adjusted risk premium that would be added to the forecast long-term bond rate to produce the rate of return on equity for the following year.

Test year values will be used for each of the dependent variables determining the rate of return on rate base, with the exception of the cost of common equity, which will be calculated according to the formula.

The excess earnings of 1992 and 1993 were evenly divided between the company and the customers, with the customer portion being designated as a portion of common equity on which no return would be allowed for the period 1999-2003. A further review at the end of that period will deal with the disposition of any outstanding amount.

Revenue Recognition and Revenue Lag

The revenue recognition policy of Newfoundland Power Inc. reflects revenue at the meter reading date, while the Board has followed a policy of applying rate increases or decreases based upon consumption. This results in a shortfall in revenue that is directly related to the:

1. revenue base on which the rate increase applies; and
2. perpetuation of a ½month revenue lag and the overall revenue recognition principle appropriate for the company.

As a result, in the 1999 test year, approximately \$16.7 million of revenue would not be eligible for the proposed rate increase, and the company would not charge approximately \$200,000 of revenue requirement if the increase in rates applies only to consumption from January 1 onward. The February 1st implementation date for changes to rates, tolls and charges would further add to the shortfall.

The Board ordered that the difference in applying the rate increase to the two revenue recognition policies, and from the delayed implementation date, be established as **unbilled revenue increase reserve**. This amount would be held in a special account until the full implications of revenue recognition have been reviewed at a public hearing. The order resulting from this hearing will also deal with the balance in the unbilled revenue recognition reserve.

NEWFOUNDLAND POWER INC. – CAPITAL BUDGET

The application of Newfoundland Power Inc. for approval of the capital budget for 1999 was presented to the Board in conjunction with a general rate application. As a result, the information contained was subject to the scrutiny of the consumer advocate, as well as to that of the Board and of intervenors who might normally have participated

The application for 1999 totaled \$36,773,000, 7.47% less than the 1998 budget. Of the total, 35.3% will be spent on Distribution. Included in this expenditure are \$2,225,000 for the replacement of transformers that have deteriorated or failed, and the purchase of additional transformers to meet customer needs. 17.1% is budgeted for Energy Supply, and 11.6% will be directed towards the upgrading of the technical infrastructure and the customer service system.

NEWFOUNDLAND AND LABRADOR HYDRO – CAPITAL BUDGET

The 1999 capital budget of Newfoundland and Labrador Hydro was heard by the Board at a public hearing on November 5, 1999. Although Newfoundland Power Inc. requested intervenor status during the hearing, it did so solely for the purpose of receiving materials filed during the proceeding.

The estimates for 1999 totaled \$38,142,000, a reduction of 19.27% from the 1998 budget. Actual expenditures for 1998 were lower than those budgeted because of the deferral of various projects, primarily the upgrade of Transmission line TL 217 (230 kV Western Avalon – Holyrood). The difficulty in obtaining steel as a result of the ice storm in Central Canada contributed to the delay of this project.

Of the total budgeted expenditure, 34.2% (or \$13 million) is allocated to Transmission, with over \$10 million of this amount being directed towards System Security and Reliability Improvements. Approximately \$7.3 million is designated to the upgrade of TL 217 (230 kV Western Avalon – Holyrood) that was deferred in 1998.

Another 36.6% of the total budget (or \$14 million) is allocated to Rural Systems. This includes:

- 39 construction projects,
- a number of property additions,
- purchases of tools and equipment,
- the construction of a new power plant at Nain,
- the interconnection of a diesel system to the island grid at La Poile, and
- the upgrading of power plants, distribution and fuel systems and metering.

After hearing the evidence presented, and reviewing the responses to the Requests for Information that had been prepared by the Board, the Board gave approval for the capital budget in Board Order P.U. 32 (1998-99).

NEWFOUNDLAND POWER INC. – SERIES AI FIRST MORTGAGE SINKING FUND BONDS

The Application of Newfoundland Power Inc. for approval to issue Series AI First Mortgage Sinking Fund Bonds was received by the Board on October 8, 1998, and heard at a public hearing on October 5 and 26, 1998. The consumer advocate, Mr. Dennis M. Browne, Q.C. appeared as intervenor.

The application requested permission to issue bonds in the amount of \$50 million, the proceeds of which would be used to repay the short-term indebtedness incurred to finance capital expenditures. The Board, having reviewed the evidence presented, and having listened to the arguments of counsels for the applicant and for the consumer advocate, was satisfied that this issue was necessary, and it approved the issue in Board Order P.U. 28(1998-99).

As a result, First Mortgage Sinking Fund Bonds with a face value of \$50,000,000 were issued on November 20, 1998. The coupon rate was 6.8%, the yield rate 6.82%, and the term of the issue 30 years.

NEWFOUNDLAND POWER INC. – QUALITY OF SERVICE REPORT

On February 1, 1998, the Board engaged Mr. Dan G. Brown, P. Eng., to review and report on the quality of service and reliability of supply of Newfoundland Light & Power Co. Limited. The resulting report, entitled Report on Newfoundland Light & Power Co. Limited Re: Quality of Service and Reliability of Supply, was entered as evidence during the hearing of Newfoundland Power, held during November and December, 1998.

The report reviews many aspects of the company's operations, including reliability, generation, transmission and distribution planning, system operations, safety, environment, operations and maintenance and contingency planning. Despite the harsh weather conditions and the failure of inadequate insulators, the company has received a good report overall.

The actions of the company in dealing with the Y2K problem were also reviewed. It was found that the company has been taking appropriate action and has been preparing contingency plans in the event that its solutions fail.

The report also reviewed long-term generation and transmission development. The roles of the involved parties with regard to this responsibility are not clearly defined, and the resulting interaction between Newfoundland Power and Newfoundland and Labrador Hydro reflect a lack of consensus. The concern expressed by the consultant is that future supply may not match demand in the most economic manner. The possible availability of natural gas further complicates the issue.

It was recommended in the report that the company, Newfoundland and Labrador Hydro, the Board and the government take a proactive role in dealing with these issues, particularly in view of the Energy Policy Review of the provincial government, announced August 31, 1998.

NEWFOUNDLAND AND LABRADOR HYDRO – QUALITY OF SERVICE REPORT

Quetta Inc. and Associates, an engineering firm, was engaged by the Board in February 1998 to review the quality of service and reliability of Newfoundland and Labrador Hydro. The resulting report, entitled Technical Review of Newfoundland and Labrador Hydro – Final Report, is dated March 17, 1999.

The report reviewed quality of service, planning, system operations, safety, environment, operations and maintenance, contingency planning and internal audit. It found that Newfoundland Hydro is following sound utility practice in its approach to planning for, and maintenance and operation of, the systems used to provide safe and reliable electric service to its customers.

The report recommended that a number of regulatory reports be expanded, and that others be produced to increase the level of detail available to the Board in its efforts to monitor reliability of service.

It also highlighted the need for the coordination of planning efforts between Newfoundland and Labrador Hydro and Newfoundland Power Inc.

It was noted that formal documentation, testing and updating of procedures could be improved in such areas as:

- a "black start" at the Holyrood Plant, and load restoration after a complete or partial system shutdown,
- contingency plans for transmission system problems,
- the distribution system contingency plan for the Central Region,
- the planned response to serious or catastrophic occurrences on the power system.

REVIEW OF FILING REQUIREMENTS BY THE UTILITIES

In an effort to alleviate the burden of filing regulatory reports as much as possible, the Board undertook a review of its information needs and the reports that were required to meet these needs. It was also the intention of the Board to standardize the reports being filed by the two public utilities being regulated.

After being notified of the Board's intention to pursue this matter, Newfoundland Power came to the March 1999 regulatory meeting with a proposal that the monthly regulatory reports be converted to quarterly regulatory filings. Because this would coincide with the reports being prepared for shareholders, it would decrease considerably the work involved in the preparation of these reports.

The reports would contain the same level of detail, and would be submitted to the Board within 45 days of the end of the quarter. This would allow sufficient time for review before the quarterly regulatory meeting.

The Board is currently in the process of a similar review of the filings of Newfoundland and Labrador Hydro.

CIAC COMPLIANCE REVIEW

The Board is responsible for the Contribution In Aid of Construction charges of Newfoundland Power Inc. and Newfoundland and Labrador Hydro as they relate to the provision of lines extensions on behalf of commercial and residential customers. The current CIAC Policy, approved for use by the Board, requires prior approval of all lines extensions for seasonal, residential customers, as well as for any lines extensions where the construction costs are estimated to exceed \$25,000.

Board Order P.U. 4(1997-98) ordered that Newfoundland Power Inc. file annually a schedule of current costs and effective CIAC policy, as well as both residential and general service distribution line cost per metre for CIACs. In March 1999, as a follow-up, the Board engaged a financial consultant, Grant Thornton, to review the CIAC policy of the company. The review, following the first anniversary of the new approved CIAC policy, was intended to verify that the various action plans and undertakings of the company, with respect to the administration of the CIAC policy, were applied.

The review was still in process at March 31, 1999.

ENERGY POLICY REVIEW

On August 31, 1998, the Government of Newfoundland and Labrador announced its intention to thoroughly review the province's energy policy. The review would be conducted by the Department of Mines and Energy and would look at existing legislation and regulations, developments in other jurisdictions, existing electricity industry structure, pricing, electricity supply, and electricity as a tool for economic development.

Since the announcement, the government has engaged a consultant, the firm Hagler Bailly Canada. This firm has undertaken Phase I of the project, to provide advice to government on future alternatives for the structure, regulation and pricing of the electricity industry in the province, in the form of a limited number of feasible scenarios.

The Board has had preliminary meetings with the consultant and the Department of Mines and Energy, and expects to provide a position paper to government on the issues identified in the Energy Policy Review.

NEWFOUNDLAND POWER INC. – 1997 ANNUAL FINANCIAL REVIEW

At the request of the Board, a financial review of Newfoundland Power for 1997 was carried out by the Board's financial consultant, Grant Thornton. The review was completed, and the report submitted to the Board in May 1998. It covered issues such as:

- general expenses capitalized,
- inter-company charges,
- salaries and benefits,
- expenses in general, and, in particular, those that have been the subject of particular attention during public hearings,
- purchased power,
- costs associated with demand side management and curtailable rates,

- depreciation,
- taxes,
- capital expenditures, actual, budgeted and prior years,
- contributions in aid of construction,
- return on rate base, return on equity, capital structure and interest coverage, and
- calculation of rates.

The purpose of the review is to assess the reasonableness of the company's explanations to the Board, to assess compliance with Board orders, and to examine and analyze, on a test basis, documentation supporting amounts included in the company's records.

The review found that, for 1997, the rate of return on rate base earned by the company, 10.71%, was in the higher end of the range approved by the Board, 10.5% to 10.8%. Interest coverage of 2.66 times was comparable to the coverage level of 2.7 times, which the Board had determined, in P.U. 7(1996-97) to be appropriate for the company's 1997 test year.

Revenue, capital expenditures, operating and general expenses, including inter-company charges, salaries and benefits, retiring allowances and pension benefits were found to be reasonable.

