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Message from the Chairperson

1998 11 27

Honourable Chris R. Decker
Minister of Justice and Attorney General
Department of Justice
Government of Newfoundland and Labrador
Confederation Building
P. O. Box 8700
St. John's, NF
A1B 4J6

Dear Minister:

It is with pleasure that I present this Report on the operations of the Public Utilities Board for the year ended March 31, 1998. The major responsibilities of the Board are in the regulation of electric utilities and automobile insurance rates. The Board has new responsibilities in arbitration of the compensation for land expropriated by Government. The Board also has limited regulatory responsibilities for the motor carrier industry in relationship to certain public passenger and ambulance operations. About 70% of the time of the Board is directed to fulfilment of its mandate with respect to the electric power industry while 25% of the Board's time is taken in discharging its responsibilities in automobile insurance.

In the energy sector, the Board is faced with wide-ranging changes in the electric power industry and in the scope and manner of its regulation on a world-wide basis. There are major changes taking place across North America through greater competition, particularly on the generation side. Many companies engaged in electric power generation operate with greatly reduced regulation from that which existed in the past. Regulatory tribunals in Canada and the United States are acting to facilitate the transition from regulated monopoly to competition and to ensure that consumers are protected from any adverse effects.

Regulatory tribunals are engaged in a variety of active initiatives to achieve higher efficiency and to enhance the quality of service provided to the public. In their efforts to operate more efficiently, many tribunals have introduced a wide range of new electronic technology into their hearing procedures and used the World Wide Web as a means to improve communications with their clients. Negotiated settlements have been used to reduce hearing costs. Various forms of alternative dispute resolution have been used as an alternative to formal hearings.

Some Boards have moved to reduce hearing costs by adopting automatic adjustment formulas. An example is the use of a formula to adjust the allowed rate of return on capital. These formulas are adopted in order to reduce the cost of full return-on-capital hearings. Such formulas use capital market indicators to measure changes in the required rate of return.

Message from the Chairperson

This Board has been working to keep abreast of these regulatory trends and to seek measures to improve the level of service offered to the public. The focus of this effort has been a strategic planning process whose aim is to improve the effectiveness and the efficiency of the Board. Over the past year the Board has been undertaking a consultation process with stakeholders in order to identify specific initiatives. Concurrent with the release of this Annual Report the Board is releasing its strategic plan for the future of the Board. This plan sets out goals and objectives to be achieved. These objectives will enable the Board to measure its progress in implementing the plan.

Electric Power

Capital Budget Hearings

In carrying out its mandate of general supervision of electric utilities, the Board hears the annual capital budget application of Newfoundland & Labrador Hydro (Hydro) and of Newfoundland Light & Power Co. Limited (NLP). The hearing into the application of NLP, with a proposed 1998 capital budget of \$41,387,000, was held on December 2, 1997. This budget exceeded the previous year's estimated expenditures by 25%, primarily as a result of a proposed hydro development project at Rose Blanche, estimated to cost approximately \$13 million.

During the hearing of the application, the Board decided to deal with the Rose Blanche project separately and that the Rose Blanche project required further study. NLP was directed to update its information to reflect December 1997 evidence and to address issues raised by the Board. On December 19th, 1997, NLP filed the Rose Blanche Development Feasibility Review update. Hydro submitted its comments on December 24th, 1997. As a result of the evidence and reports filed, the Board approved the project.

The hearing into the capital budget application of Hydro, held on November 20, 1997, reviewed total proposed capital expenditures of \$45,365,000. This figure reflects an increase of 48% over the capital budget of the previous year, with 94% of this increase being directed toward System Security and Reliability Improvements. NLP intervened at this hearing. NLP raised its concern regarding the selection of least cost alternatives with the proposed upgrade of the 230 kV transmission system on the Avalon Peninsula. On the basis of the evidence, the Board approved Hydro's capital budget.

Message from the Chairperson

Contributions in Aid of Construction Policy

The financial consultants of the Board were directed to carry out a review of the Contribution in Aid of Construction (CICA) policy and procedures of NLP. The Board, on its own motion, held a hearing during which NLP filed proposed changes. The subsequent Order approved a policy that applies to both Hydro and NLP, and is designed to address areas that were previously highlighted in complaints to the Board.

Newfoundland Light & Power Co. Limited - Cost of Capital Hearing

The monitoring by the Board of changes in the economy, a subsequent investigation, and a complaint from the City of St. John's caused the Board to determine that a hearing into the current rate of return on common equity and the capital structure of NLP was necessary. Notice was published. After being notified that Mr. Dennis Browne, Q.C. had been appointed by Government as Consumer Advocate, and that Ms. Janet Henley Andrews would be representing Abitibi Consolidated, who wished to intervene in this action, the Board set April 2, 1998 as the date of the pre-hearing conference.

Outstanding Issues - NLP's 1996 General Rate Hearing

Board Order No. P.U. 7 (1996-1997), with regard to NLP's rate application, directed that a number of matters be addressed by the company, and that these issues would be addressed by a public hearing. Although they remain outstanding, the Board has tentatively scheduled a public hearing into these matters for October 1998.

Automobile Insurance

The Automobile Insurance Act, R.S.N. 1990, charges the Board with specific statutory responsibilities concerning the regulation of automobile insurance rates in the Province of Newfoundland and Labrador. During the year under review the Board continued to discharge its regulatory responsibilities to ensure that rates are fair for consumers, and adequate to cover future claims obligations. A key element of this effort is the establishment of benchmark rate ranges which are prepared annually for the Board. The benchmark rate ranges are based upon a study conducted by an independent actuarial consulting firm. Rate filings which fall either above or below the benchmark rate ranges are approved only when adequately supported with actuarial justification by the Applicant.

1997 Benchmark Rates

The Board held a public hearing in May into the establishment of the benchmark rate ranges. The Order issued pursuant to the hearing approved the proposed automobile insurance benchmark rates for filings in 1997.

Board Orders

During 1997-98 the Board issued 70 Orders under authority of *the Automobile Insurance Act*.

Message from the Chairperson

Rate Filings below Benchmarks

In 1996-97 the Board approved two rate filings by automobile insurers with premiums for some coverages below the benchmark minimums. By comparison, during the current reporting period, the Board received 14 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 rates, predominantly in Territories 1 and 2. As of the end of this reporting period, of the 14 applications received, 12 of the applications have been approved as presented or modified, with rates for certain coverages below the benchmark minimums. One application was denied due to the fact that the filing company was unable to provide sufficient actuarial information to support the rates proposed. One application remains outstanding, subject to actuarial review.

Compliance Audits

During the period April 1, 1997 to March 31, 1998, the Board completed the audits that commenced in the previous reporting period and as well, initiated an additional five compliance audits of automobile insurers operating in the Province. The compliance audits completed during 1997-98 involve four national insurers, one provincially based insurer and a residual market insurer, Facility Association. The Board intends to continue the compliance audit program and feels that it is beneficial to all participants in the automobile insurance industry.

Presentation to Select Committee

On March 28, 1996, the Provincial Government established a Select Committee of the House to review the property and casualty insurance industry in the Province of Newfoundland and Labrador. On September 17, 1997, at the request of the Select Committee, the Board made a presentation covering various aspects of the Board's current regulatory responsibilities and roles as well as presenting a variety of options outlining alternative methods of rate regulation.

1998 Benchmark Report

The Board is in receipt of the 1998 Benchmark Report, for filings in 1998. The 1998 Benchmarks represent a marked improvement for overall coverages for Territories 1 and 2, and an increase for Territory 3. The Board is encouraged by the proposed 1998 Benchmark Report as this is the first time in recent history that there has been a decline in the benchmark rates for liability coverage in any of the Territories. It is too early to say whether or not a downward trend in insurance rates has been established. However, if insurers and the driving public are able to contain losses by reducing the frequency and severity of claims, further reductions in automobile insurance rates can be achieved.

Message from the Chairperson

Appointments and Resignation

During the year, Commissioner Wallace Read resigned from his position on the Board in order to undertake an assignment on behalf of the Minister of Mines and Energy. The Board is grateful to Dr. Read for his important contribution during his tenure. Mr. Ray Pollett, previously a part-time Commissioner, was appointed as a full-time Commissioner. Government also appointed Fred Saunders, Gary Vey, William Finn and Darlene Whalen as part-time Commissioners for a three year term. A welcome is extended to these new Commissioners.

Last year I reported the retirement of Carol Horwood from her position of Clerk of the Board. Early in the fiscal year the Lieutenant-Governor in Council appointed Cheryl Blundon as Clerk of the Board and Director of Administrative Services.

Doreen Dray, previously Accountant with the Board, was appointed as Financial and Economic Analyst. Leah Keating was appointed as Accountant. Arlene Veitch was appointed as a full-time Compliance Auditor. Mr. David Bazeley was appointed as Senior Engineer to the Board. The Board welcomes these staff members to their new positions.

In September, I took a leave of absence from my position as Chair and Chief Executive Officer in order to chair a Task Force on collective bargaining and price determination in the fishing industry. This leave of absence extended from September to the latter part of April. In my absence, Vice-Chair Leslie Galway acted as Chair.

The Board owes her a debt of gratitude for the additional responsibilities she assumed and the strong leadership which she provided during my absence.

Education and Training

The Board plays an active role in the Canadian Association of Members of Public Utility Tribunals (CAMPUT).

CAMPUT provides its members with a variety of services, including a forum for information exchange among regulatory tribunals and training for Commissioners and staff.

Prior to my leave of absence I had been Chair of the Education and Training Committee of CAMPUT and served as a member of its Executive Committee. Leslie Galway assumed these responsibilities during my absence and continued this role for the remainder of the term for which I had been elected.

During the year, Ms. Galway conducted training sessions for new Commissioners. New Commissioners also availed of other training opportunities offered by the Canadian Council of Administrative Tribunals and the National Association of Insurance Commissioners in the United States.

