

ACTIVITY PLAN

2007 - 2008

People seldom hit what they do not aim at.

- Henry David Thoreau

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

I am pleased to present the activity plan of the Board of Commissioners of Public Utilities for the year ending March 31, 2008. This plan was prepared in accordance with *The Transparency and Accountability Act* (the "Act"), under which the Board has been designated a Category 3 Government Entity.

The Board operates as one of the key economic regulatory bodies in the Province with a diverse set of responsibilities which includes regulation of electrical utilities, automobile insurance rates and petroleum products pricing. Many of the Board's responsibilities impact the daily lives of Newfoundlanders and Labradorians in important ways. Because of this and the quasi-judicial nature of our work, the Board has traditionally functioned in a highly transparent and accountable regulatory and public environment. The Board welcomes the reporting structure mandated by this new *Act* and believes these additional requirements will complement the transparency and accountability which has played an integral part of our operating standards over the years.

Having assumed the role of Chair and Chief Executive Officer of the Board on March 3, 2008, I am accountable for this plan and for ensuring that the goals are achieved. While this plan outlines the goals of the Board for the fiscal year ending March 31, 2008, I am confident that the plan lays the groundwork for strategic initiatives leading into the upcoming multi-year planning cycle and takes into consideration the strategic directions of Government.

I look forward to working with my Commissioner colleagues and staff at the Board to deliver on our regulatory mandate in a way that will sustain the trust and confidence of the people of Newfoundland and Labrador.



Andy Wells
Chair and Chief Executive Officer

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INTRODUCTION

The Board of Commissioners of Public Utilities (the “Board”) is an independent regulatory entity with Board members appointed by the Lieutenant Governor in Council. As a public body the Board is committed to ensuring the public trust and stands accountable, open and transparent to those it regulates, their customers and all the people of the Province.

Under its existing operating guidelines and legislation the Board respects numerous accountability requirements including the submission of annual reports as mandated. These reports highlight for each year the Board’s regulated activities, financial statements, Orders of the Board and other notable regulatory initiatives. In addition the Board strives to be open and transparent in other ways through the use of its website, notices of applications, press releases, transcripts of public hearings, written Orders with reasons, weekly updates of petroleum products price changes and other information deemed to be in the public interest. Indeed the ultimate accountability of the Board is reflected in its Orders which are appealable to the Supreme Court of Newfoundland and Labrador.

In December 2006, Government enacted the *Transparency and Accountability Act* which provides the legislative framework for enhanced accountability of its entities. The *Act* details the reporting requirements of these entities in accordance with the classifications assigned. As a Category 3 entity the Board is required to complete multi-year performance based activity plans and annual performance reports that will be presented in the House of Assembly. This plan has been prepared in compliance with the *Transparency and Accountability Act* and is consistent with the directions provided in the Guidebook for Improved Accountability for Government Entities.

These activity and performance reports will have a three-year planning horizon as required in the *Act* with this transitional activity plan covering the current fiscal year ending March 31, 2008. In developing its goals and objectives for this current report the Board has prepared the way for its next activity report which will cover the full three year planning cycle contemplated in the *Act*. As required the Board will report on the success in achieving its goals and realizing its performance targets or indicators as outlined in this activity plan.

PLAN AT A GLANCE

VISION

The vision of the Board of Commissioners of Public Utilities is of regulation which effectively balances the interests of the public and industry by fostering a sustainable environment for regulated industries and fairness to consumers.

MISSION

By 2011, the Board will have improved its capacity to deliver effective and efficient regulation in the Province.

This transitional activity plan is the first plan required under the *Transparency and Accountability Act* and is intended to cover the current fiscal year ending March 31, 2008. The Mission statement will guide the Board in preparing the way for its next activity report which will cover the full three-year planning cycle as contemplated in the *Act*. As the first plan required is a one-year plan, the following priority goals have been developed for the current report period ending in 2008:

Priority Goals for period ending March 2008

Goal 1 By 2008 the Board will have improved regulatory efficiency.

Goal 2 By 2008 the Board will have strengthened its regulatory framework.