Contributions in aid of construction were found to be reasonable. However, the review highlighted three issues, concerning the continuing need for the use of a database, that should be addressed in implementing the most recent policy:

- the need to identify potential refunds on a timely basis,
- the need to identify CIAC customers that are due for a 24 month review,
- the ability to provide quarterly summary reports on all CIAC activity.

The implementation of this new system requires a tremendous amount of effort, which is ongoing. The issues identified were scheduled to be dealt with by the company in the 1998 fiscal year, and will be reviewed in the CIAC Compliance Audit Report.

The Annual Review did recommend that a number of items be subjected to further review:

- the effects on future operating expenses and revenue requirements of early retirement programs,
- an independent survey of executive compensation in preparation for the fall 1997 hearing,
- cost control initiatives of the company,
- issues relating to the implementation of the new CIAC policy.

NEWFOUNDLAND AND LABRADOR HYDRO – 1996 ANNUAL REVIEW

The 1996 financial review of Newfoundland and Labrador Hydro was prepared by Grant Thornton and received by the Board on February 18, 1999. Among the areas reviewed were:

- return on rate base, return on equity, capital structure and interest coverage,
- operations and administration expenses, fuels, power purchased, depreciation and interest,
- revenue requirement,
- the Rate Stabilization Plan that allows an annual rate adjustment based on the balance in this account that has been accumulated primarily as a result of a fuel variation adjustment,
- cost control initiatives,
- Contributions in Aid of Construction.

The review noted that variations and lack of trends was often the result of external factors, such as the weather, and the scheduling of maintenance.

It is also suggested that the methodology for establishing a rate base for Newfoundland Hydro, as it relates to the interpretation and application of Section 17(2) of the *Hydro Corporation Act* and Section 78 of the *Public Utilities Act*, merits further study.

YEAR 2000 READINESS

To monitor the Year 2000 readiness of both Newfoundland and Labrador Hydro and Newfoundland Power Inc., the Board has requested that both utilities provide monthly status reports on the companies' ongoing activities. These are received on a monthly basis, and are discussed at regulatory meetings held between the Board and the utilities.

AUTOMOBILE INSURANCE INDUSTRY

GENERAL

The Automobile Insurance Act, Chapter A-22, of the Revised Statutes of Newfoundland, 1990, charges the Board with specific statutory responsibilities concerning the regulation of automobile insurance rates in the Province of Newfoundland and Labrador.

Section 48 states:

"The Board has the general supervision of the rates an insurer charges or proposes to charge for automobile insurance."

Sections 49 to 53 delineate specific filing requirements to be adhered to by insurers.

Sections 54 to 59 outline administrative procedures of the Board and allow for the applicability of the Public Utilities Act for the purposes of this Act.

Section 60 authorizes the implementation of regulations.

During the year under review, the Board continued to discharge its regulatory responsibilities to ensure that rates are fair for consumers, commensurate with the risk represented and insured by companies and adequate to cover future claims obligations and operating costs of automobile insurance companies.

A key element of this effort is the establishment of Benchmark Rate Ranges which are published annually by the Board. The Benchmark Rate Ranges are based upon a study conducted by an independent actuarial consulting firm retained by the Board. This study takes into consideration the automobile insurance industry loss cost data for Newfoundland and Labrador provided by the rating program of the Insurers' Advisory Organization (IAO) and the Automobile Insurance (Claims) Experience Report of the Insurance Information Centre of Canada (IICC).

The IAO and IICC are industry organizations which gather statistical data relative to the industry experience. The data are used to develop adequate and reasonable rates, sufficient for insurers to meet potential future claims obligations and to recover operating costs.

BENCHMARK SYSTEM

The Board utilizes the Benchmark Rates in reviewing annual insurance rate filings of individual insurers. Rate filings which fall above or below the Benchmark Ranges are approved only when adequately supported with actuarial justification by the Applicant and after thorough review by the Board, its staff, and its actuaries, Milliman & Robertson, Inc.

The main purposes of the Benchmark system are:

1. To expedite the review of rate filings by providing a streamlined approval process whereby automatic approval is given rate filings where the adjusted base rates and the differentials fall within the Benchmark Ranges.
2. To foster knowledgeable competition among the companies by providing a range of base rates which are the result of an actuarial analysis of the industry wide claims experience in the province of Newfoundland and Labrador.

3. To ensure that rates charged policy holders are reflective of industry loss experience and that insurers are receiving premiums commensurate with the risks underwritten and which will meet their future claims obligations and recover their operating expenses, while remaining solvent.

RATING TERRITORIES

The Province of Newfoundland and Labrador is subdivided into three distinct territories for rating purposes. These territories are established and defined in the Automobile Insurance Statistical Plan approved for use by the Superintendent of Insurance. The rating territory definitions for the province of Newfoundland and Labrador are:

1. Territory 1,
Avalon District, Statistical Plan Code 004
Consisting of the City of St. John's, including that part of the island east of Highway 202, being a line between the communities of Old Shop and Chapel Arm in Trinity Bay to the North, and Long Harbour and Ship Harbour in Placentia Bay to the South.
2. Territory 2,
Bonavista and Burin District, Statistical Plan Code 005
Consisting of that territory east of a line drawn from Port Blandford in Bonavista Bay to English Harbour East in Fortune Bay, excluding the Avalon District.

Remainder of the province, Statistical Plan Code 007

Consisting of those parts of the province of Newfoundland and Labrador, excluding the Avalon, Labrador, and the Bonavista and Burin District
3. Territory 3,
Labrador District, Statistical Plan Code 006

The entire District of Labrador.

RATES

During 1998-99, the Board continued its policy of requiring insurers to bring their automobile insurance rates within the Benchmarks, unless a company could actuarially justify, based on its own experience in the Province, rates outside the Benchmarks. This policy is designed to ensure that insurers' rates are reflective of current industry trends in loss costs and loss experience.

During the previous reporting period, the Board received fourteen rate filings by automobile insurers indicating rates for some coverages below the Benchmark minimums, to take effect during 1997/98. By comparison, during the current reporting period, the Board received eleven applications from automobile insurers seeking Board approval of certain rates below the Benchmark minimums. These filings, for the most part, sought approval of Third Party Liability rates below the Benchmark, predominately in territories 1 and 2. However, some of these filings proposed base rates or adjusted base rates for various other coverages, including Comprehensive, Collision, Specified Perils and Accident Benefits at rate levels below the Benchmark. Each filing was required to be supported by an actuarial analysis by the company of its own experience in the province of Newfoundland and Labrador. Each filing was submitted to the Board's Actuarial Consultants, Milliman & Robertson, Inc., for a review and a report to the Board as to the adequacy of the rates contemplated therein. As at the end of this reporting period, of the eleven applications received, their disposition has been as follows: Nine of the applications have been

approved as presented or modified with rates for certain coverages below the Benchmark minimums. Two applications remain outstanding, subject to actuarial review.

LOSS RATIOS

The actuarial model used by the Board in determining its 1998 Benchmark Rate Ranges established a reference point for loss costs in relation to premiums. Based upon the determination that commissions and administrative expenses averaged 25.8% of each premium dollar written by the industry as a whole, and allowing a negative underwriting profit margin of 4.3%, to take into account investment income earned on premiums invested by the industry, the Board's Benchmark Base Rate for Third Party Liability provides sufficient resources for the industry to sustain an average loss ratio of 78.5%.

As a point of reference, for Public Liability and Property Damage, the annual loss ratio was 104% in 1987, however, during the period 1988 - 1992 loss costs were especially severe, province wide, with loss ratios of 120%, 133%, 140%, 127%, and 135%, respectively. The loss ratio has declined in 1993 and subsequent years. For the second consecutive year, the preliminary loss ratio for liability in a current year is below 100%. For 1997, the preliminary figure is 82%. Recent loss ratio figures will, however, fluctuate as the claims experience for each year matures with time. These figures may either improve or deteriorate depending on how the industry's claims experience matures.

The figures shown in the following tables provide a clear indication as to how loss ratios for a given year can fluctuate in subsequent years. For example, in Table 1 for accident year 1992, IBC estimated in its 1992 report that the anticipated ultimate loss ratio for the year would be 110%. However, in 1993, the IBC revised its estimate for accident year 1992 to 127%, based on data which were one year matured. The figure was further revised in 1994 and 1995, and for 1996 the figure stands at 135%. This deterioration in loss ratio results from maturity of the industry's claims experience. This figure may continue to change as the data move to full maturity. More recently, however, 1993 province-wide loss data appear to have stabilized and subsequent years' development has not shown deterioration. Early indications are that this stability is evident in 1994 and subsequent years' loss experience by industry.

The reason the loss ratios change is due, in part, to the long tail effect evident in Third Party claims. That is, the time interval between the making of a claim and its ultimate settlement. Small claims for property damage are usually settled quickly, however, where there is a matter in dispute, or there is bodily injury, claims may take years to settle, most probably through court action. As a result, a claim made in 1997 may not be settled until 2001 or later and may cost the insurer more to settle than originally anticipated when the 1997 loss reserves were established and the loss ratio calculated. The more recent trends, 1993 and onward, may be interpreted to show that claims are now settling at or near the amounts originally reserved. The reasons for this are not clear but may result from better claim-reserving practices of insurers, less litigious claimants, a combination of both, or other reasons not yet identified.

TABLE 1

**IBC LOSS RATIOS, THIRD PARTY LIABILITY
Private Passenger Automobile
Province of Newfoundland and Labrador
All Rating Territories**

Accident Year	1991 IBC Report	1992 IBC Report	1993 IBC Report	1994 IBC Report	1995 IBC Report	1996 IBC Report	1997 IICC*
1987	104%	-	-	-	-	-	
1988	123	120%	-	-	-	-	
1989	133	124	133%	-	-	-	
1990	127	126	137	140%	-	-	
1991	110	111	120	123	127%	-	
1992	-	110	127	130	133	135%	-
1993	-	-	113	116	114	112	113%
1994	-	-	-	104	111	102	99
1995	-	-	-	-	100	97	83
1996	-	-	-	-	-	80	75
1997	-	-	-	-	-	-	82

* In 1998, the Insurance Bureau of Canada and the Vehicle Information Centre of Canada merged to form the Insurance Information Centre of Canada.

For Territory 1, the rating territory having the highest vehicle population in the province, loss experience has been especially severe for the period 1988 to 1993. Table 2, contains the loss ratio, by year, for Public Liability and Property Damage for rating Territory 1 only.

TABLE 2
IBC LOSS RATIOS, THIRD PARTY LIABILITY
Private Passenger Automobile
Province of Newfoundland and Labrador
Rating Territory 1

Accident Year	1991 IBC Report	1992 IBC Report	1993 IBC Report	1994 IBC Report	1995 IBC Report	1996 IBC Report	1997 ICC* Report
1987	115%	-	-	-	-	-	
1988	129	126%	-	-	-	-	
1989	145	130	146%	-	-	-	
1990	142	143	160	164%	-	-	
1991	118	124	138	143	149%	-	
1992	-	121	147	155	160	164%	-
1993	-	-	135	137	137	135	134%
1994	-	-	-	115	121	114	112
1995	-	-	-	-	106	107	92
1996	-	-	-	-	-	81	78
1997							85

* In 1998, the Insurance Bureau of Canada and the Vehicle Information Centre of Canada merged to form the Insurance Information Centre of Canada.