Education plays an important role in the effectiveness of the Board. The Board anticipates the need for further training in administrative law, public utility regulation and in the arbitration of land values, pursuant to its new responsibilities to determine the appropriate level of compensation for land expropriated by Government pursuant to the Expropriation Act.

Message from the Chairperson

Conclusion

The Board anticipates that the future will bring continuous change and adaptation. The strategic planning process in which we have been engaged is vitally important to the Board's success in meeting the many new challenges which we will face. The Board and its staff will be taking every possible step to invite full public participation in its work. We believe that the planning initiatives we have taken will well serve the public of Newfoundland and Labrador. Our mission is to serve the public effectively, and this requires that we achieve an equitable balance between the interests of consumers and of service providers in the industries covered by our mandate.

It is our expectation that our strategic plan will contain a number of proposals for change in the operation of the Board. We look forward to discussing these proposals with you and with Government. We trust you will find this annual report to be of value in its description of the activities of the Board for the year ended March 31, 1998.

Yours truly,

D. A. Vardy,
Chair and Chief Executive Officer.

The Board's Mandate

The Board of Commissioners of Public Utilities first met on January 23, 1950, and held its first public hearing in Bonavista on June 20, 1951. The Board's role and responsibilities have changed a great deal since that time.

The Board is an independent, quasi-judicial regulatory agency appointed by the Lieutenant-Governor in Council, and operates primarily by virtue of the *Public Utilities Act, 1990*.

The Board's primary responsibility is the regulation of the electric utilities in the province to ensure that the rates charged are just and reasonable, and that the service provided is safe and secure. Other responsibilities include the supervision of rates charged by automobile insurers for the various automobile insurance coverages, as well as limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations. Appeals from decisions of the Board lie to the Newfoundland Supreme Court, Court of Appeal. The Board submits an annual report to the Minister of Justice.

The Board administers various statutes relating to its regulatory functions, including:

1. *The Public Utilities Act,*
2. *The Electrical Power Control Act,*
3. *The Act to Amend the Electrical Power Control Act,*
4. *The Public Utilities Acquisition of Lands Act,*
5. *The Automobile Insurance Act,*
6. *The Motor Carrier Act,* and
7. *The Motor Vehicle Transport Act.*
8. *An Act to Amend the Expropriation Act*

While many responsibilities are conferred upon the Board by way of the foregoing statutes, the Board is most well known for its following duties:

- The *Public Utilities Act* defines the general powers of the Board. The *Act* states that the Board has the general supervision of public utilities to ensure compliance by public utilities with the law. The public utilities regulated by the Board are Newfoundland Light and Power Co. Limited, Newfoundland and Labrador Hydro and Deer Lake Power Company Limited.
- The *Electrical Power Control Act, 1994, An Act to Amend the Hydro Corporation Act* and other *Acts*, proclaimed in January 1996, empowers the Board to regulate Newfoundland and Labrador Hydro in the same fashion as it has regulated Newfoundland Light and Power Co. Limited. Prior to this enactment, the Board could only review and recommend to Government the rate charged for power by Hydro. The Board now has the authority to order the rate schedule itself using tests consistent with generally accepted sound public utility practices. The Lieutenant-Governor in Council retains the right to refer to the Board matters relating to rates and other issues on electrical power utilities.

The Board's Mandate

- The *Automobile Insurance Act* states that the Board has the general supervision of the rates an insurer charges or proposes to charge for automobile insurance. Matters respecting insurance, other than the rates charged, are under the responsibility of the Superintendent of Insurance, Commercial and Corporate Affairs Branch of the Department of Government Services and Lands.
- The *Motor Carrier Act* gives the Board the power to grant certificates and approve rates for public service carriers such as regularly scheduled bus service along the Trans Canada Highway and ambulance operators. All matters other than the processing of applications for certificates, and amendments to certificates such as inspection and enforcement, are the responsibility of the Government Services Branch of the Department of Government Services and Lands.

On May 15, 1996, the Board of Commissioners of Public Utilities Regulations, 1996 under the *Public Utilities Act* came into force under the authority of Section 20 of the *Public Utilities Act* with the approval of Lieutenant-Governor in Council. These new regulations reflect today's regulatory environment and reflect effective and efficient policies and procedures.

The Electrical Power Industry

The Board, under the authority of the Public Utilities Act 1990 and the Electrical Power Control Act 1994, regulates and supervises the electric power industry in Newfoundland and Labrador. The Board conducts its regulatory function according to the power policy of the Province which, in summary, states that electricity rates should provide sufficient revenue to the producer or retailer of power to enable it to earn a just and reasonable return on investment while, at the same time, delivering that electricity to consumers in the Province at the lowest possible cost consistent with reliable service.

Capital Budget Hearings

Hearings were held to review the capital budgets of Newfoundland Light & Power Co. Limited (NLP) and Newfoundland and Labrador Hydro (Hydro). The capital program proposed by NLP was higher than it had been in recent years, primarily as a result of a proposed hydro development project at Rose Blanche, estimated to cost approximately \$13 million.

In the intervention filed by Hydro on the capital budget application of NLP, Hydro enquired on the need for the development of this hydro-electric plant as the least cost alternative to meet capacity requirements prior to the year 2002. On the basis of the evidence presented during the hearing and a revised engineering study subsequently filed by the Company on the Board's request, the Board approved the proposed project.

As a result of its consideration of the Rose Blanche project, the Board ordered that measures be taken to establish planning and evaluation criteria for future capital projects. Both electric utility companies were ordered to consider an appropriate process for the review of future generation and transmission projects. The Board set a deadline within which the utilities must report. The reports would address minimum filing requirements and the identification of the most efficient generation and transmission options. The action taken by the Board was in accordance with the authority and the responsibility "to ensure that adequate planning occurs for the future production, transmission and distribution of power in the Province" pursuant to Section 6(1) of the *Electrical Power Control Act, 1994*.

The total capital budget proposed by Hydro for 1998 was \$45,365,000, with \$20,178,000 (or 44.5%) of this expenditure being directed toward Transmission. This continues a multi-year program of improving the reliability of the system. During 1998, the two largest projects are an upgrade of transmission line TL220 (Bay D'Espoir - Harbour Breton) and an upgrade of TL217 (Western Avalon - Holyrood). Together, these projects make up 29.1% of Hydro's total Capital Budget for the year.

NLP intervened at this hearing. NLP enquired on the cost benefit of proceeding with the full upgrade of the 230 kV transmission system project relating to wood pole transmission lines and certain elements of the upgrades on the Avalon Peninsula. The Board ordered Hydro to file in support of the project, an engineering report relating to the upgrading of TL 202 and TL 206 prior to the 1999 capital budget hearing. Also, the Board ordered a report be prepared on the least cost alternative of re-conducting of TL 203, TL 201 and TL 236, and the incremental benefit of improvement at the delivery point availability.

The Electrical Power Industry

Contributions in Aid of Construction Policy

The Board also held a hearing, on its own motion, for the purpose of reviewing the Contribution in Aid of Construction (CIAC) Policy of NLP. Doane Raymond, the Board's Financial Consultant, were engaged to review the existing CIAC policies, procedures and practices. Doane Raymond presented its report at the hearing. NLP, in response to this report and its own review, proposed changes to its CIAC policies. Hydro participated in this hearing. In its Order pursuant to the hearing, the Board approved a revised CIAC Policy which applies both to NLP and to Hydro. The new Policy makes a firm distinction between residential and seasonal residential customers and provides a specific company investment in a fixed length of distribution line for each class of customers. The Board believes that the new CIAC Policy will significantly reduce the number of complaints from the level received in the past.

Pole Attachment Rates

On October 30, 1992, an application was received by the Board from NLP to vary Order No. P.U. 8 (1986) to delete all references to Newfoundland Telephone. Newfoundland Telephone had become regulated in its operations by the Canadian Radio-television and Telecommunications Commission (CRTC). The CRTC, on March 4, 1992, had established a method to calculate compensation payable by cable TV operators to Newfoundland Telephone for attachment of facilities to structures owned by the telephone company.

An independent audit of the pole accounts of NLP commissioned by the Board was filed in February, 1996.

At a Pre-hearing Conference on January 29, 1997 the Board was advised by the parties involved that an agreement in principle had been reached on issues outstanding between NLP and the majority of the cable TV operators.

On April 11, 1997, the Board received a copy of the finalized agreements, and on April 14, 1997, NLP withdrew, in writing, its application of October 30, 1992.

By virtue of Board Order No. P.U. 1 (1997-98) the Board approved the pole rental rates as negotiated by Newfoundland Power and the cable TV operators. It also revised previous Orders relating to the use of utility poles by licensed cable television operators who are parties to these negotiated agreements.

Stated Case on the Public Utilities Act, Section 80

The Board continues to await the judgement arising from the Board's Stated Case which was heard in early 1997 by the Newfoundland Court of Appeal. The outcome will determine the jurisdiction of the Board to set limits on annual earnings. Standing before the Board was granted to NLP and to the Consumer Advocate. (*The Opinion of Coram of the Supreme Court of Newfoundland, Court of Appeal was rendered on June 15, 1998*)

The Electrical Power Industry

Rate Stabilization Adjustment and Municipal Tax Adjustment

The Rate Stabilization Adjustment is the mechanism whereby NLP adjusts the annual differences between the estimated and actual cost of fuel burned to produce electricity as well as other factors such as variance of hydro production with test year estimates. The Municipal Tax Adjustment is the annual adjustment which NLP makes to reflect the necessary changes to the amount of municipal tax it is required to pay in each community in the Province.

As of July 1st, 1997, the average bill increase resulting from these adjustments was approximately 1.2%, being solely attributable to a 1.2% net increase in the Rate Stabilization Adjustment. These changes are reflected in each rate class and disclosed in NLP's rate schedules. Hydro also makes such changes to its rates to reflect these adjustments.