Goal 3 By 2008 the Board will have developed human resources initiatives to ensure that it fulfills its mandate.

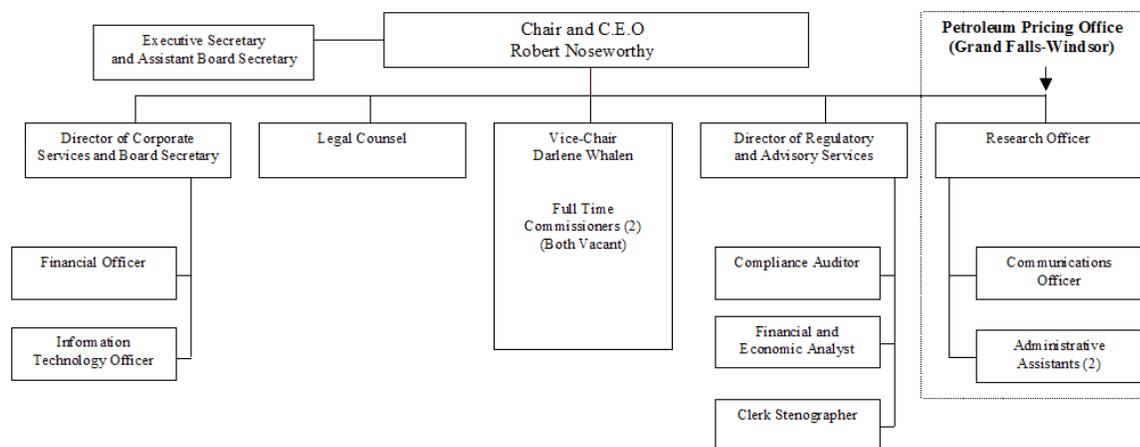
OVERVIEW

Created by statute in 1949 the Board is comprised of four full-time members, including the Chair and Chief Executive Officer and the Vice-Chair. Board members are appointed by the Lieutenant Governor in Council and comprise a skilled group of professionals consisting of engineers, lawyers, accountants and business people.

The Board has 13 full-time staff that provide advice and support and administer the operations of the Board. The Board's operations are generally organized in two functions - Regulatory and Advisory Services and Corporate Services.

Regulatory and Advisory Services is responsible for managing the Board's regulatory mandate with responsibilities including: conducting research, investigations and providing support regarding applications; compliance monitoring; performing financial/technical reviews and administering the customer complaint program.

Corporate Services manages the internal administrative functions of the Board including finance, legal, communication, information technology and human resource services.



Board Organizational Chart at March 31, 2007

The Board's operations are funded by assessments upon its regulated industries/companies. The Board receives no funding from Government's Consolidated Revenue Fund.

In the past three years the Board's annual operating budget has averaged approximately \$2.16 million. The percentage breakdown of the assessments by industry is estimated as follows:

Public Utilities	51.8%
Automobile Insurance	24.9%
Petroleum Products	23.2%

In addition to its budgeted activities the Board may also recover certain costs from the applicant(s) and/or parties involved in specific proceedings and/or investigations.

LINES OF BUSINESS

The Board's single line of business is regulation which includes the following specific activities:

- Determination of rates for electrical services and automobile insurance, as well as setting maximum allowable prices for petroleum products.
- General supervision of public utilities.
- Consideration of applications.
- Public hearings.
- Compliance monitoring of regulated industries.
- Investigations and reviews.
- Responding to consumer inquiries and complaints.
- Expropriation arbitration.

MANDATE

The Board operates as an independent, quasi-judicial tribunal constituted under *The Public Utilities Act*.

The Board has mandated responsibilities under provincial legislation and performs its regulatory functions through formal proceedings which may include public hearings, less formal processes/meetings and on-going regulatory oversight which may include audits, detailed technical/financial reviews and resolution of public complaints. Statutory responsibilities include the administration of the following legislation:

Public Utilities Act
Electrical Power Control Act
Automobile Insurance Act
Insurance Companies Act
Petroleum Products Act
Motor Carrier Act
Expropriation Act
Public Utilities Acquisition of Lands Act

The Board exercises its authority in accordance with principles of natural justice and procedural fairness. Board Orders are legally binding and may only be appealed to the Supreme Court of Newfoundland. The Board is accountable administratively through the Minister of Justice who presents the Board's annual budget for approval by the Lieutenant Governor in Council and tables its annual report in the legislature.