For comparative purposes, Table 3 contains the loss ratio for Public Liability and Property Damage for rating Territory 2 only.

TABLE 3

IBC LOSS RATIOS, THIRD PARTY LIABILITY							
Private Passenger Automobile							
Province of Newfoundland and Labrador							
Rating Territory 2							
Accident Year	1991 IBC Report	1992 IBC Report	1993 IBC Report	1994 IBC Report	1995 IBC Report	1996 IBC Report	1997 ICC* Report
1987	86%	-	-	-	-	-	-
1988	111	106%	-	-	-	-	-
1989	107	108	106%	-	-	-	-
1990	99	94	97	100%	-	-	-
1991	97	89	90	89	90%	-	-
1992	-	94	98	94	94	92%	-
1993	-	-	79	82	78	75	80%
1994	-	-	-	89	101	87	81
1995	-	-	-	-	91	77	67
1996	-	-	-	-	-	77	69
1997	-	-	-	-	-	-	76

* In 1998, the Insurance Bureau of Canada and the Vehicle Information Centre of Canada merged to form the Insurance Information Centre of Canada.

As can be seen from Table 1, with the exception of the two most-recent years, the initial overall loss-ratio estimate for the province in total has consistently exceeded 100%. This is a direct result of the excessive losses experienced in Territory 1, as indicated in Table 2. Lower loss ratios for Territory 2, Table 3, and Territory 3 (not shown) serve to reduce the effects of the Territory 1 losses, yielding the province-wide loss ratios contained in Table 1. Rates for each Territory, however, are based on the territorial experience and not on the overall provincial experience. Hence, it can be easily seen from the results shown in Table 2 why liability rates in the Territory 1 region have increased, dramatically, over the last few years. Preliminary results in Territory 1 for 1997 show a marked improvement over initial figures for any of the preceding years shown, excluding 1996. At this stage, however, it is not possible to say that the trend toward lower loss ratios will continue over the long term.

As of December 31, 1998, the rates of all insurers were either brought within the Benchmarks or—in the case of exceptions—were justified to the satisfaction of the Board by the companies involved, with eleven insurers filing rates for some coverages at levels less than the Benchmarks.

1999 BENCHMARKS

On November 23, 1998, the Board received the proposed Newfoundland automobile insurance Benchmarks for filings made during 1999, to take effect during the year 2000. The Benchmarks, on an unadjusted basis, represented an overall rate increase across all territories for all coverages of approximately 4%. When adjusted to take into consideration variances on the 1998 and 1999 Benchmark differentials, the actual increases across the three territories for private-passenger liability ranged from +2% in territory 3 to +8% in territory 2, and +5.7% in territory 1. In addition, the 1999 Benchmarks indicated rate increases for collision ranging between +15 and +16% for all three territories, with comprehensive rate changes, indicated, of between -9% for territory 3, +10% for territory 2, and +12% for territory 1. The Board was pleased with the level of proposed rate changes on an unadjusted basis for third party liability, but expressed concern at the level of rates indicated on an adjusted basis, as well as the increases indicated for collision coverages and for those areas of comprehensive where the indicated rate change was in the positive. As a result, the Board undertook, through its Actuarial Consultants, Milliman & Robertson, Inc., a comprehensive review of the assumptions made in the Benchmark report, and to look at the sensitivity of these assumptions, as well as where the assumptions stood on the range of reasonableness. A review by staff of the Board indicated that for the current year and based on the 1998 automobile insurance Benchmarks, approximately 48% of the industry participants had filed for and provided the Board with actuarial justification in support of the establishment of adjusted, third-party-liability rates below the 1998 Benchmark minimums in the majority of territories. In addition, the Board was advised that a further 49% of the industry had filed rates at or near the bottom of the Benchmark minimums for 1998, which indicated rates approximately, on average, 10% below the Benchmark midpoint.

The Benchmark midpoint is that rate deemed to be, on an overall basis, the adequate, average rate that the average insured in the province of Newfoundland and Labrador should pay in order to meet the full claims obligation of the industry. It was clear, therefore, that during 1998-99, close to 100% of the market had established rates that were well below the Benchmark midpoint. The Board viewed this as an indication that companies perceive that Benchmark rates were excessive in relation to the losses anticipated to be borne, or else that the assumptions made in the Benchmark Report do not accurately reflect insurance-industry practices. On December 23, 1998, the Board received the report of its Actuarial Consultants with respect to the sensitivity analysis of assumptions contained in the Benchmark report. The review targeted the major assumptions contained in the report, and the Board's consultants provided a range of optimistic and pessimistic assumptions, and the subsequent rate developments, or revised schedules to the Benchmark report, which would indicate the impact of these ranges.

On March 31, 1999, the Board met and reviewed all information relative to the Benchmark report, as well as the review conducted by Milliman & Robertson, Inc. with respect to the Benchmark assumptions, and additional information provided by staff. Based on this review, the Board determined that a 0% rate increase in the Benchmarks for 1999 would be appropriate. The Board determined, therefore, that it would not adopt the 1999 proposed automobile-insurance Benchmark rate ranges but rather would allow the 1998 Benchmarks to continue. As a result, insureds should not see any major impacts on their automobile insurance rates in the year 2000.

FACILITY ASSOCIATION

During the year under review, the Board completed its assessment of a Facility Association rate filing submitted in December of 1997. The Facility Association is the residual-market insurer, or the market of last resort, for those insureds unable to obtain automobile-insurance coverage for their vehicle in the regular insurance market. These individuals generally are those who have exhibited poor driving patterns. They could include individuals having a high number of claims, a high number of Highway Traffic Act convictions for such things as speeding, failing to stop at red lights, failing to yield right of way, or serious Criminal Code convictions such as impaired driving.

The Facility Association filing indicated a rate change on private-passenger automobile-insurance rates over all three territories of +47.5%, and for commercial automobile insurance of +16.1%. The proposed changes were capped by the Facility Association; in the case of private passenger, the cap resulted in an overall 28.8% increase, and for commercial, a 14.7% increase.

In addition to the filing by the Facility Association, the Board was provided information by the Superintendent of Insurance indicating that the Facility Association's financial results for the preceding year have been better than anticipated. Given this information, the Board requested its Actuarial Consultants to review the filing in detail with a view to ascertaining the reasons for the substantially-better financial results of the Facility Association than had been recorded in prior years. As a result of the length of time it took to review the filing, the Board subsequently required the Facility Association to update its filing to give consideration to the then-available, 1997 loss experience. The Board also requested its Actuarial Consultants to review the assumptions made by the Facility Association in its filing in relation to the 1998 Benchmark report, and to determine whether or not these assumptions were in line with the Benchmark assumptions, or whether they were overly optimistic or overly pessimistic. In addition, the Board requested that its Consultants undertake a sensitivity analysis of the Facility Association information to determine the impacts of varying the Facility Association assumptions to reflect those contained in the Board's Benchmark analysis. Based on the response of the actuary to these requests and the information contained therein, the Board determined that a 0% rate increase for the Facility Association would be reasonable, and accordingly denied the application. As a result of this, insureds who find themselves in the market of last resort should see no impact on their automobile-insurance rates for the coming year.

The Board intends in the near future to undertake a comprehensive review of the Facility Association's operations to ensure rates reflect that market's experience.

SELECT COMMITTEE REPORT

As the Minister is aware, the Report of the Select Committee examining the property and casualty industry in the province of Newfoundland and Labrador was presented to the House of Assembly by the Committee's Chairman, the Honourable Rick Woodford, MHA. That report recommended certain changes to the manner in which the automobile-insurance industry is regulated in the province of Newfoundland and Labrador, and recommended that Government adopt a system of file and use for purposes of regulating the automobile-insurance rates in the province, versus the prior-approval system currently in place.

Subsequent to the filing of the report, the Board has had discussions with the Office of the Superintendent of Insurance, and understands that action by Government has not yet been taken with respect to the recommendations of the Select Committee.

COMPLIANCE AUDIT PROGRAM

In April 1994, in order to discharge its regulatory responsibilities more effectively under the *Automobile Insurance Act*, the Board decided that it would be beneficial to implement a compliance audit program of the rates and rating practices of the insurance companies which it regulates.

The audit program was developed in consultation with the accounting firm, Ernst & Young, and was designed to:

- Verify that the automobile insurance premiums charged policy holders were in accordance with the base rates and differentials filed with and approved by the Board.
- Verify that the rates were not discounted or surcharged, other than in accordance with those discounts or surcharges filed with and approved by the Board.
- Review individual company underwriting guidelines for risk selection.
- Determine if the company's underwriting definitions for the various risk selection factors conformed with, or varied from, those contained in the company's underwriting manual or the Automobile Insurance Statistical Plan approved for use by the Superintendent of Insurance.

The purposes of the compliance audit, from the Board's perspective, are:

- To obtain a better understanding of the methods under which the industry and individual companies operate so that Commissioners and staff of the Board will be well informed when dealing with consumer enquiries and complaints.
- To identify the areas where the individual company rates, underwriting guidelines and definitions vary from those approved by the Board or contained in the Automobile Insurance Statistical Plan.
- To provide audited companies with a review of the audit findings and where appropriate to make recommendations for the corrective actions necessary to ensure that companies comply with their filed rates, underwriting guidelines and definitions.

During the period April 1, 1998 to March 31, 1999, the Board completed nine compliance audits of automobile insurers operating in the province. The compliance audits completed during 1998-99 involved eight national insurers, and one provincially-based insurer.

Of the nine audits completed, six indicated no areas of concern that the Board felt required further action. One identified minor areas of concern resulting in recommendations for corrective action to be taken by the insurer. Two audits revealed major areas of concern which resulted in recommendations for corrective action to be taken by the insurer. The Board will conduct a further audit of each of these latter two insurers to determine the extent to which issues identified have been resolved.

Despite the findings of the latter two audits, there is a trend, by insurers, to comply with the legislation. The majority of errors uncovered by the Board's audits appear clerical in nature. The incidence of overt actions by insurers to circumvent the legislation as it relates to rates is not an issue at this time.

The Board intends to continue the compliance audit program and feels that it is beneficial to all participants in the automobile insurance industry. Insurance companies have a heightened awareness of the Board's regulatory roles, responsibilities and functions. Policy holders will benefit from uniform treatment in rates and rating practices of companies for risks exhibiting similar characteristics. Commissioners and staff of the Board will gain valuable knowledge of industry practices which can be used to enhance their effectiveness and which will be of benefit when dealing with consumer enquiries and complaints. The Superintendent of Insurance is made aware of ongoing audits and is advised immediately of any matter of concern coming to the attention of the Board's compliance auditor which comes within the regulatory mandate of that office.