Newfoundland Light & Power Co. Limited - Cost of Capital Hearing

As a result of its own investigation and a complaint from the City of St. John's, the Board determined that a hearing shall be held with regard to the current rate of return on common equity and capital structure of NLP, pursuant to the Public Utilities Act. The Board received notification from Government that Mr. Dennis Browne, Q.C. had been appointed as Consumer Advocate. Ms. Janet Henley Andrews registered as an Intervenor on behalf of Abitibi Consolidated. Mr. Ian Kelly, Q.C., is to represent NLP. The pre-hearing Conference is set to be held on April 2, 1998, with the hearing itself shortly thereafter.

Outstanding Issues - Newfoundland Light & Power Co. Limited's 1996 General Rate Hearing

The Board's Order of October 1996 with regard to a rate application from NLP directed that a number of matters be addressed by NLP either in the near future or at its next rate hearing. The Board has now determined that these matters will be dealt with in a public hearing tentatively scheduled for October 1998.

Complaints

For the period April 1st, 1997 to March 31st, 1998 the Board received 71 formal complaints and numerous enquiries and informal complaints, mostly relating to cut-off notices and billing disputes with NLP. The Board also received numerous telephone calls from individuals seeking information regarding regulated utilities. With regard to both formal complaints and information requests, the Board maintains an active liaison with both NLP and Hydro.

Legislative Compliance

To ensure compliance by the electric power utilities with legislative requirements and with Orders of the Board, the Chartered Accounting Firm of Doane Raymond conducted its annual review of Newfoundland Hydro for the year ended December 31, 1995 and on May 30, 1997 filed its report with the Board. Doane Raymond also conducted an annual review of Newfoundland Power for the year ended December 31, 1996 and on September 26, 1997 filed its report with the Board.

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 Bureau of Canada (IBC).

The IAO and IBC 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.

Automobile Insurance Industry

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 during the previous reporting period were:

1. Territory 1, Statistical Plan Code 002
Metropolitan St. John's District
Consisting of the City of St. John's, The Avalon, Burin and Bonavista Peninsulas, and that territory East of a line drawn from Port Blandford in Bonavista Bay to English Harbour East in Fortune Bay.
2. Territory 2, Statistical Plan Code 007
Those parts of the Province of Newfoundland not included in the Labrador and Metropolitan St. John's Districts.
3. Territory 3, Statistical Plan Code 006
Labrador District
The entire District of Labrador.

As indicated in the 1996-1997 report to the Minister, the issue of territorial boundaries was being reviewed by the provincial government. The Select Committee on Property and Casualty Insurance had been requested to review the existing territorial boundaries, and, where necessary, propose changes to amend those boundaries. On March 19, 1997, the Committee, under the Chairmanship of Mr. Rick Woodford, M.H.A., reported to the House with recommendations regarding changes to the existing territorial boundaries. As a result of this report, and at the direction of government, the Superintendent of Insurance for the province issued directions to insurers to amend the automobile insurance statistical-territory definitions, as follows:

Automobile Insurance Industry

1. Territory 1, Statistical Plan Code 004

Avalon District

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, Statistical Plan Code 005 and 007

Bonavista and Burin District

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

Consisting of those parts of the province of Newfoundland and Labrador, excluding the Avalon, Labrador, and the Bonavista and Burin District

3. Territory 3, Statistical Plan Code 006

Labrador District

The entire District of Labrador.

The net effect of these changes was to remove from Territory 1 the areas comprising the Bonavista and Burin Peninsulas, as well as communities between and including Port Blandford to Long Harbour/Chapel Arm, which were placed in Territory 2. The immediate impact on consumers in the affected area was a reduction in automobile insurance rates, effective on policies issued or renewed on, or after, April 4, 1997.

Rates

During 1997-98, 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 approved two rate filings by automobile insurers indicating rates for some coverages below the Benchmark minimums, to take effect during 1997. By comparison, during the current reporting period, the Board received fourteen 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.

Automobile Insurance Industry

As at the end of this reporting period, of the fourteen applications received, their disposition has been as follows: Twelve of the applications have been approved as presented or modified with rates for certain coverages below the Benchmark minimums. One application was denied due to the fact that the filing company was unable to provide sufficient actuarial information to support the rates proposed. One application remains outstanding, subject to actuarial review

Loss Ratios

The actuarial model used by the Board in determining its 1997 Benchmark Rate Ranges established a reference point for loss costs in relation to premiums. Based upon the determination that commissions and administrative expenses averaged 25.1% of each premium dollar written by the industry as a whole, and allowing a negative underwriting profit margin of 5.2%, 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 80.1%.

As a point of reference, for Public Liability and Property Damage, the annual loss ratio was 104% in 1987, however, during the period 1988 - 1993 loss costs were especially severe Province wide, with loss ratios of 120%, 133%, 140%, 127%, 133% and 114% respectively. The loss ratio declined in 1994 and 1995 to 111%, respectively, and for the first time in recent years, the preliminary loss ratio for liability in a current year is below 100%. Recent loss ratio figures will, however, fluctuate as the claims experience for each year matures with time.

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.

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 1992 may not be settled until 1995 or later and may cost the insurer more to settle than originally anticipated when the 1992 loss reserves were established and the 1992 loss ratio calculated. This long tail effect and resultant variance in the loss ratios results in an underestimation of premiums when the rates are determined for 1992, as the rates were developed using the best available information at the time.

It is worth noting that in contrast with the years prior to 1993, the 1993 loss ratios appear to have stabilized and have not exhibited the same level of deterioration as in previous years. More encouragingly, for accident-year 1995, the 1996 Reported Loss Ratio is lower than the initial loss ratio anticipated in the 1995 Report. These factors may be an indication that losses, while not necessarily improving, are at least remaining constant.

Automobile Insurance Industry

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
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
1994	-	-	-	104	111	102
1995	-	-	-	-	100	97
1996	-	-	-	-	-	80

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

Automobile Insurance Industry

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
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
1994	-	-	-	115	121	114
1995	-	-	-	-	106	107
1996	-	-	-	-	-	81

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

As can be seen from Table 1, with the exception of the most recent year, the overall loss ratio for the province in total has consistently exceeded 100% over the last number of years. This is a direct result of the excessive losses experienced in Territory 1, as indicated in Table 2, above. 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 1996 show a marked improvement over initial figures for any of the preceding years shown. At this stage, however, it is not possible to say that the trend toward lower loss ratios will continue over the long term.

Automobile Insurance Industry

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
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
1994	-	-	-	89	101	87
1995	-	-	-	-	91	77
1996	-	-	-	-	-	77

As of December 31, 1997, 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 fourteen insurers filing rates for some coverages at levels less than the Benchmarks.

1998 Benchmarks

The Board is in receipt of the 1998 Benchmark Report. While these Benchmarks, if accepted, would be used for filings made during 1998, it is anticipated that the majority of companies will not introduce revised rates until January 1, 1999. The principal reason for this is that most companies revise their rates once a year, normally during the latter part of the year in which the new Benchmarks apply. Consequently, it is not anticipated that companies will commence filing revised rates based on the new Benchmarks until some time in September, or later, 1998.

The 1998 Benchmarks represent a marked improvement for overall coverages in Territory 1, with the exclusion of Uninsured Motorist. The overall net change to be experienced is a reduction in premiums in the area of 5.3%

Automobile Insurance Industry

as indicated in the Table below:

TABLE 4

COMPARISON 1998 VS. 1997 BENCHMARK MIDPOINTS By Territory									
Coverage	Territory 1			Territory 2			Territory 3		
	1997	1998	% change	1997	1998	% change	1997	1998	% change
Liability	\$838	\$788	-5.97	\$452	\$415	-8.19	\$277	\$306	10.47
Collision	194	185	-4.64	196	207	5.61	219	216	-1.37
Comprehensive	110	105	-4.55	78	84	7.69	107	107	0.00
Specified Perils	55	50	-9.09	32	27	-15.63	23	25	8.70
Accident Benefits	82	76	-7.32	82	76	-7.32	82	76	-7.32
Uninsured Motorist	25	31	24.00	14	17	21.43	10	13	30.00
Total	\$1,304	\$1,235	-5.29	\$854	\$826	-3.28	\$718	\$743	3.48

In relation to Territory 2, the proposed new Benchmarks represent a marked improvement in this territory as well, with reductions in Liability, Specified Perils, and Accident Benefits' coverage. The overall net change in premiums anticipated for Territory 2 is -3.28%. With respect to Territory 3, the smallest rating territory in the province of Newfoundland and Labrador, the proposed new Benchmarks represent an increase in Liability premiums of 10.47%, with reductions in Collision and Accident Benefits. The overall net impact of the proposed new rates for Territory 3 is an increase of 3.48%.

For Commercial automobile insurance, the proposed new Benchmarks represent a reduction in rates for Third Party Liability and Comprehensive coverage, with increases evidenced in Collision, Specified Perils, and Accident Benefits. The net impact of the new Benchmarks on the Commercial coverages is an overall decrease in rates of 3%.

The Board is encouraged by the 1998 Benchmark Report, as this is the first time in recent history that there has been a decline in the proposed rates for Liability coverage in any of the territories. It is too early to say whether or not the downward trend in insurance rates will continue over the short term, as the establishment of rates is totally dependent upon the loss experience of the companies. If insurers and the driving public are able to contain losses by reducing frequency or severity of claims, further reductions in automobile-insurance rates can be achieved.

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.

Automobile Insurance Industry

Automobile Insurance Industry

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, 1997 to March 31, 1998, the Board completed the audit in progress commenced in the previous reporting period, and initiated an additional five compliance audits of automobile insurers operating in the province. The compliance audits completed during 1997-98 involved four national insurers, one provincially-based insurer, and the residual-market insurer, Facility Association.

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.