The *Public Utilities Act* defines the general powers of the Board, granting authority for the general supervision of public utilities to ensure compliance by public utilities with the law. The public utilities regulated by the Board includes Newfoundland Power Inc. and Newfoundland and Labrador Hydro.

The *Electrical Power Control Act* sets out the power policy of the Province and provides the Lieutenant Governor in Council with the authority to refer electrical power matters to the Board.

The *Automobile Insurance Act* gives the Board responsibility for the general supervision of the rates an insurer charges or proposes to charge for automobile insurance. The Board also has responsibilities in relation to the underwriting guidelines and risk classification systems of insurers in the Province. The Lieutenant Governor in Council can direct the Board to undertake a review into any aspect of insurance in the Province.

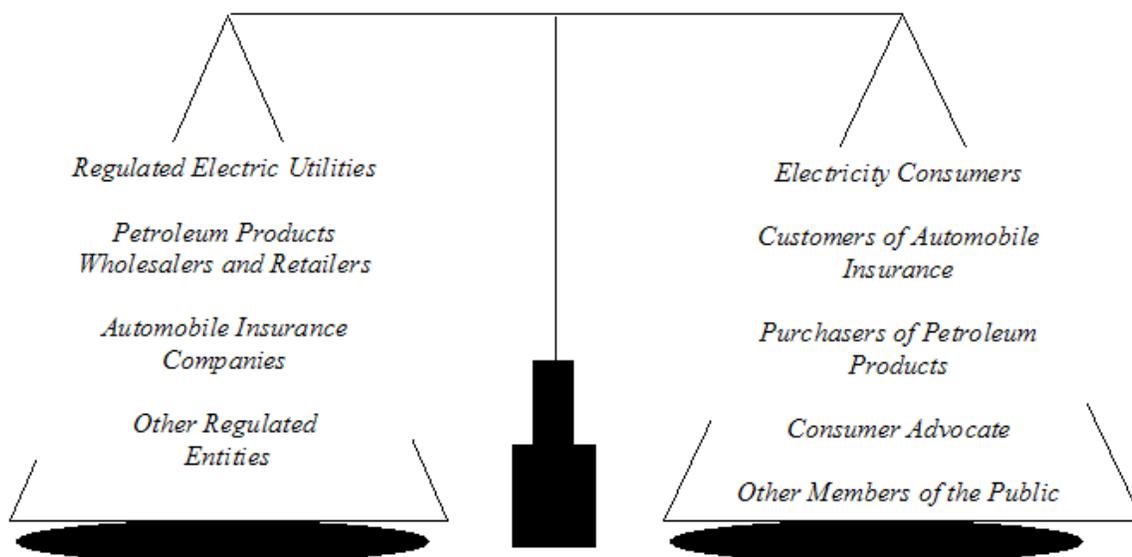
The *Petroleum Products Act* sets out the manner in which the Board establishes maximum prices for petroleum products in the Province.

The *Expropriation Act* requires the Board, at the request of the Minister of Transportation and Works or the City of St. John's, to determine the appropriate level of compensation for land expropriated by Government.

The *Motor Carrier Act* gives the Board the power to grant certificates and approve rates for public service carriers such as ambulance operations and regularly scheduled bus service along the Trans Canada Highway.

PRIMARY CLIENTS

In fulfilling its mandate the Board strives to achieve an equitable balance between the interests of consumers and service providers in the electric utility, automobile insurance, petroleum product and motor carrier industries. The Board defines its primary clients as those individuals, groups and organizations who are served through the realization of its mandate. These clients include the following:



VALUES

The Board takes significant pride in the regulatory work it performs on behalf of the people of the Province. The Board believes it must not only be open, transparent and accountable but must carry out its mandate in a way that reflects a standard of excellence and demonstrates a competence and responsiveness that will engender public trust and confidence.