The Board continues to enjoy a cooperative working relationship with the Office of the Superintendent of Insurance and during the year continued to discuss with representatives of that office matters of mutual ongoing concern. The Superintendent of Insurance is provided with copies of all Board Orders issued in connection with automobile insurers, as well as copies of all audit reports. The Superintendent has expressed interest in the Board's pending review of the Facility Association and will be kept informed of its progress.

MARKETPLACE CHANGES

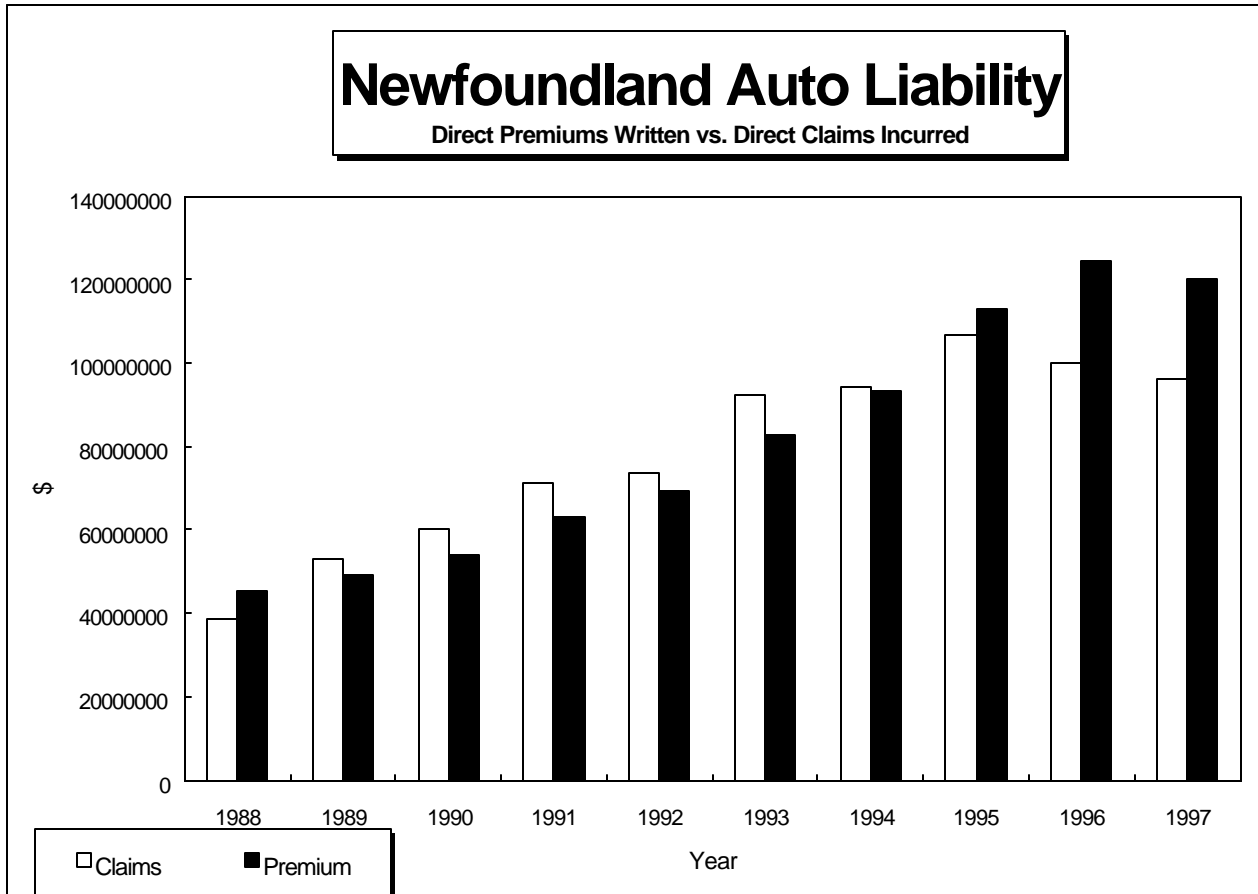
At the beginning of 1998-99, there were fifty-five automobile insurers operating in the province of Newfoundland and Labrador.

The volume of automobile insurance written in the province showed modest decline during 1997. Direct premiums written information for the current reporting period will not be available in an aggregated format until mid 1999. Information obtained from the Office of the Superintendent of Insurance indicates that the total automobile insurance market written in the province during 1997 was \$175,007,000. The comparative figure for 1996 was \$178,704,000, indicating a decline of 2.06%. Reported claims experience for 1997 was \$127,781,000 while the 1996 figure was \$134,973,000 indicating a decrease of 5.32%. Of the automobile insurance companies active in the province during 1997-98, the top ten companies underwrote \$141,171,000 in direct, automobile-insurance

premiums which represent 80.6% of the market. The top twenty companies underwrote \$167,109,000 in direct, automobile-insurance premiums which represents 95.5% of the market.

Taking Third Party Liability figures in isolation, the 1997 volume of direct premiums written, province-wide, was \$120,208,000 with the comparative 1996 figure being \$124,450,000 indicating decline of 3.4%. For claims, the 1997 direct claims-incurred figure was \$96,092,000 with the 1996 figure being \$99,893,000 indicating a decrease in claims experience of 3.8%.

The following graph indicates the changes in province-wide Third-Party-Liability direct premiums and direct claims, by year, for the last ten years. As can be seen, with the exception of the most-recent years for which data are available, claims incurred have exceeded premiums written in each year since 1989.



Source: Superintendent of Insurance Annual Report
 Prepared by R. Byrne, March 24, 1999

COMPLAINTS

During the year the Board received a limited number of complaints and enquiries regarding rate increases. These complaints and enquiries were in relation to increases insureds encountered as a result of the increases in premiums insurers introduced in January 1998, which were based on the Board's 1997 Benchmark Rate Ranges. The majority of these complaints and enquiries were addressed by staff explaining the Benchmark process and the insurance industry's poor loss experience in previous years.

RATE APPLICATIONS

During 1998-99, the Board issued seventy-two Orders under authority of the *Automobile Insurance Act*. These Orders resulted from:

- (i) Sixty-two (62) applications to amend rates for Private Passenger, Commercial, Miscellaneous, Motor Cycle, Snow Vehicle, Trailer, and Camper Coach classes of business.
- (ii) Three (3) orders issued on the Board's own initiative setting the Private Passenger or Commercial rates of the insurer within the Benchmarks.
- (iii) Six (6) orders approving or varying discounts applicable to Private-Passenger rating programs.
- (iv) One (1) order issued varying previous orders issued during the year to revise the implementation dates of the rates approved.

ASSESSMENT

The operating costs of the Board's Insurance Division of the 1998-99 year were estimated at \$413,000. These costs were assessed against insurers at a mil rate of 2.4 mils, with the approval of the Minister, pursuant to Section 59 of the *Automobile Insurance Act*.

THE MOTOR CARRIER INDUSTRY

The Board has limited regulatory responsibility in the area of the for hire public passenger industry. The Board's role is limited to regulation of regularly scheduled public passenger bus services along the Trans Canada Highway, and road ambulance services in the province of Newfoundland and Labrador. During the year under review, the Board received two applications for new certificates, one related to an ambulance service and one related to a public passenger service. In relation to the ambulance service, this application represented the replacement of an existing service provider while the public passenger certificate represented a new entrant.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1998-1999
UNDER
THE PUBLIC UTILITIES ACT**

Newfoundland Light & Power Co. Limited

P.U.1 (1998-1999)

Application:

Application for written consent to remove certain diesel generating plants from service pursuant to Section 38 of the Act.

Decision:

Approval granted, pursuant to Section 38 of the Act, to the removal from service of the Plants in accordance with the following schedule:

- a) the Gander Plant forthwith;
- b) the Aguathuna Plant forthwith;
- c) the Sale Pond Plant forthwith; and
- d) the Port aux Basques Plant as soon as is practical after the commissioning of the Rose Blanche Brook hydroelectric plant; and
 - a) Newfoundland Light & Power Co. Limited provide the Board with documentation of environmental compliance from the Provincial Department of Government Services and Lands and/or the Department of Environment and Labour for all plants within 90 days of their de-commissioning; and further that:
 - b) The diesel generating unit # 10 at Port aux Basques, as well as the portable diesels currently stationed at the Grand Bay Substation, remain operational and maintained at their respective sites and that the portable units be relocated to other locations only in the event of an emergency, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited

P.U.2 (1998-1999)

Application:

Application for approval of the balance of the Weather Normalization Reserve as of December 31, 1997 pursuant to Sections 69(3) and 78 of the Act.

Decision:

The Applicant's Weather Normalization Reserve of a Negative Balance of \$3,706,353 as at December 31, 1997, is approved.

Newfoundland and Labrador Hydro

P.U.3 (1998-1999)

Application:

Application for approval to issue Debenture Series AA in aggregate not to exceed \$200,000,000 on or before December 31, 1998, pursuant to Section 91 of the Public Utilities Act.

Decision:

Approval granted, as requested, as a result of a public hearing.

On its own Motion

P.U.4 (1998-1999)

For the purpose of considering Newfoundland Light & Power Co. Limited's Current Rate of Return and Capital Structure.

Application:

Application by Abitibi Consolidated Inc., (Abitibi) for an Order awarding costs to Abitibi pursuant to Section 90 of the Act.

Decision:

In accordance with Section 90 of the Act, the issue of costs of Abitibi Consolidated Inc., Intervenor, will be considered by the Board at the conclusion of the Hearing, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro

P.U.5 (1998-1999)

Application:

Application for approval of the Lease of Certain Computer Equipment, pursuant to Section 41 of the Act.

Decision:

Approval granted, for the Applicant's proposed Lease of Certain Computer Upgrade Equipment for the annual amount of \$24,900 and for the term of 48 months, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited

P.U.6 (1998-1999)

Application:

Application for approval of Contribution in Aid of Construction (CIAC) on Gully Pond Road, Witless Bay, NF.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro

P.U.7 (1998-1999)

Application:

Application for approval of the Lease of an Apartment in Happy Valley-Goose Bay.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro

P.U.8 (1998-1999)

Application:

Application for approval of a Contribution in Aid of Construction (CIAC) for the supply of single phase electrical service to four cottages at Woodford's Arm, Near Port Anson, Newfoundland.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

On the Board's Own Initiative**P.U.9 (1998-1999)****Application:**

Re Board Order No. P.U. 3 (1995-96), requiring that Newfoundland Light & Power Co. Limited (Newfoundland Power) file annually with the Board certain information indicating annual progress of an Early Retirement Program.