As part of its Strategic Planning process, the Board identified a need to staff the Compliance Auditor's position on a full-time, permanent basis. As of the end of this reporting period, compliance audits were conducted primarily by a business student, hired through the Co-operative Education program of Memorial University.

Automobile Insurance Industry

While the Co-operative program met the short-term staffing needs of the Board, it did have limitations. The

primary limitations involved continual staff orientation for each term a new student was hired, and lack of corporate memory. The Board has now hired a full time Compliance Auditor who will commence work mid April 1998. The Board feels this step forward will bring continuity to the audits and provide for enhancement of the audit program through revision of the audit process.

The Board enjoys 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.

1997 Benchmark Hearing

During the year under review, the Board held a public hearing into the establishment of the Benchmark Rate Ranges. This hearing was held at the Board's Hearings Room on May 28, 1997.

The Notice of Hearing issued in connection with this matter indicated the Board wished to solicit information and evidence from the general public, insurers, and other interested parties with respect to the following matters:

- determining the appropriate rates of return on investment and common equity,
- agency commission rates,
- loss development factors,
- credibility factors,
- expense ratios,
- annual trend rate,
- review of the data collection process used by the IBC, and on which the Benchmark Report is based,
- underwriting profit margins,
- premium to equity ratios,
- capping provisions and rate increases or decreases, and
- any other matter relating to the automobile insurance industry that may arise.

Notice of the Hearing was published in all major newspapers circulating throughout the province in advance of the hearing.

In response to the Notice of Hearing published, and at the commencement of the hearing, there were twelve parties represented. Nine of the parties represented insurance companies, agents/representatives of various insurance companies, and the Insurance Brokers' Association of Newfoundland. In addition to representation by the insurance industry, representatives of the Insurance Bureau of Canada, as well as the Insurers' Advisory Organization were present, as was Mr. Rick Woodford, M.H.A., Chairman of the Select Committee reviewing the Property and Casualty Insurance Industry in the Province of Newfoundland and Labrador. The Hearing solicited sworn evidence from the Board's Actuarial Consultants, Mr. Chris Suchar of Milliman & Robertson, Inc., Mr. Len Stirling, representing Unifund Assurance Company, and unsworn evidence from Mr. Donald Forgeron and Mr. Les Kishi of the IBC.

Automobile Insurance Industry

The Board took note of the fact that there was little interest or input received from consumers of automobile-insurance services, despite extensive notice of the hearing having been given in all newspapers circulating throughout the province.

The Board had anticipated receiving input from the industry on the various factors previously outlined and on which the Notice of Hearing gave clear direction. The principal evidence was received from the Board's Actuarial Consultant, Mr. Chris Suchar, in relation to the proposed Benchmarks for 1998. While industry representatives asked questions of the Board's Actuarial Consultant with respect to the various factors provided in the Notice of Hearing, the industry, itself, as a whole did not provide the Board with any direct or indirect evidence on any of the individual items.

Subsequent to the holding of the Hearing on the 8th of July 1997, the Board issued Order No. A.I. 4 (1997-98) approving of the proposed automobile-insurance Benchmark Rates for filings made during 1997 with effective dates in 1998. This approval set the target rate of return at 11.25% with the target return on investment at 8.75%. In addition, indication was given that the formula used for the establishment of commissions paid to agents utilized in the 1997 Benchmark would continue to be used until it is more fully examined at a later hearing which would review alternative approaches to compensation for agents. In addition, the Board indicated that it would continue to accept the loss data as collected and supplied by the Insurance Bureau of Canada until such time as the data requirements are more fully examined at a later hearing.

The impact, by territory, of the adoption of the 1997 Benchmarks was an increase in full-coverage rates in territory 1 of 1.4%, in territory 2, of .35%, and a reduction in territory 3 of -7.24%. For commercial vehicles which are rated province-wide, the average rate-level change on full coverage was +11.85%.

Select Committee Presentation

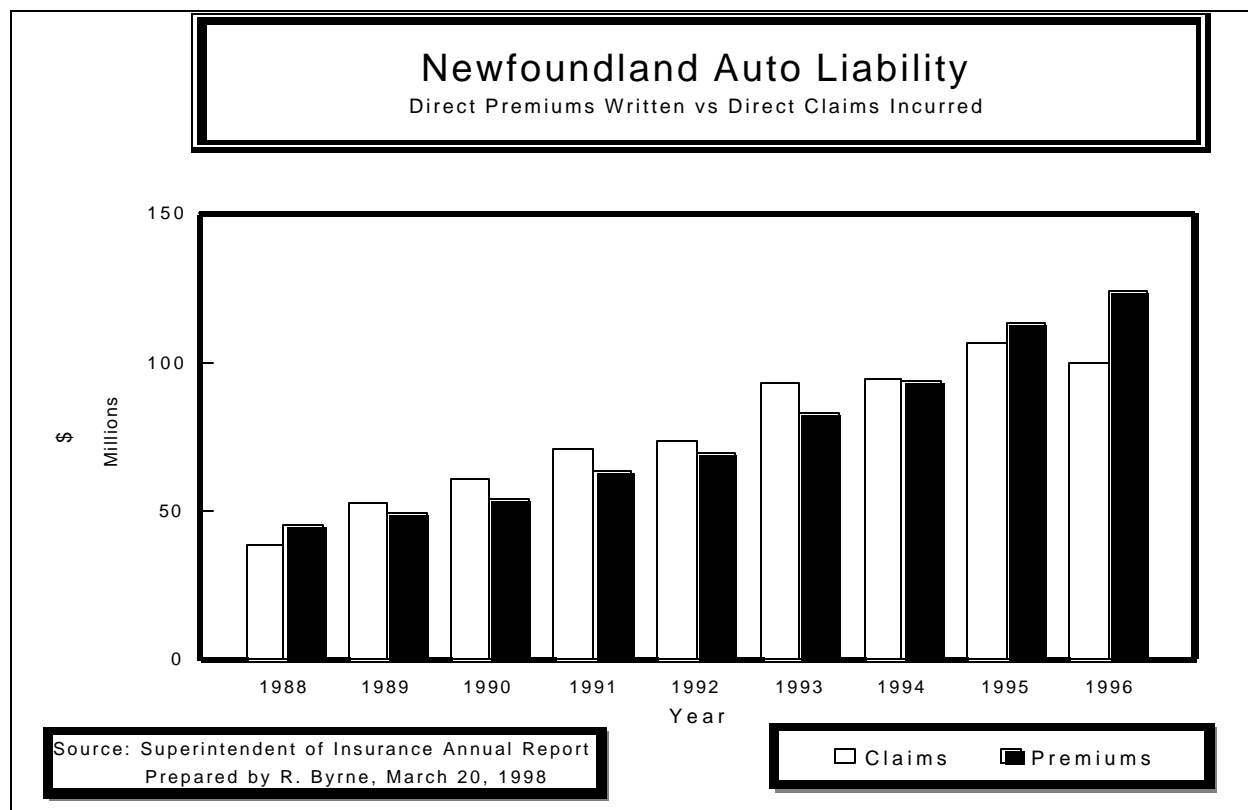
The Select Committee of the House of Assembly, established by the Provincial Government on March 28, 1996, continued its review of the Property and Casualty insurance industry in the Province of Newfoundland and Labrador. As a result of the invitation of the Select Committee, the Board participated in this process by appearing before the panel on September 17, 1997, and by making a presentation covering various aspects of the Board's current regulatory responsibilities and roles, particularly with regard to the Automobile Insurance Industry. This presentation also covered a variety of options that could be considered as alternative methods of rate regulation. In addition, the presentation covered a variety of issues which had previously been identified in the Board's strategic-planning process including, but not limited to, the introduction of definitions, the introduction of regulations governing underwriting guidelines, enhancements to the current penalty and fine structures for infractions under the Highway Traffic Act for individuals operating vehicles without appropriate insurance, changes to the Statistical Plan of the Superintendent of Insurance for maintaining data information, and the possibility of the introduction of certain regulatory rules governing the type of business which might be placed in the Facility Association pool by the general insurance industry.

Marketplace Changes

At the beginning of 1997-98, there were fifty-three automobile insurers operating in the province of Newfoundland and Labrador. The only significant change in the composition of the market was the merger of Canadian General Insurance Company Limited with General Accident Assurance.

Automobile Insurance Industry

The volume of automobile insurance written in the province showed modest growth during 1996. Information obtained from the Office of the Superintendent of Insurance indicates that the total automobile insurance market written in the province during 1996 was \$178,704,000. The comparative figure for 1995 was \$172,219,000 indicating a growth rate of 3.8%. Reported claims experience for 1996 was \$134,973,000 while the 1995 figure was \$134,004,000 indicating an increase of 0.7%. Of the automobile insurance companies active in the province during 1996-97, the top ten companies underwrote \$143,985,000 in direct, automobile-insurance premiums which represent 80.6% of the market. The top twenty companies underwrote \$166,902,000 in direct, automobile-insurance premiums which represent 93.4% of the market.



Taking Third Party Liability figures in isolation, the 1996 volume of direct premiums written, province-wide, was \$124,450,000 with the comparative 1995 figure being \$112,909,000 indicating growth of 10.2%. For claims, the 1996 direct claims-incurred figure was \$99,893,000 with the 1995 figure being \$106,955,000 indicating a decrease in claims experience of 6.6%.

Automobile Insurance Industry

The preceding graph indicates the changes in province-wide Third-Party-Liability direct premiums and direct claims, by year, for the last nine 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.

Complaints

During the year the Board received a number of complaints and enquiries regarding rate increases. These complaints and enquiries reflected increases insureds encountered as a result of the increases in premiums insurers introduced in January 1996, which reflected the Board's 1995 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.

In addition to general rate increase complaints and enquiries, the Board dealt with numerous other complaints which took one of two basic forms. The first was in the form of complaints by policy holders against insurance companies and the second was in the form of complaints between insurance companies themselves regarding rating practices and rates charged. During the year, the Board received a number of complaints, all of which were reviewed by staff and resolved.

