

NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**NOTICE OF APPLICATION
and
PRE-HEARING CONFERENCE**

**NEWFOUNDLAND POWER INC.
2008 GENERAL RATE APPLICATION**

On May 10, 2007 the Board of Commissioners of Public Utilities (the "Board") received a General Rate Application (the "Application") from Newfoundland Power Inc. for a full review of its 2008 costs. Newfoundland Power is requesting that the Board approve, among other things, an overall average increase in current electricity rates of 5.3% as of January 1, 2008, which includes:

- (1) proposed increases ranging from 1.3% to 5.3% for commercial customers; and
- (2) proposed average increases of 6.4% for residential customers.

While all aspects of Newfoundland Power's regulated activities are subject to review, the specific proposals contained in the Application are set out in Schedule A below.

The specific impacts on customers' rates will vary depending on individual circumstances, including electrical consumption and rate classification. All customers of Newfoundland Power as well as customers of Newfoundland and Labrador Hydro whose rates are based on Newfoundland Power's rate schedules may be affected by the outcome of this Application.

HOW TO SEE THE APPLICATION

Copies of the Application are available for public viewing at the offices of the Board between the hours of 8:30 a.m. to 12:30 p.m. and 1:30 p.m. to 4:00 p.m. or upon request from the Board Secretary at (709) 726-8600 or on the Board's website at www.pub.nl.ca.

A copy of the Application can also be viewed at any of Newfoundland Power's regional offices located throughout the Province and can be viewed on its website at www.newfoundlandpower.com.

PRE-HEARING CONFERENCE

The Board will hold a public hearing to consider the Application. As part of this proceeding the Board will convene a pre-hearing conference at **10:00 A.M. on Tuesday, June 12, 2007** in the Board's hearing room, Prince Charles Building, 120 Torbay Road, St. John's to identify intervenors and to set the schedule and procedures for the public hearing.

HOW TO PARTICIPATE

The Application will be heard in accordance with the procedures established by the Board as provided in its governing legislation. An interested person or organization can participate in the Application in one of three ways: either by becoming an intervenor in the hearing, by making an oral submission, or by submitting a letter of comment to the Board.

Interested person(s) wishing to be made a party to the hearing and become a registered intervenor must apply to the Board by way of an intervenor's submission. Intervenor submissions shall:

- a) be signed or executed by the intervenor or representative of the intervenor;
- b) contain a concise statement of :
 - i) the intervenor's interest in the matter;
 - ii) the disposition of the proceedings which the intervenor advocates, if any;
 - iii) the facts the intervenor proposes to show in evidence;
 - iv) the reasons why the intervenor believes the Board should decide in the manner advocated;
 - v) the qualification of expert witnesses, if any, whose opinions are to be relied upon; and
 - vi) a list of the information and support documents that may be useful in explaining the intervenor's representation; and
- c) be endorsed with the name, address, telephone, fax number and e-mail address of the intervenor or the intervenor's representative to whom communications may be sent.

Copies of all intervenor submissions and supporting documents must be filed with the Board by 3:00 p.m., Friday, June 8, 2007.

Following the pre-hearing conference the Board will publish a further notice of the dates and schedule for the proceeding, setting out list of registered intervenors, the requirements and dates for public presentations, and the deadline for receipt of letters of comment.

HOW TO CONTACT THE BOARD

All correspondence and requests for further information should be submitted to the Board Secretary as set out below.

Office: Suite E210, Prince Charles Building, 120 Torbay Road, St. John's
Mail: P.O. Box 21040, St. John's, NL, A1A 5B2
Telephone: 709-726-8600 or 1-866-782-0006 (toll free)
Facsimile: 709-726-9604
E-mail: ito@pub.nl.ca

Copies of the Board's legislation and regulations are available for viewing on the Board's website at www.pub.nl.ca or at the Board's office.

Dated at St. John's, Newfoundland and Labrador, this 16th day of May 2007.

Cheryl Blundon
Board Secretary

SCHEDULE A

Newfoundland Power Proposals:

1. Newfoundland Power proposes that the Board approve the calculation of depreciation expense with effect from January 1, 2008 by:
 - (a) use of the depreciation rates as recommended in the Depreciation Study filed with the Application; and
 - (b) adjustment of depreciation expense to amortize over a four year period an accumulated reserve variance of approximately \$700,000 identified in the Depreciation Study filed with the Application;as set out in the evidence filed in support of the Application.

2. Newfoundland Power proposes that the Board approve, with effect from January 1, 2008:
 - (a) the adoption of the accrual method of accounting for other employee future benefits; and
 - (b) the adoption of the accrual method of accounting for income tax related to all employee future benefits;as set out in the evidence filed in support of the Application.

3. Newfoundland Power proposes that the Board approve the continued use of the Formula with changes to:
 - (a) use an equity risk premium of 5.25 percent at a risk free rate of 5 percent for 2008;
 - (b) revise the method for determining the risk free rate for the period subsequent to 2008; and
 - (c) reflect the adoption of the asset rate base method;as set out in the evidence filed in support of the Application.

4. Newfoundland Power proposes that the Board approve amortizations with effect from January 1, 2008 to:
 - (a) amortize as revenue over a five year period:
 - (i) \$16,446,000 of 2005 unbilled revenue; and
 - (ii) \$4,087,000 related to a timing difference in receipt and recognition of municipal taxes;
 - (b) amortize the recovery over a five year period of \$12,733,000 in costs described in paragraph 7 of this Application;
 - (c) amortize the recovery over a five year period of \$6,800,000 of the balance in the Weather Normalization Reserve;
 - (d) amortize over a five year period the balance of \$1,342,000 in the Purchased Power Unit Cost Variance Reserve Account; and
 - (e) amortize the recovery over a three year period of an estimated \$1,250,000 in Board and Consumer Advocate costs related to the Application;as set out in the evidence filed in support of the Application.

5. Newfoundland Power proposes, with effect from January 1, 2008, that the Board:
 - (a) discontinue the Purchased Power Unit Cost Variance Reserve Account; and
 - (b) approve a Demand Management Incentive Account;
 as set out in the evidence filed in support of the Application.

6. Newfoundland Power proposes that the Board approve an overall average increase in customer rates of 5.3 percent with effect from January 1, 2008, based upon:
 - (a) a forecast average rate base for 2008 of \$809,291,000 calculated in accordance with the asset rate base method;
 - (b) a rate of return on average rate base for 2008 of 8.82 percent in a range of 8.64 percent to 9 percent; and
 - (c) a forecast revenue requirement for 2008 of \$502,486,000 to be recovered from electrical rates, following implementation of the proposals set out in the Application;
 as set out in the evidence filed in support of the Application.

7. Newfoundland Power proposes that the Board approve rates, tolls and charges effective for service provided on and after January 1, 2008, which result in average increases in customer rates by class as follows:

<i>Rate Class</i>	<i>Average Increase</i>
Domestic	6.4%
General Service 0-10kW	1.3%
General Service 10-100 kW (110 kVA)	2.3%
General Service 110-1000 kVA	4.3%
General Service 1000 kVA and Over	5.3%
Street and Area Lighting	5.3%

as set out in Schedule A to the Application.

8. Newfoundland Power proposes that the Board approve amendments to the rules and regulations governing Newfoundland Power's provision of electrical service to its customers to, in effect:
 - (a) provide for reasonable recovery of energy supply costs through the Rate Stabilization Account;
 - (b) eliminate the requirement for payment in advance of fees for temporary connections, special facilities and relocations; and
 - (c) allow a fee of \$16 for each rejected payment;
 as set out in the evidence filed in support of the Application.