Decision:

Newfoundland Power is relieved of the requirement, as contained in Order P.U. 3 (1995-96), that it continue to file annually with the Board information indicating the annual progress of the 1993 Program. Decision was made as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited**P.U.10 (1998-1999)****Application:**

Application for approval of Rate Stabilization and Municipal Tax Adjustments to be applied to the Rates of the Applicant for the period July 1, 1998 to June 30, 1999 pursuant to Section 71 of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited**P.U.11 (1998-1999)****Application:**

Application for approval of (i) a contribution in aid of construction for a line extension to serve the Town of Musgrave Harbour (the Customer) pursuant to Section 41(5) of the Act; and (ii) the Applicant's 1998 Capital Expenditures in relation to the construction of the line pursuant to Section 41(3) of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board

Newfoundland and Labrador Hydro**P.U. 12 (1998-99)****Application:**

Application for approval of the replacement of Southcoast Fuel Storage Tanks, pursuant to Section 41(3) of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro**P.U. 13 (1998-99)****Application:**

Application for approval of the replacement of diesel generators at Hopedale and Nain, pursuant to Section 41(3) of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro**P. U. 14 (1998-99)****Application:**

Application for approval of the lease of certain computer hardware and software upgrades, pursuant to Section 41 of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited**P.U. 15(1998-99)****Application:**

Application for approval of a contribution in aid of construction for a line extension to serve Clovelly Golf Course Inc. pursuant to section 41(5) of the Act

Decision:

Approval granted, as requested, as a result of a meeting of the Board

On the Board's Own Initiative**P.U. 16 (1998-99)****Application:**

Re: Public Hearing called by the Board for the purpose of considering:

- (i) the appropriate capital structure of NLP;
- (ii) the appropriate rate of return on common equity and rate base for NLP;
- (iii) the appropriate frequency of a full cost of capital review and whether certain financial market benchmark parameters should be put in place to trigger a hearing on the matter; and
- (iv) whether an automatic annual adjustment mechanism for resetting the rate of return in years subsequent to a test year would be appropriate in order to reflect changes in financial market benchmarks.

Decision:

Inter Alia, Test Year (1) the 1997 test year financial projections submitted to the Board at the 1996 hearing, as adjusted by P.U. 7 (1996-97) and by P.U. 8 (1996-97), will be used to calculate adjustments in rates, tolls and charges, on an interim basis, for 1998;(2)Capital Structure (2) In calculating 1998 interim rates, tolls and charges, utilizing the 1997 test year data, the Board will deem a common equity ratio of 45%; Common equity above this level will be treated as preferred equity; The return on preferred equity for the purpose of setting rates will be applied to the average value of preferred equity for the 1997 test year and the value of average common equity in excess of 45%.

Newfoundland Light & Power Co. Limited**P.U. 17 (1998-99)****Application:**

Application for approval of capital expenditure in excess of \$50,000 pursuant to Section 41(3) of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited**P. U. 18 (1998-99)****Application:**

Application for approval of a Contribution in Aid of Construction for Mr. Neil Tricco, located at Long Beach, near Goobies, Newfoundland

Decision:

Approval granted, as requested, as a result of a meeting of the Board

Newfoundland Light & Power Co. Limited

P. U. 19 (1998-99)

Application:

Application for approval of a Contribution in Aid of Construction at Broad Lake, Bellevue, Newfoundland.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited

P.U. 20 (1998-99)

Application:

Application for approval of a Contribution in Aid of Construction to serve Mr. John Hutchinson, located at Back Road, Tors Cove, Newfoundland

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

On the Board's Own Initiative

P. U. 21 (1998-99)

Application:

Submission for Interim Approval of Revised Schedule of Rates, Tolls and Charges pursuant to Order No: P.U. 16 (1998-99).

Decision:

Approval granted, as requested, effective September 1, 1998, inter alia.

Newfoundland Light & Power Co. Limited

P.U. 22(1998-99)

Application:

Application for approval to waive Regulation 7(b) of the Company's Rules and Regulations in relation to the provision of a temporary service for the 1999 Canada Winter Games Host Society pursuant to Section 71 of the Act.

Decision:

Approval granted, as requested, pursuant to Section 71 of the Act to allow a temporary three-phase connection for the 1999 Canada Winter Games Host Committee for the purpose of providing service to ten bunkhouses comprising Athletes' Village, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro

P.U. 23(1998-99)

Application:

Application for approval of the lease of office space in Labrador City, pursuant to Section 41 of the Act.

Decision:

Approval granted, as requested, for the said office space for the month amount of \$1200.00 for the remainder of the 1998 calendar year, as a result of a meeting of the Board

Newfoundland and Labrador Hydro

P.U. 24(1998-99)

Application:

Application for approval of the lease of a dwelling house in Rencontre East, pursuant to Section 41 of the Act

Decision:

Approval granted, as requested, for the proposed five-year lease for the said dwelling house for the annual amount of \$7,200.00, as a result of a meeting of the Board.

Newfoundland Light & Power Co. Limited**P. U. 25 (1998-99)****Application:**

Application for approval of a Contribution in Aid of Construction (CIAC) to serve Mr. John Wells, Robinsons, NF

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro**P.U. 26 (1998-99)****Application:**

Application for approval of the Replacement of Poles and Attachments on the Main Brook System pursuant to Section 41(3) of the Act.

Decision:

Approval granted, as requested, as a result of a meeting of the Board.

Consumer Advocate**P.U. 27 (1998-99)****Application:**

Application made pursuant to Section 4 of the Board of Commissioners of Public Utilities Regulations, 1996 by the Consumer Advocate seeking an order of the Board for disclosure of certain information and documents which Newfoundland Power Inc., has refused to provide to the Consumer Advocate pursuant to the information requests directed to Newfoundland Power Inc. pursuant to Sections 14 and 15 of the same regulations.

Decision:

It is therefore ordered that the outstanding requests for information contained in DMB-1, DMB-5, DMB-45 and DMB-56 be disposed of *Inter Alta*.

Newfoundland Power Inc.**P.U. 28 (1998-99)****Application:**

Application for approval to issue Series "AI" First Mortgage Sinking Fund Bonds pursuant to Section 91 of the Act.

Decision:

Approval granted, as amended, to issue Series "AI" First Mortgage Sinking fund bonds in the amount of \$50,000,000 and on the general terms set out in the Amended Application subject to the following conditions: (a) The Bonds shall be issued on or before December 31, 1998; (b) The Applicant shall provide the Board an affidavit specifying the terms and conditions of the bond issue within twenty-four (24) hours (non-business days excepted) after such terms and conditions have been successfully negotiated, *inter alia*.

Newfoundland Power Inc.**P.U. 29 (1998-99)****Application:**

Approval of (1) A Contribution in Aid of Construction for a line extension to serve International Granite Corporation (The Customer) pursuant to Section 41(5) of the Act and (2) the Applicant's 1998 Capital Expenditures in Relation to the Construction of the line pursuant to Section 41(3) of the Act.

Decision:

It was ordered that pursuant to Section 41 (3) and 41 (5) of the Act, the capital expenditure in relation to the construction of line as set out in Schedule B of the application be approved, and the CIAC of forty-nine thousand, nine hundred forty-five dollars and seventy-seven cents (\$49,945.77) including HST, as calculated under the Policy be approved.

Newfoundland Power Inc.**P.U. 30(1998-99)****Applicant:**

Approval to extend the interim approval of the curtailment credit for the curtailable service option provided for in the Applicant's schedule of rates, rules and regulations.

Decision:

Pursuant to Section 75 of the Act that the curtailment credit for the Curtailable Service Option provided for in the Applicant's Rates, Rules and Regulations be maintained at \$29 per kVA until further Order of the Board following a review of the Curtailable Service Option at a public hearing, as a result of a meeting of the Board.

Newfoundland Power Inc.**P.U. 31 (1998-99)****Application:**

Pursuant to Section 41(3) of the Act for approval to proceed with a lease of certain additions to its property.

Decision:

Pursuant to Section 41(3) of the Act approval is granted to the Applicant to proceed with the leasing and maintenance arrangement as proposed, as a result of a meeting of the Board.

Newfoundland & Labrador Hydro**P.U. 32 (1998-99)****Application:**

Approval of (1) 1999 Capital Budget pursuant to Section 41(1) of the Act; (2) 1999 Capital Purchases, and construction projects in excess of \$50,000 pursuant to Section 41(3)(a) of the Act; (3) its lease for 1999 in excess of \$5,000 per year pursuant to Section 41(3) (b) of the Act and (4) its estimated contributions in aid of construction for 1999 pursuant to S.41(5) of the Act.

Decision:

Approval is granted to the Applicant, as a result of a public hearing for (1) Capital Budget in the amount of \$38,142,000; (2) 1999 construction projects and capital purchases in excess of \$50,000; (3) 1999 leases in excess of \$5,000 per calendar year; (4) The Board will make a determination as to the contributions in aid of construction in 1999 when those matters are presented to the Board. (5) The proposed contingency reserve for emergency situations in the amount of \$1,000,000; (6) The deferral of the Engineering Study into the upgrading of TL202 and TL206; (7) The deferral to 2000 of Transmission Line Upgrades caused by disrupted deliveries of steel towers due to the Central Canada ice storm; (8) The Applicant will present quarterly reports to the Board on its 1999 Capital expenditures within sixty (60) days from the end of each quarter; (9) The Applicant will report semi-annually commencing June 30, 1999 on the status of transmission line upgrade deferrals and the expected date on which the cost-benefit report will be filed; (10) The Applicant will include a statement of changes in financial positions with the 2000 Capital Budget application, and all subsequent Capital Budget applications; and (11) All costs and expenses of the Board incurred with the application shall be borne by the Applicant.

Newfoundland Power Inc.**P.U. 33 (1998-99)****Application:**

Approval of a contribution in aid of construction for a line extension to serve Mr. Terry McGee pursuant to Section 41(5) of the Public Utilities Act, R.S.N. 1990.

Decision:

Pursuant to Section 41(5) of the Act, the Board approves the CIAC of Two Thousand Three Hundred and sixty-three Dollars and twenty-five cents (\$2,365.25), including HST, as calculated under the Policy to provide single phase service to the residence of Mr. Terry McGee on Military Road, near Colinet.

Deer Lake Power Company Limited**P.U. 34 (1998-99)****Application:**

Petition for approval, pursuant to Section 48 of the Public Utilities Act, of the sale, assignment or transfer of the whole of the undertaking of Deer Lake Power Company Limited by amalgamation of itself and Corner Brook Pulp and Paper Limited, December 1998.

Decision:

The Board Ordered that a hearing to inquire into the approval of an application be held in the Board's Hearings Room on Wednesday, December 23rd, 1998 at 10:30 A.M. and that the Board dispense with the period of notice provided in section 7(1)(b) of the Board's Regulations and substitute therefore, that notice shall be deemed to have been given by publication of notice of this hearing in the St. John's Telegram and the Corner Brook Western Star on December 18th and 19th, 1998, respectively.

Deer Lake Power Company Limited**P.U. 35 (1998-99)****Application:**

Approval of Sale, Assignment or transfer of the whole of the undertaking of Deer Lake Power Company Limited by amalgamation of itself and Corner Brook Pulp and Paper Limited.

Decision:

Pursuant to Section 48 of the Act, the application is hereby approved and the Applicant is hereby authorized to sell, assign or transfer the whole of its undertaking pursuant to an amalgamation of the Applicant and Corner Brook Pulp and Paper Limited (CBPP). As provided in Paragraph 294(1)(c) of the Corporation Act CBPP the amalgamated corporation continues to be liable for the obligation of each of the applicant and CBPP. The expenses of the Board incurred in connection with the application shall be borne by the Applicant.