Rate Applications

During 1997-98, the Board issued seventy Orders under authority of the *Automobile Insurance Act*. These Orders resulted from:

- (i) Fifty-three (53) applications to amend rates for Private Passenger, Commercial or Miscellaneous classes of business.
- (ii) Eight (8) orders issued on the Board's own initiative setting the Private Passenger or Commercial rates of the insurer within the Benchmarks.
- (iii) Two (2) orders approving or varying discounts applicable to Private-Passenger rating programs.
- (iv) Six (6) orders issued varying previous orders issued during the year to revise the implementation dates of the rates approved.
- (v) One (1) order issued in connection with the setting of the 1997 Benchmarks.

Assessment

The operating costs of the Board's Insurance Division of the 1997-98 year were estimated at \$426,890. These costs were assessed against insurers at a mil rate of 1.8 mils, with the approval of the Minister, pursuant to Section 59 of the *Automobile Insurance Act*.

Automobile Insurance Industry

Motor Carrier Industry

The Board continues to have 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 ambulance services in the province of Newfoundland and Labrador. During the year under review, the Board received four applications for new certificates, one application for an amendment to an existing certificate, and one application for a transfer of beneficial ownership in an existing motor carrier certificate, all related to ambulance services. Of the four new applications, the Board has issued two of these certificates. It should be noted, however, that these do not represent an increase in the number of ambulance service providers, but rather represent replacement of existing service providers.

In relation to public passenger bus services, the Board undertook no activity in this area during 1997-98.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT**

CHAPTER P - 47, 1990

Name of Applicant	Application	Decision	Order No.
Newfoundland Light & Power Co. Limited	Application for approval of the Board to revise or vary Order No. P.U. 8 (1986) relating to use of utility poles by licensed cable television systems.	Approval granted, as follows: (1) the pole rental rates as outlined in the settlement agreement dated April 10, 1997 are hereby approved; (2) All previous Orders of the Board relating to the use of utility poles by licensed cable television systems are revised effective the date of this Order as far as such previous Orders relate to or affect the Applicant and those cable tv operators which are parties to the agreements in respect of the New Pole Rental Rate, excluding Glovertown Cable; and (3) The Applicant, as per the settlement agreement dated April 10, 1997, shall indemnify the Board for all expenses and costs incurred in this matter, as a result of a public hearing of the Board.	P. U. 1
Deer Lake Power Company Limited	Application for approval to execute and deliver an Acknowledgment and Confirmation Agreement and to issue a First Supplemental Demand Debenture supporting certain obligations of Corner Brook Pulp and Paper Limited.	Approval granted, as requested, as a result of an Ex Parte Hearing.	P. U. 2
Newfoundland Light & Power Co. Limited	Application for approval of Rate Stabilization and Municipal Tax Adjustments to be applied too the rates of Newfoundland Light & Power Co. Limited for the period July 1, 1997 to June 30, 1998.	Approval was granted for a Rate Stabilization Adjustment factor of 0.156¢/kWh and the MTA factor of 1.02623 to be applied to all bills based on meter readings for the period July 1, 1997 to June 30, 1998, as a result of a meeting of the Board.	P. U.3

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT**

CHAPTER P - 47, 1990

Name of Applicant	Application	Decision	Order No.
Of its Own Motion for the purpose of considering a report of a review of the Contribution in Aid of Construction (CIAC) of Newfoundland Light & Power Co. Limited	The proposed new CIAC Policy be approved as revised in Schedules "A" and "B" Newfoundland Power's evidence be approved.	Except as otherwise provided in this Order, the proposed new CIAC policy set out as revised in Schedules "A" and "B" of NP's evidence together with attached appendices be approved, inter alia.	P. U. 4
Newfoundland Light & Power Co. Limited	Application for approval of contribution in aid of construction for a line upgrade to serve Summerwind Farms Ltd.	Approval granted, pursuant to Sections 41 (3) and 41 (5) of the Act; Company shall recalculate the Customer's CIAC under the terms and conditions of the recently approved CIAC Policy and provide a refund to the Customer if warranted, and the Applicant is to notify the Board of the results of the two year review of this CIAC, within sixty (60) days thereof.	P. U. 5
Newfoundland and Labrador Hydro	Application for approval to issue Debenture Series Z and AA in aggregate not to exceed \$200,000,000 on or before December 31, 1997, pursuant to Section 91 of the Public Utilities Act.	Approval granted, as requested, as a result of a public hearing.	P. U. 6

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT**

CHAPTER P - 47, 1990

Name of Applicant	Application	Decision	Order No.
<p>On its Own Motion - further to P.U. 4 (1997-98) re Board's Financial Consultants Review of Newfoundland Light & Power Co. Limited CIAC Policy.</p>	<p>In its Order No. P.U. 4 (1997-98) the Board gave specific directions to Newfoundland Power to make revisions and changes to its proposed CIAC Policy which NP submitted to the Board on Sept. 15, 1997 for approval.</p>	<p>Revised Schedules "A" and "B" of Newfoundland Power's CIAC Policy, be approved with the addition of sub-clauses 5(d) and 5(e), effective on all CIAC's calculated on or after October 1, 1997, inter alia.</p>	<p>P. U. 7</p>
<p>Newfoundland Light & Power Co. Limited</p>	<p>Application for approval of: (i) A contribution in aid of construction for a line extension to serve International Granite Corporation pursuant to Section 41(5) of the Act; and (ii) the Applicant's 1997 Capital Expenditures in relation to the construction of the line pursuant to Section 41(3) of the Act.</p>	<p>Approval granted, pursuant to Sections 41 (3) and (5) of the Act respectively, for: 1.(i) The capital expenditure in relation to construction of the Line as set out in Schedule A of this application; and (ii) The revised CIAC of One Hundred and fifteen thousand nine hundred and seventy-five dollars (\$115,975.00) including HST, as calculated under the 1997 Policy, and 2. The Applicant notify the Board of the results of the two-year review of this CIAC, within sixty (60) days thereof.</p>	<p>P. U. 8</p>

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT

CHAPTER P - 47, 1990**

Name of Applicant	Application	Decision	Order No.
Deer Lake Power Company Limited	Application of Deer Lake Power Company Limited for approval to issue a Subordinated Supplemental Demand Debenture supporting certain obligations of Corner Brook Pulp and Paper Limited.	Approval granted to execute and issue in favor of Metropolitan Life Insurance Company the Subordinated Supplemental Demand Debenture referred to in paragraph 13 of the said Application by which the Applicant charges as and by way of a fixed and specific mortgage and charge the additional property acquired by it since the date of the 1995 Petition and referred to in paragraph 9 of said Application as additional security for the obligations of the Applicant under the New England Guarantee approved by Order No. 1 (1995-96) granted by the Board pursuant to the 1995 Petition, inter alia.	P. U. 9
Newfoundland Light & Power Co. Limited	Application for approval of a Contribution in Aid of Construction to extend single phase electrical service to the residence of Ms. Eileen Power, Angel's Cove, NF, at a cost of \$1,196.00 (HST included).	Approval granted, as requested, as a result of a meeting of the Board.	P. U. 10
Newfoundland & Labrador Hydro	Application for approval of (1) its 1998 Capital Budget pursuant to S. 41(1) of the P.U. Act; (2) its 1998 capital purchases, and construction projects in excess of \$50,000 pursuant to S. 41(3)(a) of the Act; (3) its leases for 1998 in excess of \$5,000 per year pursuant to S. 41(3)(b) of the Act; and (4) its estimated contributions in aid of construction for 1998 pursuant to S. 41(5) of the Act.	Approval granted as requested, inter alia, (1) The Applicant's Capital Budget as set out in Appendix A in the amount of \$45,365,000.	P. U. 11

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT
*CHAPTER P - 47, 1990***

Name of Applicant	Application	Decision	Order No.
Newfoundland and Labrador Hydro	Application for approval of a Contribution in Aid of Construction for the supply of Three Phase Electrical service to Burton's Cove Logging and Lumber Limited at Hampden, White Bay, NF.	Approval granted, as requested, as a result of a meeting of the Board.	P. U. 12
Newfoundland and Labrador Hydro	Application for approval of the lease of a fuel storage tank in St. Lewis, Labrador, pursuant to Section 41 of the Act.	Approval granted, as requested, as a result of a meeting of the Board.	P. U. 13
Newfoundland Light & Power Co. Limited	Application for approval of the amortization and funding of pension liability associated with an Early Retirement Program.	Approval granted, as requested, as a result of a meeting of the Board.	P. U. 14
Newfoundland Light & Power Co. Limited	Application for approval of its 1998 Capital Expenditure Budget, pursuant to S. 41(1) of the Public Utilities Act.	Approval granted in the amount of \$28,414,000, inter alia.	P. U. 15
Newfoundland Light & Power Co. Limited	Application for approval of (i) a contribution in aid of construction for a line extension to serve IPL Production Limited; (ii) NP's 1997 Capital Expenditures in relation to the construction of the line pursuant to Section 41(3) of the Public Utilities Act.	Pursuant to Sections 41(3) and (5) of the Act, approval is granted to the Applicant for: (i) the capital expenditure in relation to construction of the Extension as set out in Schedule B to the Application, and (ii) the CIAC of Fourteen thousand, one hundred and ninety-seven dollars (\$14,197.00) including HST, as calculated under the Policy.	P. U. 16
Newfoundland Light & Power Co. Limited	Application for approval of \$11,902,000 of Capital Expenditures Associated with the Rose Blanche Brook Hydro Development and \$1,071,000 in General Expenses Capital, pursuant to S. 41(1) of the Public Utilities Act.	Approval granted in the amount of \$12,973,000, inter alia, as a result of a public hearing.	P. U. 17