Excellence

The Board strives for excellence in the performance of its duties. It endeavors to write reports, decisions and orders that are of the highest quality, well reasoned and understandable.

Integrity

The Board is committed to adhering to the highest ethical and professional standards in the performance of its duties and responsibilities.

Objectivity and Fairness

Openness and transparency are essential elements in regulation. The Board strives to ensure that its activities are conducted in compliance with the legislation and regulations by applying legal and regulatory standards objectively and equally.

Public Trust and Confidence

The Board takes ownership and responsibility for all of its actions and decisions. The organization is managed responsibly in order to maintain the confidence, respect and trust of the public, stakeholders and Government.

Teamwork

The Board believes that teamwork and a spirit of cooperation are essential to its success.

MISSION

The mission statement identifies the Board's priority focus for the next two planning cycles. It represents long-term results towards which the Board will direct its efforts in achieving its legislative mandate and in keeping with the strategic directions of Government. The statement includes measures and indicators to assist the Board and the public in monitoring and evaluating success.

MISSION: By 2011, the Board will have improved its capacity to deliver effective and efficient regulation in the Province.

MEASURE: Improved capacity to support sound regulation.

INDICATORS:

- Improved regulatory efficiency.
- Strengthened regulatory framework.
- Human resource development.

ISSUES AND GOALS

In consideration of the Board's legislative mandate, the following areas have been identified as key priorities of the Board for 2008. The goals identified reflect the results expected for the next year, measures and indicators are provided to assist the Board and the public in monitoring and evaluating success. The issues addressed in this activity plan are as follows:

- **Improved regulatory efficiency.**
- **Strengthened regulatory framework.**
- **Human resource development.**

<p>ISSUE 1</p>

<p><i>IMPROVED REGULATORY EFFICIENCY</i></p>

As one of the key economic regulators in the Province the manner in which the Board operates is important to its regulated entities, consumers and the public. The Board therefore focuses on the management and administration of its processes and practices in a way that promotes regulatory efficiency and least cost operations.

GOAL: By March 31, 2008, the Board will have improved regulatory efficiency.

MEASURE: Improved regulatory efficiency.

INDICATORS:

- Regulatory savings.
- Improved regulatory response.
- Simplified and streamlined processes.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

ISSUE 2

***STRENGTHENED
REGULATORY
FRAMEWORK***

The regulatory framework of the Board includes its legislated authority, procedures and processes, regulatory principles and reporting/compliance requirements. The Board strives to ensure that the regulatory framework supports its ongoing responsibilities and is consistent with emerging public policy priorities such as increased accountability.

GOAL: By March 31, 2008, the Board will have strengthened its regulatory framework.

MEASURE: Strengthened regulatory framework.

INDICATORS:

- Improved communications.
- Development of supportive policies.
- Improved administrative processes.

ISSUE 3

***HUMAN RESOURCE
DEVELOPMENT***

In recent years, there have been a number of additions to the Board's mandate and changes to the operational structure of the Board. The Board's alignment of human resource capabilities is essential to ensuring the Board is equipped to meet its regulatory responsibilities.

GOAL: By March 31, 2008, the Board will have initiated a human resources strategy to ensure that the organization retains the skills and competencies necessary to deliver its mandate.

MEASURE: Enhanced organizational and operational capacity.

INDICATORS:

- Human resources are properly aligned to functional requirements.
- Appropriate recognition of human resources.
- Development of education and training opportunities.

Appendix A

Strategic Directions

The Board has established as its strategic priorities, improving the efficiency of its regulatory tools and streamlining its regulatory framework while ensuring the necessary human resource skills are identified and trained to appropriately and effectively deliver on its mandated regulatory responsibilities. Within the broader context of its governing legislation, its governance structure and its reporting to the Minister of Justice, the Board believes the main thrusts contained in this activity plan are commensurate with and contribute to the overall strategic directions that define the priorities of Government.

Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 TORBAY ROAD, ST. JOHN'S, NL

Website: www.pub.nl.ca
E-mail: ito@pub.nl.ca

Telephone: 1-709-726-8600
Toll free: 1-866-782-0006