Newfoundland Power Inc.**P.U. 36 (1998-99)****Application:**

Hearing with regard to various matters affecting, among other things, NP's current rates, tolls and charges and rate of return on rate base pursuant to the Public Utilities Act.

Decision:

1. CREDIT COLLECTION PRACTICES AND POLICY-NP will continue to utilize the current redirect program, involving the Department of Human Resources and Employment, the customer, and the company, to try to mitigate the effects on consumers of accounts that have fallen into arrears. The Board will continue to receive complaints and to monitor them in the interest of consumers; **inter alia**.

Newfoundland Power Inc**P.U. 37 (1998-99)****Application:**

Submissions pursuant to Order No. P.U. 36 (1998-99), relative to (a) a revised schedule of rates, tolls and charges, and (b) revised Rules and Regulations which comply with the Board's findings and which will become effective February 1, 1999.

Decision:

Approval is granted to:

1. The Schedule of Rates, Tolls and Charges attached as Schedule "A", effective February 1, 1999.
2. The Rules and Regulations attached as Schedule "B", effective February 1, 1999.
3. The calculation of the amount of \$178,000 after-tax as that portion of the amount of \$954,000 described at Page 98, paragraph 9(b) of Order No. P.U. 36(1998-99) which will be recovered in 1999 and each successive year as set out in Order No. P.U. 36 (1998-99) during the years 2000 to 2003.
4. The revised definition of the Excess Revenue Account and the definition of the Unbilled Revenue Increase Reserve for inclusion in NP's System of Accounts attached hereto and marked Schedule "C" and Schedule "D", effective February 1, 1999.

Newfoundland Power Inc.**P.U. 38 (1998-99)****Application:**

Application for approval of a contribution in aid of construction for a line extension to serve seasonal customers pursuant to Section 41(5) of the Public Utilities Act.

Decision:

Approval granted pursuant to Section 41(5) of the Act for a CIAC of \$4,552.08, including HST, as calculated under the CIAC Policy, as a result of a meeting of the Board.

Newfoundland Power Inc.**P.U. 39 (1998-99)****Application:**

Application for approval of revisions to the contribution in aid of construction (CIAC) policy approved by Order No. P.U. 7 (1997-98).

Decision:

- 1.(a) Appendix A, Schedule "A", of the Contribution in Aid of Construction Policy: Distribution Line Extension to Residential and Seasonal Residential customers, September 1997, approved by Order No. P.U. 7 (1997-98) is rescinded and replaced by Appendix A, Schedule "A", Page 12 of 12 Revised January 28, 1999; (b) Appendices A,B,C of Schedule "B", Pages 13, 14, and 15 of 15 Revised of the Contribution in Aid of Construction Policy: Distribution Lines Extensions and Upgrades to General Service Customers, September 1997, approved by Order No. P.U. 7 (1997-98) are rescinded and replaced by Appendices A,B,C, December 11, 1998, Schedule "B", Pages 13, 14, 15 of 15 Revised January 28, 1999;
2. The revised unit cost factors for General Service Customers, Schedule "B", Page 16 of 16, Original, January 28, 1999 are approved subject to the report of the Board's Financial Consultants, Grant Thornton, in the upcoming CIAC review;
3. The revised cost factors submitted with the application dated Dec. 15, 1998 and approved above, are to be used in the calculation of the CIAC's with effect from December 11, 1998, and where advantageous to customers of the Newfoundland Power, on all CIAC's quoted but unpaid as of December 11, 1998; and
4. Newfoundland Power submit a revised CIAC Policy in its entirety incorporating the revisions approved herein, as a result of a meeting of the Board.

Newfoundland Power Inc.**P.U. 40(1998-99)****Application:**

Approval of a contribution in aid of construction for a line extension to serve Mr. Gary Sargent to operate a commercial lodge, located on Indian Arm Pond, near Notre Dame Junction, Newfoundland.

Decision:

Pursuant to Section 41(5) of the Act, the Board approves the CIAC of Two thousand, five hundred and fifteen dollars and sixty-three cents (\$2,515.63), including HST, as calculated under the Policy, to provide single phase service to the premises of Mr. Gary Sargent at Indian Arm Pond, near Notre Dame Junction, Newfoundland, as a result of a meeting of the Board.

Newfoundland Power Inc.**P.U. 41(1998-99)****Application:**

For approval of the balance of the Weather Normalization Reserve as of December 31, 1998 pursuant to Sections 69(3) and 78 of the Public Utilities Act.

Decision:

The Applicant's weather normalization reserve of a Negative Balance of \$5,022,022 as at December 31, 1998 be approved, as a result of a meeting of the Board.

Newfoundland and Labrador Hydro

P.U. 42 (1998-99)

Application:

For approval of a contribution in aid of construction for the supply of single phase electrical service to a cottage at Otter Creek, near Goose Bay, Labrador.

Decision:

Approval was granted to the Applicant for a contribution in aid of construction for the supply of single phase electrical service to a seasonal residential customer at Otter Creek, near Goose Bay, Labrador, in the amount of \$1,983.75, as a result of a meeting of the Board.

Newfoundland Power Inc.

P.U.43(1998-99)

Application:

For written consent to remove the St. John's Thermal Plant located on the Southside Road, St. John's, from service pursuant to Section 38 of the Act.

Decision:

Approval was granted to the Applicant (a) pursuant to Section 38 of the Public Utilities Act, for the removal from service of the Plant; (b) The applicant provide the Board with documentation of environmental compliance from the Provincial Department of Government Services and Lands and/or the Department of Environment and Labour, and, if necessary, from any federal environment department that may be required by law for the Plant within 90 days of its decommissioning.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1998-1999
UNDER
THE AUTOMOBILE INSURANCE ACT**

Canada Life Casualty Insurance Company **A.I. 1**

Application:

Application to implement a new rating program for its motorcycle class of business

Decision:

Approved as a result of a meeting of the Board

Echelon General Insurance Company **A.I. 2**

Application:

Application to implement new rating programs for its private passenger, and its motorcycle, snow vehicle, trailer, and camper coach classes of business

Decision:

Approved as a result of a meeting of the Board

Co-operators General Insurance Company **A.I. 3**

Application:

Application to implement revised rates for its camper coach class of business

Decision:

Approved as a result of a meeting of the Board

Co-operators General Insurance Company **A.I. 4**

Application:

Application to implement revised rates for its private trailer class of business

Decision:

Approved as a result of a meeting of the Board

Axa Canada on behalf of Insurance Corporation of Newfoundland **A.I. 5**

Application:

Application to correct the short-commute discount approved in A.I. 53 (1997-98) to show the variance between territory 1, and territories 2 & 3 rates

Decision:

Approved as a result of a meeting of the Board

Royal & Sunalliance **A.I. 6**

Application:

Application to increase its current (1992) taxi rates (public passenger)

Decision:

Approved as a result of a meeting of the Board

Dominion of Canada General Insurance Company **A.I. 7**

Application:

Application to implement revised rates for its private passenger and commercial classes of business

Decision:

Private Passenger rates confirmed effective March 1, 1998 for new business and renewals; approval was granted for the commercial insurance rating program, effective June 15, 1998 and August 15, 1998 for renewals.

<p>General Accident Group (Canada) Ltd. on behalf of: Elite Insurance Company Application: Application to implement a new private passenger rating program Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 8</p>
<p>Royal & Sunalliance Application: Application to extend the effective dates of A.I. 6 (1998-99). Decision: Approved as a result of a meeting of the Board.</p>	<p>A.I. 9</p>
<p>Co-operators General Insurance Company Application: Application to implement revised rates for its snow vehicle class of business. Decision: Approved as a result of a meeting of the Board.</p>	<p>A.I. 10</p>
<p>Colonial Fire & General Insurance Company Application: Application to implement an Accident Forgiveness Program. Decision: Approved as a result of a meeting with of the Board</p>	<p>A.I. 11</p>
<p>Dominion of Canada General Insurance Company Application: Application to implement a revised rating program for its commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 12</p>
<p>Ernst & Young on behalf of Travelers Casualty & Surety Company of Canada Application: Application to implement revised rates for its private passenger and commercial classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 13</p>
<p>Scottish & York Insurance Company Application: Application to implement revised private passenger and commercial classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 14</p>
<p>Non Marine Underwriters at Lloyd's Application: Application to implement a rating program for its miscellaneous classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 15</p>

Axa Canada **A. I. 16**

on behalf of:

Axa Pacific Insurance Company

Application:

Application to implement revised rates for its private passenger and commercial classes of business

Decision:

Approval granted as a result of a meeting of the Board

Axa Canada **A. I. 17**

on behalf of:

Insurance Corporation of Newfoundland

Application:

Application to implement revised rates for its commercial class of business

Decision:

Approval granted as a result of a meeting of the Board

Unifund Assurance **A. I. 18**

Application:

Application to implement revised rates for its private passenger and class of business

Decision:

Approval granted as a result of a meeting of the Board

Axa Canada **A. I. 19**

on behalf of:

Axa Insurance

Application:

Application to implement revised rates for its private passenger and commercial classes of business

Decision:

Approval granted as a result of a meeting of the Board

Co-operators General Insurance Company **A. I. 20**

Application:

Application to implement revised rates for its private passenger class of business

Decision:

Approval granted as a result of a meeting of the Board

**Liberty Mutual Insurance Company and
Liberty Insurance Company of Canada** **A. I. 21**

Application:

Application to implement revised rates for their private passenger class of business

Decision:

Approval granted as a result of a meeting of the Board

<p>Lombard Canada on behalf of: Lombard Insurance Company, Lombard General Insurance Company of Canada The Continental Insurance Company, Continental Casualty Company, and Tokio Marine & Fire Insurance Company Limited Application: Application to implement revised rates for their commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 22</p>
<p>Co-operators General Insurance Application: Application to implement revised rates for its commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 23</p>
<p>Atlantic Insurance Company Limited Application: Application to implement revised rates for its private passenger and commercial classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 24</p>
<p>Echelon General Insurance Company Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 25</p>
<p>Royal & SunAlliance Insurance Company of Canada and Quebec Assurance Company Application: Application to implement revised rates for their commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 26</p>
<p>General Accident Assurance Company of Canada Application: Application to implement revised rates for its commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 27</p>
<p>The Halifax Insurance Company of Canada Application: Application to implement revised rates for its commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 28</p>

<p>The Halifax Insurance Company of Canada Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 29</p>
<p>Tillinghast-Towers Perrin on behalf of: Federation Insurance Company of Canada Application: Application to implement revised rating program for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 30</p>
<p>Tillinghast-Towers Perrin on behalf of: Federation Insurance Company of Canada Application: Application for approval to implement a revised rating program for its Commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 31</p>
<p>Pricewaterhouse Coopers on behalf of: Colonial Fire & General Insurance Company Limited Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 32</p>
<p>Axa Canada on behalf of: Insurance Corporation of Newfoundland class of business Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 33</p>
<p>Pricewaterhouse Coopers on behalf of: Coseco Insurance Company Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 34</p>
<p>Allianz Insurance Company of Canada Application: Application to implement revised rating programs for its Private Passenger and Commercial classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 35</p>