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT**

CHAPTER P - 47, 1990

Name of Applicant	Application	Decision	Order No.
Newfoundland Light & Power Co. Limited	Application for approval of (i) a contribution in aid of construction for a line extension to serve NewTel Mobility; (ii) the Applicant's 1997 Capital Expenditures in relation to the construction of the line pursuant to Section 41(3) of the Public Utilities Act.	Pursuant to Section 41(3) and (5) of the Act, approval is granted to the Applicant for: (i) the capital expenditure in relation to construction of the Extension as set out in Schedule B to the Application, and (ii) the CIAC of Twenty nine thousand, seven hundred and thirty nine dollars (\$29,739.00) including HST, as calculated under the Policy and the Applicant shall notify the Board of the results of the two-year review of this CIAC within sixty (60) days thereof, as a result of a meeting of the Board.	P. U. 18
Newfoundland Light & Power Co. Limited	Application for Interim Approval of a revision to the Rules and Regulations pursuant to Section 75 (1) of the Act.[Regulation 5 (b)]	Pursuant to Section 75(1) of the Act, approval granted, on an interim basis, subject to final approval under Section 70 of the Act, the revision of the Applicant's Rules and Regulations set out in Schedule "B" to the Application, to be effective January 1, 1997, and the Applicant provide the Board with a listing of the names of affected customers and the amount which they received as refunds within thirty days of the refund, as a result of a meeting of the Board.	P. U. 19

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE PUBLIC UTILITIES ACT**

CHAPTER P - 47, 1990

Name of Applicant	Application	Decision	Order No.
Newfoundland and Labrador Hydro	Application for an Interim Order to adjust the base energy rate charged Hydro's Island Industrial Customers, and to adjust the Island Industrial Rate Stabilization Plan (RSP) Balance, to reflect the cost decreases which flow from the implementation of the Harmonized Sales Tax, pursuant to Section 75 of the Act.	Pursuant to Section 75(1) of the Act, interim approval be and is hereby granted to the Applicant as follows: (a) that the amount of \$369,000 be subtracted from the Island Industrial RSP balance; and (b) that in the event that a revision to the amount of annual savings resulting from the implementation of the HST is determined by the Board's Financial Consultants, such a revision may be reflected in a further or final order; and (c) that accordingly, Hydro's Island Industrial base energy rate of 21.96 mills be reduced by an amount 0.29 mills, resulting in a new base energy rate for this customer class of 21.67 mills; and (d) all other Rates, Tolls and Charges as well as the Rules and Regulations set out in Schedule "A" of Order No. P.U. 4 (1991) remain in effect until otherwise ordered by the Board.	P. U. 20

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 1	Liberty Mutual Group on behalf of Liberty Mutual Insurance Company and Liberty Insurance Company of Canada	Application to implement revised rates for all-terrain vehicles and snowmobiles	Approval granted as a result of a meeting of the Board.
A.I. 2	Canadian General Insurance Company	Application to apply its previously-approved 7.5% renewal discount to business previously underwritten by Cabot Insurance Company & now being renewed by Canadian General	Approval granted as a result of a meeting of the Board.
A.I. 3	Canadian General Insurance Company	Application to implement revised rates for its private passenger class of business.	After review of the filing, the report of the Board's actuary, and subsequent requested information, approval was granted. Specific requirements that are necessary for any future rate filings were outlined.
A. I. 4	On the Board's Own Initiative	Hearing into matters relating to the Proposed Newfoundland and Labrador Automobile Insurance Benchmark Ranges for 1997.	Approval granted, inter alia, for (1) a just and reasonable target return on equity for the purpose of setting the Automobile Insurance Benchmarks is set at 11.25%; (2) the average rate of return on investment is set at 8.75% for the purpose of setting the 1997 Benchmark Rate Ranges, as a result of a Public Hearing.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A. I. 5	Lombard Canada on behalf of Lombard General Insurance Company, Lombard Insurance Company, Niagara Fire Insurance Company, The Continental Insurance Company, Continental Casualty Company and Tokio Marine and Fire Insurance Company Limited	Application to implement revised rates for their interurban and commercial classes of business	Approval was granted as a result of a meeting of the Board, and in accordance with Annual Filing Instructions, Lombard Canada is required to submit a further rate filing during 1997 for rates to be charged by them during 1998 for this class of business.
A.I. 6	Axa Canada on behalf of the Insurance Corporation of Newfoundland Ltd.	Application to implement revised rates for its private passenger class of business	Approval was not granted. Future filings to be supported by ICON NF-only loss experience and development factors, trend rates and profit factors—where possible. If not possible, reasonable justification required for use of alternate data
A.I. 7	Axa Canada	Application to implement revised rates for its private passenger class of business	Approval was granted as a result of a meeting of the Board. In future filings, Axa Canada shall use its own NF-only loss development factors, profit-margin indications, & its own loss-cost trends; alternatively, where Axa has chosen not to use its own information, it shall provide same to the Board for comparison. Axa shall submit a further rate filing during 1997 for rates to be used in 1998 based on the Board's '97 Benchmark Report.
A.I. 8	Travelers Casualty and Surety Company of Canada	Application for approval to adopt the IAO-rating program for commercial vehicles	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 9	Allianz Canada on behalf of Trafalgar Insurance Company of Canada	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 10	Allianz Canada on behalf of Allianz Insurance Company of Canada	Application to implement revised rates for its private passenger and commercial classes of business	Approval granted as a result of a meeting of the Board
A.I. 11	Lumbermens Mutual Casualty Company	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 12	The Dominion of Canada General Insurance Company	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 13	Unifund Assurance Company	Application to implement a "S"elect Discount of 6% applicable to its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 14	Co-operators General Insurance Company	Application to implement revised rates for its motor-home class of business	Approval granted as a result of a meeting of the Board
A.I. 15	Axa Canada on behalf of Insurance Corporation of Newfoundland	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 16	Cigna Insurance Company of Canada	Application to adopt the Insurers' Advisory Organization's rating programs for private passenger and commercial vehicles	Approval granted as a result of a meeting of the Board
A.I. 17	The Sovereign General Insurance Company	Application to implement rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 18	Zurich Canada on behalf of Zurich Indemnity Company	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 19	Zurich Canada on behalf of Zurich Insurance Company	Application to implement revised rates for its private passenger and commercial classes of business	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 20	Atlantic Insurance Company Limited	Application to implement revised rates for its private passenger and commercial classes of business	Approval granted as a result of a meeting of the Board
A.I. 21	Axa Canada on behalf of Axa Pacific Insurance Company	Application to implement revised rates for its private passenger and commercial classes of business	Approval granted as a result of a meeting of the Board
A.I. 22	Coopers & Lybrand on behalf of Colonial Fire & General Insurance Company Limited	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 23	Lombard Canada Ltd. on behalf of Lombard Insurance Company, Lombard General Insurance Company of Canada, Niagara Fire Insurance Company, The Continental Insurance Company, Continental Casualty Company, & The Tokio Marine & Fire Insurance Company Limited	Application to implement revised rates for their commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 24	Guardian Insurance Company of Canada	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 25	Axa Insurance (Canada)	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 26	Royal Canada on behalf of Royal Insurance Company of Canada and Quebec Assurance Company	Application to implement revised rates for their commercial class of business	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 27	The Sovereign General Insurance Company	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 28	The Sovereign General Insurance Company	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 29	The Federation Insurance Company of Canada	Application to implement revised rates for its private passenger and commercial classes of business.	Approval granted, as requested, as a result of a meeting of the Board.
A.I. 30	Non-Marine Underwriters at Lloyd's	Application to implement revised rates for its commercial class of business.	Approval granted, as requested, as a result of a meeting of the Board.
A. I.31	Coopers & Lybrand on behalf of Coseco Insurance Company	Application to implement revised rating program for its private passenger class of business.	Approval granted, as requested, as a result of a meeting of the Board.
A.I. 32	Liberty Mutual Insurance Company and Liberty Insurance Company of Canada	Application to implement revised rates for their private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 33	Zurich Indemnity Company of Canada	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 34	Zurich Canada on behalf of Zurich Insurance Company	Variance to A.I. 19 (1997-98), to correct an error in the More- Vehicles-than-Operators' discount that had been listed in error	Approval granted as a result of a meeting of the Board
A.I. 35	Security National Insurance Company	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 36	Canada Life Casualty Insurance Company	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 37	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Gan Canada Insurance Company and Gan General Insurance Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, and rates not to be varied with the prior approval of the Board.
A.I. 38	The Personal Insurance Company of Canada	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 39	Non-Marine Underwriters at Lloyd's	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 40	Unifund Assurance Company	Application to implement revised rates for private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 41	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Sentry Insurance, A Mutual Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, and rates not to be varied with the prior approval of the Board.
A.I. 42	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Markel Insurance Company of Canada	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, and rates not to be varied with the prior approval of the Board.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 43	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of General Accident Assurance Company of Canada	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, and rates not to be varied with the prior approval of the Board.
A.I. 44	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Commercial Union Assurance Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, and rates not to be varied with the prior approval of the Board.
A.I. 45	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Canadian Surety Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, & rates not to be varied with the prior approval of the Board.
A.I. 46	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of American Home Assurance Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, & rates not to be varied with the prior approval of the Board.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 47	On the Board's own Initiative	In the matter of a review of the automobile insurance rates of Scottish & York Insurance Company	To implement rates as set out by the Board for on, and after January 1, 1998 for new business, and April 1, 1998 for renewals; requiring filing of revised rate pages by January 1, 1998, & rates not to be varied with the prior approval of the Board.
A.I. 48	Axa Canada	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board.
A.I. 49	Traders General Insurance Company	Application to implement a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 50	Canadian General Insurance Company	Application to implement a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 51	Co-operators General Insurance Company	Application for approval of a revised rating program for its private passenger class of business	Approval was granted, excluding the proposed "Safe Driving Reward Program" as a result of a meeting of the Board
A.I. 52	Co-operators General Insurance Company	Application for approval of a revised rating program for its commercial class of business	Approval was granted as a result of a meeting of the Board
A.I.53	Axa Canada on behalf of Insurance Corporation of Newfoundland (ICON)	Application for approval of a revised rating program for its private passenger class of business	As a result of a meeting of the Board, approval was granted, excepting the proposed "Class 01*" designation, in place of which, a short-commute discount has been allowed,
A.I. 54	Guardian Insurance Company of Canada	Application for approval of a revised rating program for its private passenger class of business	Approval was granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 55	General Accident Assurance Company of Canada	Advising of its agreement to acquire 100% share capital of Canadian General Insurance Group Limited, application to adopt the rating programs recently-approved for Canadian General Insurance Company	Approval granted as a result of a meeting of the Board
A.I. 56	Unifund Assurance Company	In the matter of A.I. 40 (1997-98) (private passenger rating program recently approved), and additional information received on the company's proposed 5% new-driver surcharge	Approval was granted for the 5% new-driver surcharge in conjunction with the recently-approved rate filing for 1998
A.I. 57	The Personal Insurance Company of Canada	Application to implement revised rates for its private passenger class of business	Approval granted as a result of a meeting of the Board.
A.I. 58	Canadian Group Underwriters Insurance Company	Application for approval of a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 59	Royal Insurance Company of Canada and Quebec Assurance	Application for approval of a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 60	Axa Canada on behalf of Insurance Corporation of Newfoundland	In the matter of A.I. 53 (1997-98), request that the short-commute discount of 10.5% (average of liability & collision) read 20.5% - liability and 3.4% - collision, and to change the effective date for renewals to March 1, 1998	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 61	Lombard Canada on behalf of Lombard Insurance Company, Lombard General Insurance Company of Canada, The Continental Insurance Company, Niagara Fire Insurance Company, Continental Casualty Company, and The Tokio Marine and Fire Insurance Company Limited	Application for approval of a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board
A.I. 62	Canadian General Insurance Company	Application to implement revised rates for its commercial class of business	Approval granted as a result of a meeting of the Board
A.I. 63	Risconcept Inc. on behalf of Metro General Insurance Corporation Ltd.	Application to implement revised rates for its private passenger class of business	As a result of a meeting of the Board, approval was granted; future non-benchmark filings shall be actuarially supported by individual coverage in each territory, and not on an overall basis.
A.I. 64	Axa Canada	In the Matter of A.I. 48 (1997-98) and application from Axa Canada to amend the implementation dates to read February 1, 1998 for new business and March 1, 1998 for renewals	Approval granted as a result of a meeting of the Board.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 65	Co-operators General Insurance Company	In the matter of A.I. 51 (1997-98) and in the matter of the subsequent review of the Safe Driving Reward Program on which additional information was requested	Approval was granted for the Safe Driving Reward Program. Co-operators are to annually report to the Board the number of insureds participating in the program, the numbers entering and exiting the program within the preceding 12 months, and the number of insureds receiving the 100% discount. Information to be reported by Dec. 31, of each calendar year.
A.I.66	Lombard Canada	In the matter of A.I. 61 (1997-98), Lombard requested correction of its Multi Vehicle Discount from 10% to 15%, and approval of its Personal Choice Discount which had been omitted.	Approval granted as a result of a meeting of the Board.
A.I. 67	Elite Insurance Company	Application to implement rating programs for its antique, classic, and custom automobile, and motorhome classes of business	Approval granted as a result of a meeting of the Board
A.I. 68	Liberty Mutual on behalf of Liberty Mutual Insurance Company and Liberty Insurance Company of Canada	Application to implement rates for its motorcycle class of business	Approval granted as a result of a meeting of the Board
A.I. 69	Tillinghast-Towers Perrin on behalf of Federation Insurance Company of Canada	Application to implement revised rates for its private passenger class of business	Approval denied as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE AUTOMOBILE INSURANCE ACT**