<p>Trafalgar Insurance Company of Canada Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 36</p>
<p>AON Risconcept Inc. on behalf of: Metro General Insurance Corporation Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 37</p>
<p>AON Risconcept Inc. on behalf of: Metro General Insurance Corporation Application: Application to implement a revised rating program for its Commercial class of business, and Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 38</p>
<p>Zurich Insurance Company Application: Application to implement revised rating programs for its Private Passenger and Commercial classes of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 39</p>
<p>Zurich Indemnity Company of Canada of Business Application: Application to implement a revised rating program for its Commercial class Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 40</p>
<p>Zurich Indemnity Company of Canada Application: Application to implement a revised rating program for its Private Passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 41</p>
<p>Canada Life Casualty Insurance Company Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 42</p>

<p>Non-Marine Underwriters at Lloyd's Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 43</p>
<p>Non-Marine Underwriters at Lloyd's Application: Application to implement revised rates for its commercial class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 44</p>
<p>Canadian Group Underwriters Insurance Company Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 45</p>
<p>The Halifax Insurance Company of Canada Application: Application to revise its rates for private passenger class of business Decision: Approval granted as a result of a meeting of the Board, with adjustment to \$19 rate for uninsured motorist coverage (single rate for all three territories)</p>	<p>A. I. 46</p>
<p>The Dominion of Canada General Insurance Company Application: Application to revise its rates for its private passenger class of business, & revised October 28, 1998 Decision: Approval granted as a result of a meeting of the Board</p>	<p>A. I. 47</p>
<p>Security National Insurance Company Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 48</p>
<p>Elite Insurance Company Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board</p>	<p>A.I. 49</p>
<p>The Personal Insurance Company of Canada Application: Application to implement revised rates for its private passenger class of business Decision: Approval granted as a result of a meeting of the Board, Class 05 to be manually rated</p>	<p>A.I. 50</p>

The Sovereign General Insurance Company **A.I. 51**

Application:

Application to implement revised rates for its private passenger class of business

Decision:

Approval granted as a result of a meeting of the Board

On the Board's own initiative **A.I. 52**

Application:

In the matter of a review of the automobile insurance rates of Chubb Insurance Company of Canada

Decision:

To implement rates as set out by the Board, effective January 1, 1999 for new business, and April 1, 1999 for renewals; requiring filing of revised rate pages by January 1, 1999, and rates not to be varied with the prior approval of the Board.

On the Board's own initiative **A.I. 53**

Application:

In the matter of a review of the automobile insurance rates of The Hartford Fire Insurance Company

Decision:

To implement rates as set out by the Board, effective January 1, 1999 for new business, and April 1, 1999 for renewals; requiring filing of revised rate pages by January 1, 1999, and rates not to be varied with the prior approval of the Board.

On the Board's own initiative **A.I. 54**

Application:

In the matter of a review of the automobile insurance rates of Pafco Insurance Company Ltd.

Decision:

To implement rates as set out by the Board, effective January 1, 1999 for new business, and April 1, 1999 for renewals; requiring filing of revised rate pages by January 1, 1999, and rates not to be varied with the prior approval of the Board.

Markel Insurance Company of Canada **A.I. 55**

Application:

Application to adopt the Insurers' Advisory Organization's rating program

Decision:

Approval granted as a result of a meeting of the Board

Tillinghast Towers **A.I. 56**

on behalf of:

Federation Insurance Company of Canada

Application:

Application for a variance to A.I. 30 (1998-99) to correct coverages to which the renewal discount applies

Decision:

Approval granted as a result of a meeting of the Board

Lombard Canada **A.I. 57**

on behalf of:

Lombard Insurance Company,
 Lombard General Insurance Company of Canada,
 The Continental Insurance Company
 Continental Casualty Company,
 Tokio Fire & Marine Insurance Company Limited

Application:

Application for a revised rating program for its private passenger class of business

Decision:

Approval granted as a result of a meeting of the Board; the Class 2A and Class 02/03 designations denied

Eckler & Partners **A.I. 58**

on behalf of:

Faciality Association

Application:

Application for revised rates for its private passenger and commercial rating programs

Decision:

Application denied at a meeting of the Board

Traders General Insurance Company **A.I. 59**

Application:

Application for a revised rating program for its private-passenger class of business

Decision:

As a result of a meeting of the Board, approval was granted the application. The company shall in its 1999 filing, review the all perils rates and, if below benchmark, provide justification.

General Accident Assurance Company **A.I. 60**

Application:

Application for a revised rating program for its private passenger class of business

Decision:

As a result of a meeting of the Board, approval was granted the application
 Cwith the all-perils base rate, territory 2,increased to within benchmark range, and the third-part-liability base rates for territory 1 and territory 2 adjusted to reflect indicated changes in the application

Lloyd's Non-Marine Underwriters **A.I. 61**

Application:

Application requesting an amendment to its multi-vehicle discount

Decision:

Approval was granted as a result of a meeting of the Board

Unifund Assurance **A.I. 62**

Application:

Application for an amendment to its Star 'S' Discount applicable to private passenger automobile-insurance premiums

Decision:

Approval was granted as a result of a meeting of the Board

<p>Lombard Canada on behalf of: Lombard Insurance Company, Lombard General Insurance Company of Canada The Continental Insurance Company, Continental Casualty Company, and Tokio Marine & Fire Insurance Company Limited Application: Application for approval of a short commute discount, applicable to Class 02 designation Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 63</p>
<p>The Halifax Insurance Company Application: Application for approval of revised uninsured motorists premiums Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 64</p>
<p>Royal & Sunalliance Insurance Company of Canada Application: Application for approval of a revised rating program for its private passenger class of business Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 65</p>
<p>Wellington Insurance Company Application: Application for approval to implement rating programs for its private passenger and commercial classes of business Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 66</p>
<p>Pafco Insurance Company Application: Application for approval to implement rating programs for its private passenger and commercial classes of business Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 67</p>
<p>Markel Insurance Company of Canada Application: Application for approval of its discount/credits schedule for use with its commercial automobile insurance rating program approved in Board Order A.I. 55 (1998-99) Decision: Approval was granted as a result of a meeting of the Board</p>	<p>A.I. 68</p>
<p>Co-operators General Insurance Company Application: Application for approval to implement revised rates for its private passenger class of business Decision:</p>	<p>A.I. 69</p>

Approval was granted as a result of a meeting of the Board	
Gan Canada	A.I. 70
on behalf of:	
Gan Canada Insurance Company	
Gan General Insurance Company	
Application:	
Application to implement revised rates for their private passenger class of business	
Decision:	
Approval was granted as a result of a meeting of the Board	
Co-operators General Insurance Company	A.I. 71
Application:	
Application for approval of changes to endorsement forms SEF 20, SEF 27, and SEF 43R	
Decision:	
Approval was granted as a result of a meeting of the Board	
Echelon General Insurance Company	A.I. 72
Application:	
Application for approval to implement revised rates for its private passenger class of business	
Decision:	
Approval was granted as a result of a meeting of the Board	

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1998-1999
UNDER
THE MOTOR CARRIER ACT**

Hickey's Limited
Holyrood, NF

M.C. 101

Application:

Application for a Motor Carrier Certificate No. 6387 (ambulance)

Decision:

Approval granted as a result of a meeting of the Board

James Hickey
Holyrood, NF

M.C. 102

Application:

Cancellation of Motor Carrier Certificate No. 4031

Decision:

Approval granted as a result of a meeting of the Board

John L. Spencer
Site 15, Box 29 R.R. 1
Burin

M.C. 103

Application:

Application for a Motor Carrier Certificate No. 6388
(public passenger bus)

Decision:

Approval granted as a result of a meeting of the Board

FINANCIAL STATEMENTS

Morrissey & Company

CHARTERED ACCOUNTANTS

*Suite 202
The Wedgwood Building
85 Thorburn Road
P.O. Box 28033
St. John's, NF A1B 4J8
Tel: (709) 739-0875
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AUDITORS' REPORT

To the Members of the Board of Commissioners of Public Utilities:

We have audited the balance sheet of the **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES** as at March 31, 1999 and the statements of revenue, expenditure and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
May 7, 1999

Chartered Accountants

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
BALANCE SHEET**

As At March 31,	1999	1998
ASSETS		
Current		
Cash	\$ 210,769	\$ 320,162
Accounts receivable	90,951	53,738
Hearing costs recoverable (Notes 2 and 3)	38,007	198,609
Prepaid expenses	<u>18,348</u>	<u>21,130</u>
	358,075	593,639
Designated pension funds (Note 4)	<u>699,878</u>	<u>738,018</u>
	<u>\$ 1,057,953</u>	<u>\$ 1,331,657</u>
LIABILITIES		
Current		
Accounts payable and accruals	\$ 77,028	\$ 378,378
Accrued vacation pay	<u>109,379</u>	<u>95,328</u>
	186,407	473,706
Accrued severance pay	124,070	101,179
Pension obligations (Note 4)	<u>435,000</u>	<u>370,555</u>
	745,477	945,440
EQUITY		
Surplus	<u>312,476</u>	<u>386,217</u>
	<u>\$ 1,057,953</u>	<u>\$ 1,331,657</u>

On behalf of the Board:

_____ Chairperson and CEO

_____ Vice-Chairperson

See Accompanying Notes

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

Year Ended March 31,	1999	1998
Revenue		
Asses sments	\$ 1,312,626	\$ 1,024,033
Pension income (Note 4)	27,305	25,331
Hearings	17,250	1,750
Interest	16,438	1,672
Miscellaneous	<u>406</u>	<u>590</u>
	<u>1,374,025</u>	<u>1,053,376</u>
Expenditure		
Advertising and notices	7,398	10,379
Furniture and equipment	28,092	64,816
Insurance	1,402	985
Leasehold improvements	29,626	75,991
Memberships and registration	19,579	18,318
Office supplies and printing	33,521	28,371
Pension obligations estimation adjustment (Note 4)	129,890	-
Postage and courier	4,649	3,489
Professional fees	216,088	322,463
Rent	126,001	140,081
Salaries and associated costs	772,258	599,815
Strategic planning	11,283	13,866
Telephone	24,863	16,407
Transcription	2,450	2,938
Travel	<u>40,666</u>	<u>41,819</u>
	<u>1,447,766</u>	<u>1,339,738</u>
Excess of expenditure over revenue	(73,741)	(286,362)
Surplus as at beginning of year	<u>386,217</u>	<u>672,579</u>
Surplus as at end of year	<u>\$ 312,476</u>	<u>\$ 386,217</u>

See Accompanying Notes

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
STATEMENT OF CASH FLOWS

Year Ended March 31,	1999	1998
Operating activities		
Excess of expenditure over revenue	\$ (73,741)	\$ (286,362)
Changes in non-cash working capital balances		
Increase in accounts receivable	(37,213)	(24,450)
Decrease in hearing costs recoverable	160,602	141,230
Decrease (increase) in prepaid expenses	2,782	(19,828)
(Decrease) increase in accounts payable and accruals	(301,350)	151,216
Increase in accrued vacation pay	14,051	23,415
Increase in accrued severance pay	<u>22,891</u>	<u>16,681</u>
Cash flows (used in) from operating activities	<u>(211,978)</u>	<u>1,902</u>
Investing activities		
Decrease in designated pension funds	38,140	40,114
Increase (decrease) in pension obligations	<u>64,445</u>	<u>(65,445)</u>
Cash flows from (used in) investing activities	<u>102,585</u>	<u>(25,331)</u>
Decrease in cash resources during the year	(109,393)	(23,429)
Cash position as at beginning of year	<u>320,162</u>	<u>343,591</u>
Cash position as at end of year	<u>\$ 210,769</u>	<u>\$ 320,162</u>

See Accompanying Notes

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
NOTES TO THE FINANCIAL STATEMENTS**Year Ended March 31, 1999****1. Authority**

The Board of Commissioners of Public Utilities is an independent, quasi-judicial regulatory agency constituted by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board is responsible for the regulation of electric utilities in the Province to ensure that rates charged are just and reasonable and that the service provided is safe and secure. Other responsibilities include the setting and regulation of the rates for automobile insurance, as well as limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations.