CHAPTER - 22, 1990

Order No.	Name of Applicant	Application	Decision
A.I. 70	Coopers & Lybrand on behalf of Colonial Fire & General Insurance Company Limited	Application to implement a revised rating program for its private passenger class of business	Approval granted as a result of a meeting of the Board

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 1997-1998
UNDER
THE MOTOR CARRIER ACT**

Chapter M - 19, 1990

Name of Applicant	Application	Decision	Order No.
Deer Lake Ambulance Ltd. Deer Lake, NF	Application for a Motor Carrier Certificate to provide ambulance services (M.C.C. 6386)	Approval granted as a result of a meeting of the Board.	M.C. 101

LETTERS OF REGULATORY APPROVAL

Utility: Newfoundland and Labrador Hydro

Date: 1997 04 24

Letter advising approval to lease computer equipment from IBM for its approved capital program "Install Integrated Application Suite".

Utility: Newfoundland Light & Power Co. Limited

Date: 1997 05 02

Letter approving the Contribution in Aid of Construction for Track Road - Horse Chops cottage area of \$1,965.45, before tax, and advising the Company that Mr. John Elliott, a customer in the Track Road - Horse Chops cottage area is not entitled to a refund at the present time. However, the Board approves of a refund provision for Mr. Elliott with the stipulation that a refund shall be paid upon the connection of other customers to the current distribution line and, the refund provision will be in effect for a period of five years commencing with the approval date of the Contribution in Aid of Construction for the cottage development area as a whole. The Board advised the Company that with regard to future development in the area, it notes that extensions of the distribution line to service additional customers will be provided at the higher of the cost to serve them as individuals or the cost per customer to service the entire cottage area, and noted that in cases where individuals are charged the cost to serve them as individuals, the Board has determined that those customers shall be entitled to a refund for a period of five years commencing from the date on which they are physically connected to the distribution line. The Board also noted that, as in the case of Mr. Elliott, refunds to these customers shall cease once their Contribution in Aid of Construction (net of refunds) equals \$1,965.45 plus HST. The Board directed the Company to undertake an annual review of the Track Road - Horse Chops cottage development area to determine any refund entitlements of customers taking service and paying the cost to serve them as individuals.

Utility: Newfoundland and Labrador Hydro

Date: 1997 06 04

Letter approving a lease agreement with Xerox Canada Ltd. for the lease of a mainframe computer colour printer; over a period of 60 months with payments being made quarterly. The Board noted that the annual rental of the lease is \$5,967.00.

Utility: Newfoundland and Labrador Hydro

Date: 1997 07 02

Letter approving the Contribution in Aid of Construction for the supply of power for the Flatwater Pond Cottage Development (Section 1) located on the Baie Verte Highway at Westport Junction, noting that at least 50% or 21 of the 41 potential customers at Flatwater Pond Cottage Development (Section 1) have agreed to pay the required contribution of \$2,698.02, either in full or through Hydro's Time Payment Plan.

LETTERS OF REGULATORY APPROVAL

Utility: Newfoundland Light & Power Co. Limited

Date: 1997 07 04

Letter approving the lease and maintenance agreement with IKON Solutions Inc., with respect to 18 new office photocopiers noting that the lease provides for equal quarterly annual payments of \$9,555.76 for a period of 36 months commencing 30 days after the new copiers have been delivered and installed. The Board also noted that the lease provides for maintenance and repairs of the new copiers in consideration of a fixed charge per copy produced over the term of the lease.

Utility: Newfoundland and Labrador Hydro

Date: 1997 09 16

Letter confirming that Hydro's should proceed to confirm with the placement of the order to purchase the last two exciters for generating Units 1 and 4 in Bay D'Espoir Powerhouse 1. The Board also acknowledged that Hydro will not be required to spend any funds on this capital project until 1998.

Utility: Newfoundland and Labrador Hydro

Date: 1997 09 16

Letter approving the lease of a dwelling in Hopedale noting that the lease will be for a period of one year at an annual rental of \$10,800.00, payable at \$900.00 per month.

Financial Statements

Morrissey & Company

CHARTERED ACCOUNTANTS

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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, 1998 and the statements of revenue, expenditure and surplus and changes in financial position 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, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
June 11, 1998

Chartered Accountants

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

BALANCE SHEET

As at March 31,	1998	1997
ASSETS		
Current		
Cash	\$ 320,162	\$ 343,591
Accounts receivable	53,738	29,288
Hearing costs recoverable (Note 3)	198,609	339,839
Prepaid expenses	<u>21,130</u>	<u>1,302</u>
	593,639	714,020
Designated pension funds (Note 4)	<u>738,018</u>	<u>778,132</u>
	<u>\$ 1,331,657</u>	<u>\$ 1,492,152</u>
LIABILITIES		
Current		
Accounts payable and accruals	\$ 473,706	\$ 299,075
Accrued severance pay	101,179	84,498
Pension obligations (Note 4)	<u>370,555</u>	<u>436,000</u>
	945,440	819,573
EQUITY		
Surplus	<u>386,217</u>	<u>672,579</u>
	<u>\$ 1,331,657</u>	<u>\$ 1,492,152</u>

On behalf of the Board:

_____ Chairperson and CEO

_____ Vice-Chairperson

See Accompanying Notes

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

Year ended March 31,	1998	1997
Revenue		
Assessments	\$ 1,024,033	\$ 1,180,653
Pension income (Note 4)	25,331	181,434
Hearings	1,750	13,000
Interest	1,672	-
Miscellaneous	<u>590</u>	<u>16</u>
	<u>1,053,376</u>	<u>1,375,103</u>
Expenditure		
Advertising and notices	10,379	5,301
Furniture and equipment	64,816	23,460
Insurance	985	1,097
Leasehold improvements	75,991	-
Memberships and registration	18,318	12,195
Office supplies and printing	28,371	24,956
Postage and courier	3,489	5,412
Professional fees	322,463	260,084
Rent	140,081	163,310
Salaries and associated costs	599,815	603,485
Strategic planning	13,866	11,773
Telephone	16,407	15,728
Transcription	2,938	3,271
Travel	<u>41,819</u>	<u>19,520</u>
	<u>1,339,738</u>	<u>1,149,592</u>
Excess of (expenditure over revenue)		
revenue over expenditure	(286,362)	225,511
Surplus as at the beginning of year	<u>672,579</u>	<u>447,068</u>
Surplus as at end of year	<u>\$ 386,217</u>	<u>\$ 672,579</u>
See Accompanying Notes		

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31,	1998	1997
Operating activities		
Cash provided by operations		
Excess of (expenditure over revenue) revenue over expenditure	\$(286,362)	\$225,511
Changes in non-cash working capital balances related to operations		
Accounts receivable	(24,450)	24,419
Hearing costs recoverable	141,230	17,026
Prepaid expenses	(19,828)	2,327
Accounts payable and accruals	174,631	(23,875)
Accrued severance pay	<u>16,681</u>	<u>(13,759)</u>
	<u>1,902</u>	231,649
Investing activities		
Designated pension funds	40,114	31,004
Pension obligations	(65,445)	<u>(212,438)</u>
	<u>(25,331)</u>	<u>(181,434)</u>
(Decrease) increase in cash resources	(23,429)	50,215
Cash beginning of year	<u>343,591</u>	<u>293,376</u>
Cash end of year	<u>\$ 320,162</u>	<u>\$ 343,591</u>
Cash comprises of:		
Cash on hand and in banks	\$ 320,162	\$ 93,591
Term deposit	<u>-</u>	<u>250,000</u>
	<u>\$ 320,162</u>	<u>\$ 343,591</u>

See Accompanying Notes

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 1998

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.

(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.

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 1998

3. Hearing costs recoverable

	1998	1997
Hearing costs recoverable - beginning of year	\$ <u>339,839</u>	\$ 356,865
Add - specific enquiry costs incurred during the year		
Professional fees	102,650	345,145
Consumer Advocate	-	351,979
Transcription and printing	3,396	60,697
Salaries	10,853	26,437
Other	<u>21,494</u>	<u>56,299</u>
	<u>138,393</u>	<u>840,557</u>
	478,232	1,197,422
Less - costs recovered during the year	<u>279,623</u>	<u>857,583</u>
Hearing costs recoverable - end of year	<u>\$ 198,609</u>	<u>\$ 339,839</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 fund assets of \$738,018 (1997 - \$778,132) consist of investments maintained in an account with the Royal Trust Corporation of Canada and are valued at market value.

Pension obligations of \$370,555 at March 31, 1998 represent the present value of accrued pension benefits as at April 1, 1997, as calculated in an actuarial report dated May 28, 1997, less current year pension payments.

Pension income of \$25,331 consists of income earned (1997 - \$34,441), net of management costs, on designated pension fund assets. Pension income in 1997 also includes a \$146,993 pension obligation estimation adjustment resulting from changes in actuarial assumptions reflecting experience gains in pension obligations.

Financial Statements

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 1998

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

Subsequent to the year end, 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 1997 comparative figures have been reclassified to conform to the financial statement presentation adopted for 1998.

Reports from Regulated Industries

Newfoundland Light & Power Co. Limited

The actual electricity produced by the Company and purchased for resale during 1997 increased by 3.1% to 4,703 million kilowatt-hours. Of this amount, 397 million kilowatt-hours were generated in the Company's own plants, while 4,306 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 0.2%.

The actual electricity sold in 1997 increased by 2.9% to 4,464 million kilowatt-hours. However, after results are adjusted to reflect normal weather conditions, electricity sold increased by 0.3%.

The number of customers served in 1997 increased by 1.0% to 212,359.

Net fixed assets which includes property, plant and equipment plus construction in progress less accumulated depreciation increased by 0.4% from \$489.6 million in 1996 to \$491.8 million in 1997.

Additional information on capital expenditures for 1997 are summarized as follows:

<p>Newfoundland Light & Power Co. Limited Capital Expenditure For The Year Ended December 31, 1997 (000's)</p>

	Approved By Board Order	Actual	Variance Over (Under)
Energy Supply	\$ 3,726	\$ 3,225	\$ (501)
Substations	1,992	2,102	110
Transmission	2,008	1,855	(153)
Distribution	12,794	11,580	(1,214)
General Property	2,247	2,213	(34)
Transportation	2,286	1,639	(647)
Telecommunications	1,074	562	(512)
Computing Equipment	2,054	2,775	721
General Expenses Capital	<u>5,023</u>	<u>5,014</u>	<u>(9)</u>
	<u>\$ 33,204</u>	<u>\$ 30,965</u>	<u>\$ (2,239)</u>

Reports from Regulated Industries

Newfoundland and Labrador Hydro

The total number of kilowatt-hours sold from April 1, 1997 to March 31, 1998 was 6,738,444,900 kilowatt-hours which included sales of 801,579,000 kilowatt-hours to rural customers, 4,246,093 kilowatt-hours to Newfoundland Power and 1,678,389 kilowatt-hours to industrial customers. The rate of growth over the previous period was .32%.

As of March 31, 1998 the total number of customers served by Hydro was 34,479 which included 34,471 rural customers, 1 wholesale customer (Newfoundland Power) and 7 industrial customers.

New Construction

During the relevant period major construction projects as follows:

South East Bight Interconnection

On March 14, 1998 the community of South East Bight was interconnected to the provincial grid. This interconnection involved the construction of 25kM of single phase distribution line from Monkstown to South East Bight at a total project cost of \$1,159,934.

Ramea Diesel Plant Upgrade

The Ramea Diesel Plant was upgraded in 1997 with generators, switchgear and control systems being replaced. This required an extended plant shutdown, during which time, the community was served by leased mobile generators which were brought in specifically for the purpose. Removal of the old equipment and refurbishment of the plant began in June 1997. The first two new generators were installed and commissioned in December 1997. The third generator was put in service in February 1998. The new plant is a fully automated design which will enable the operation to be run on a semi-attended basis rather than the previous "full manned" operation. Finally commissioning and operator training is underway and will be finished by the end of May 1998. The total project cost is forecast at \$3,180,000.

Holyrood Water Treatment Plant

The construction and installation of new equipment for a Water Treatment Plant at the Holyrood Generating Station was completed in December 1997 at a cost of \$3.5 million.

Reports from Regulated Industries

Newfoundland and Labrador Hydro (continued)

Holyrood Unit No. 3 HP Heaters

Three (3) HP Heaters for Unit No. 3 at Holyrood Generating Station were replaced during 1997 at a cost of \$996,000. This was due to equipment age and to maintain the unit reliability and availability.

Bay D'Espoir Exciter Replacement

The replacement of excitation systems for two units at the Bay D'Espoir Generating Station was completed in August, 1997 at a cost of \$690,000. The replacement was required due to equipment age and obsolescence and non-availability of the spare parts and service.

Red Cliff Dam

The rebuilding/replacement of Red Cliff Dam at Snooks Arm was completed in November 1997 at a cost of \$138,000. The replacement of this dam was required due to the deteriorated condition of the timber used and to maintain the dam condition to acceptable standards.

Paradise River Dam Toe Access

A new access path was built to facilitate the inspection of the Paradise River Dam. It was completed in October 1997 at a cost of \$63,000.

Reports from Regulated Industries

Deer Lake Power Company Limited

Generation at Deer Lake and Watson's Brook Plants totaled 927,333,000 kilowatt-hours. Total purchased from Newfoundland and Labrador Hydro by Deer Power and Corner Brook Pulp and Paper was 345,230,6109 kilowatt-hours. Secondary sales to Corner Brook Pulp and Paper totaled 7,827,680 kilowatt-hours while secondary sales to Newfoundland and Labrador Hydro totaled 659,974 kilowatt-hours.

Capital expenditures totaled \$1,549,000. Of this total, \$5,156,000 was used to upgrade No. 7 turbine, purchase a new stator winding for Unit 5 and replace Line 2 power line carrier equipment. The remaining expenditure of \$393,000 was used on several smaller projects essential to plant or system operation. Special repair costs totaled \$444,000. This included rehabilitation of three spillway sections at Main Dam, completion of the installation of counterpoise grounding wire on Transmission Lines 1 to 4, vegetation control on dykes and rights-of-way and, miscellaneous repairs to roads and buildings.

Deer Lake Power Company Limited 1997 - Summary of Customer Loads		
FIRM LOAD	KW	KWH
Firm Energy		
Corner Brook Pulp & Paper Limited	113,660	887,074,472
<i>Total Firm</i>	113,660	887,074,472
Secondary Energy		
Newfoundland and Labrador Hydro		659,974
Corner Brook Pulp & Paper Limited		7,827,680
<i>Total Secondary</i>		8,487,654
Total System Firm & Secondary Energy		895,562,126

Deer Lake Power Company Limited 1997 - Secondary Energy Sales		
	KWH	VALUE
Newfoundland and Labrador Hydro	659,974	\$ 15,452.75
Corner Brook Pulp & Paper Limited	7,827,680	\$ 96,054.24

COMMISSIONERS & STAFF

Year end - March 31, 1998

Chair and Chief Executive Officer	David A. Vardy
Vice-Chair	Leslie E. Galway, C.A.
Commissioner	Raymond A. Pollett
Commissioner	Gary R. Vey, R.P.A.
Commissioner	G. Fred Saunders
Commissioner	Darlene Whalen, P. Eng.
Commissioner	J. William Finn, Q.C.
Clerk of the Board	G. Cheryl Blundon
Legal Counsel	Sean Hanrahan, LL.B.
Manager Regulatory Affairs	Robert Byrne
Financial and Economic Analyst	Doreen Dray
Accountant	Leah Keating
Senior Electrical Engineer	Vacant
Information Technology Officer & Records Manager	Vacant
Secretary to the Chair	Helen Reddy
Secretary to the Vice-Chair	Barbara Thistle
Clerk-Steno	Colleen Wood

For further information regarding the Public Utilities Board, please contact:

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