2. Summary of significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with generally accepted accounting principles, the more significant of which are set out below:

(a) Operating revenue and expenditure

Operating revenue and expenditure are accounted for on the accrual basis. The Board estimates expenses annually which are assessed upon and borne by regulated concerns.

(b) Hearing costs recoverable

Recoverable expenses relating to specific public utility enquiries held by the Board are accrued in hearing costs recoverable accounts until the Board orders payment. These reimbursements and related underlying expenses are not included as operating revenue and expenditure of the Board.

(c) Capital assets

The Board follows a policy of writing off all capital assets to expenditure in the year of acquisition. The Board is in the process of compiling information on capital assets for future financial statement reporting purposes in accordance with public sector accounting recommendations of the Canadian Institute of Chartered Accountants.

(d) Severance Pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service. No provision for severance pay is made in the accounts for employees with less than nine years of continual service. Severance pay for eligible employees is payable when the employee ceases employment with the Board.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 1999

3. Hearing costs recoverable

	1999	1998
Hearing costs recoverable - beginning of year	\$ <u>198,609</u>	\$ <u>339,839</u>
Add - specific enquiry costs incurred during the year		
Professional fees	407,893	102,650
Consumer Advocate	410,846	-
Transcription and printing	37,864	3,396
Salaries	71,513	10,853
Other	<u>44,678</u>	<u>21,494</u>
	<u>972,794</u>	<u>138,393</u>
	1,171,403	478,232
Less - costs recovered during the year	<u>1,133,396</u>	<u>279,623</u>
Hearing costs recoverable - end of year	<u>\$ 38,007</u>	<u>\$ 198,609</u>

4. Pension Plan

The Board maintains a defined benefit pension plan for two former commissioners. Other commissioners and employees of the Board are members of the public service pension plan.

Designated pension funds of \$699,878 (1998 - \$738,018) consist of investments maintained in an account with the Royal Trust Corporation of Canada and are valued at market value.

Changes in designated pension funds are as follows:

	1999	1998
Balance, beginning of year	\$ 738,018	\$ 778,132
Add, earnings net of expenses	<u>27,305</u>	<u>25,331</u>
	765,323	803,463
Deduct, benefit payments	<u>65,445</u>	<u>65,445</u>
Balance, end of year	<u>\$ 699,878</u>	<u>\$ 738,018</u>

Pension obligations of \$435,000 at March 31, 1999 represent the present value of accrued pension benefits as at that date, as calculated in an actuarial report dated May 28, 1997 and updated April 27, 1999. The update indicates that a pension obligations estimation adjustment was required as at March 31, 1999 due to changes in actuarial assumptions reflecting lower projected interest rates. The estimation adjustment of \$129,890 is included in expenditure in the 1999 fiscal year.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
NOTES TO THE FINANCIAL STATEMENTS**Year Ended March 31, 1999****5. Income taxes**

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to provincial or federal income taxes.

6. Commitment

The Board entered into a five year lease agreement for rental of office space in the amount of \$10,345 per month (\$124,140 per annum) commencing May 1998.

7. Comparative figures

Certain of the 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for 1999.

8. Year 2000 Readiness

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. The Board is confident that it is taking all necessary precautions, within its control, to ensure that possible Year 2000 problems will not adversely affect the Board's operations.

REPORTS FROM REGULATED INDUSTRIES

Newfoundland Power Inc.

The actual electricity produced by the Company and purchased for resale during 1998 declined by 2.9% to 4,569 million kilowatt hours. Of this amount, 411 million kilowatt hours were generated in the Company's own plants, while 4,158 million kilowatt hours were purchased from Newfoundland and Labrador Hydro. However, after results are adjusted to reflect normal weather conditions, electricity produced and purchased increased by 0.4%.

The actual electricity sold in 1998 decreased by 3.2% to 4,321 million kilowatt-hours. However, after results are adjusted to reflect normal weather conditions, electricity sold increased marginally by 0.04%. The number of customers served in 1998 increased by 0.8% to 214,150. Net fixed assets which include property, plant and equipment plus construction in progress less accumulated depreciation increased by 3.2% from \$491.8 million in 1997 to \$507.4 million in 1998.

Additional information on capital expenditures for 1998 are summarized as follows:

Newfoundland Power Inc.
Capital Expenditure
For the Year Ended December 31, 1998
000's

	<u>Approved by</u> <u>Board Order</u> \$	<u>Actual</u> \$	<u>Variance</u> <u>Over (Under)</u> \$
Energy Supply	13,121	12,888	(233)
Substations	2,660	3,029	369
Transmission	2,640	2,425	(215)
Distribution	13,402	15,422	2,020
General Property	2,193	1,294	(899)
Transportation	1,415	1,521	106
Telecommunications	1,173	1,121	(52)
Computing Equipment	3,439	4,080	641
General Expenses Capital	<u>3,417</u>	<u>3,465</u>	<u>48</u>
	<u>\$ 43,460</u>	<u>\$45,245</u>	<u>\$ 1,785</u>

REPORTS FROM REGULATED INDUSTRIES

Newfoundland and Labrador Hydro

The total number of kilowatt-hours sold from April 1, 1998 to March 31, 1999 was 6,017,857,000 kilowatt hours which included sales of 802,962,000 kilowatt-hours to rural customers, 4,063,700,000 kilowatt-hours to Newfoundland Power and 1,151,195,000 kilowatt-hours to industrial customers. The rate of growth over the previous period was -10.69%.

As of March 31, 1999, the total number of customers served by Hydro was 34,644, which included 34,637 rural customers, 1 wholesale customer (Newfoundland Power) and 6 industrial customers.

New Construction

During the relevant period major construction projects were as follows:

Bay D'Espoir Exciters Replacements

The replacement of the excitation systems for two (2) units at the Bay D'Espoir Generating Station was completed in October, 1998 at a cost of \$700,000. The replacement was required due to equipment obsolescence and non-availability of spare parts and service.

Rebuild Arm Chair Dam at Snook's Arm

The rebuild of the Arm Chair Dam at the Snook's Arm Generating Station was completed November, 1998 at a cost of \$93,000. The rebuild of the dam was necessary because the dam had reached its designed service life.

Paradise River Control System Replacement

The replacement of the control system for the Paradise River Generating Station was completed in September, 1998 at a cost of \$408,000. The replacement was required due to equipment obsolescence, non-availability of spare parts and service.

Holyrood Solid Waste Disposal Facility

The construction of a solid waste disposal facility for the Holyrood Generating Station was completed in January, 1999 at a cost of \$975,000. In order to meet the requirements of the Provincial Department of Environment & Lands and because industrial solid waste could no longer be disposed of at the Robin Hood Bay site, a solid waste disposal facility was constructed at the Holyrood Generating Station site.

Replace Microwave Radio – Hinds Lake to Bay D’Espoir

The Hinds Lake to Bay D’Espoir microwave system was placed in service in March, 1999. Testing and training are continuing and will be completed by August, 1999. The total project cost is forecasted to be \$2,600,000. The microwave radio equipment was replaced due to obsolescence, non-availability of spare parts and service.

Gull Pond Hill Ormat Generator Replacement

The replacement of the 20 year old Ormat propane generator at the Gull Pond microwave site was completed in March, 1999 at a cost of \$350,000. The Ormat was replaced with a prime power diesel generator cycle charged system. The Ormat generator was replaced due to obsolescence, non-availability of spare parts and service.

Mud Lake Interconnection

This project involved the construction of 9km of distribution line from the Happy Valley system; a 1.9 km submarine cable across the Churchill River; and the voltage conversion of the community of Mud Lake. The total project was \$1.206 M, and the interconnection was completed on November 18, 1998.

Star Lake Interconnection

This project was started in 1997 and involved the expansion of the Buchans Terminal Station to interconnect the Star Lake Hydro Plant into the transmission grid. The site preparation and general civil works were completed in 1997. In 1998, the transformers and other electrical equipment was installed and commissioned. The project cost a total of \$1.65 M which was fully recoverable from Star Lake Hydro. The first ‘on-line’ testing began in September, and the plant went into commercial operation on October 2, 1998.

TL 220 Relocation

This was the first project undertaken towards the ‘Reliability improvements on the Connaigre and Avalon Peninsulas’. The project cost is \$5.3 M and involves the relocation of 20 km to a more readily assessable R.O.W. The old section of the line is to be removed. The line relocation work was completed and put into service in December, 1998. The contract for the removal of the old line has been awarded, and this work will be completed by June 30, 1999.

Remote Diesel System

Diesel engines and generators were replaced at Nain, Hopedale, and Rigolet, due to equipment obsolescence. Fuel storage systems were installed at various plants to meet increased storage requirements identified in the long-range load forecasts. The system wide HVLN upgrade program was completed with the Black Tickle plant upgrade being finished in 1998.

STAFF
Year End - March 31, 1999



Left to Right

Standing: Helen Reddy, Barbara Thistle, Doreen Dray,
 Cheryl Blundon, Colleen Wood, Leah Keating
 Seated: Don Seaward, Robert Byrne, Randy Pelletier,
 Mike McNiven

Board Secretary	<i>G. Cheryl Blundon</i>
Manager Regulatory Affairs	<i>Robert Byrne</i>
Financial and Economic Analyst.....	<i>Doreen Dray</i>
Accountant	<i>Leah Keating</i>
Legal Counsel.....	<i>Randy Pelletier</i>
Senior Electrical Engineer.....	<i>Vacant</i>
Compliance Auditor.....	<i>Don Seaward</i>
Information Technology Officer & Records Manager.....	<i>Mike McNiven</i>
Secretary to the Chair.....	<i>Helen Reddy</i>
Secretary to the Vice-Chair	<i>Barbara Thistle</i>
Clerk-Steno	<i>Colleen Wood</i>

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