

P.U. 25 (2002-2003)

**IN THE MATTER OF the
PUBLIC UTILITIES ACT,**
R.S.N. 1990, c. P-47, as amended
("the Act")

AND

IN THE MATTER OF the application by
Newfoundland Power Inc. ("the Applicant")
for an Order rescinding Order No.
P.U. 8 (2002-2003), pursuant to
Section 76 of the Act, and approving
a contribution in aid of construction
for a line extension to serve primarily
seasonal customers (the "Customers")
pursuant to Section 41 (5) of the Act .

WHEREAS the Applicant is a corporation duly organized and existing under the laws of the Province of
Newfoundland and Labrador, is a public utility within the meaning of the Act, and is also subject to the
provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS the Customers, whose residences are located at Butts Pond East near Gambo, consist of
twenty (20) Seasonal Customers and ten (10) Residential Customers; and

WHEREAS the Customers have requested that the Applicant ignore the distinction between Residential
and Seasonal Customers and base the contribution in aid of construction on the average cost to serve all of
the Customers, and

WHEREAS by letter dated May 17, 2001 the Applicant quoted a contribution in aid of construction (“CIAC”) in the amount of Three thousand three hundred twenty-seven dollars and sixty-four cents (\$3,327.64), including HST, (the “CIAC Amount”), as calculated under the CIAC Policy: Distribution Line Extensions To Residential and Seasonal Residential Customers approved by Order No. P.U. 7 (1997-98) dated September 30, 1997 (the “Policy”), to the thirty (30) customers who had expressed an interest in receiving electrical service; and

WHEREAS subsequent to the Applicant’s letter of May 17, 2001 the Applicant received written acceptance of the CIAC Amount from all thirty (30) customers to whom the Applicant’s letter of May 17, 2001 had been addressed; and

WHEREAS before Board approval was obtained to charge the CIAC Amount, the Applicant was informed that one (1) Seasonal Customer did not wish to avail of electrical service at that time and the Applicant recalculated the CIAC to reflect a reduced number of participating customers, and the resulting CIAC amount was Three thousand four hundred twenty-one dollars and forth-five cents (\$3,421.45), including HST, (the “Revised CIAC”), for each Customer; and

WHEREAS in order to ascertain whether the Customers would all agree to accept service on the basis of the higher Revised CIAC, it would have been necessary to communicate with the Customers in writing and obtain their written acceptance of the Revised CIAC, and if further Customers declined service, a further recalculation of the CIAC would have been required, and further written consents would be required from

the Customers, and

WHEREAS to avoid this scenario, the Applicant applied to the Board to deviate from the Policy by charging the Customers the CIAC Amount rather than the Revised CIAC, and because this approach would create a shortfall in cost recovery of \$93.81 per customer, the Applicant proposed that the entitlement of the Customers to refunds as calculated under Clause 6 of the Policy be suspended until the shortfall was recovered from additional customers connecting to the Extension; and

WHEREAS by Order No. P.U. 8 (2002-2003), the Board approved the CIAC Amount and the proposed suspension of refunds until the cost recovery shortfall was eliminated; and

WHEREAS as of August 23, 2002 twenty-five (25) Customers have deposited the CIAC Amount with the Applicant, and the Applicant has been informed by the individual designated (the “Customers’ Representative”) by the Customers to represent them in dealings with the Applicant that the remaining four (4) Customers are not willing to accept electrical service at this time; and

WHEREAS provision of the requested service requires that the Applicant construct a 3,885-metre single-phase line (the “Extension”), and the Extension will not be jointly used by the Applicant and Aliant Telecom Inc.; and

WHEREAS the Applicant has recalculated the CIAC to reflect a reduced number of participating customers and the resulting CIAC amount for twenty-five (25) Customers in Three thousand seven hundred

fifty-three dollars and sixty cents (\$3,753.60), including HST, (the “Recalculated CIAC”), for each Customer; and

WHEREAS the Customers’ Representative has informed the Applicant that further Customers may decline to accept electrical service if the Recalculated CIAC is implemented and to avoid this scenario, the Applicant proposes to deviate from the Policy by charging the Customers the original CIAC Amount rather than the Recalculated CIAC; and

WHEREAS this will result in a shortfall in cost recovery of \$425.96 per Customer and the Applicant has proposed that the entitlement of the Customers to refunds as calculated under Clause 6 of the Policy be suspended until the shortfall is recovered from additional customers connecting to the Extension; and

WHEREAS the establishment of the CIAC in this manner, and the suspension of refunds, are deviations from the Policy, and Clause 12 (b) of the Policy requires that all deviations from the Policy in the calculation of CIACs for Line extensions must be submitted to the Board for approval; and

WHEREAS Clause 12 (c) of the Policy requires that all CIACs for Main Line extensions for primarily seasonal residential customers must be submitted to the Board for approval; and

WHEREAS the proposed suspension of refunds to the Customers is necessary to ensure that the Applicant’s investment in the Extension is compensatory over the useful life of the Extension and will not be

to the detriment of the Applicant's other customers; and

WHEREAS the Board is satisfied that the deviations from the Policy are reasonable in the circumstances;
and

WHEREAS the proposed expenditures on the Extension are necessary for the Applicant to provide service and facilities to the Customers which are reasonably safe and adequate and just and reasonable as required pursuant to Section 37 of the Act.

IT IS THEREFORE ORDERED THAT:

1. Pursuant to Section 76 of the Act, Order No. P.U. 8 (2002-2003) is hereby rescinded.
2. Pursuant to Section 41(5) of the Act, the Board approves:
 - (a) the CIAC of Three thousand three hundred twenty-seven dollars and sixty-four cents (\$3,327.64), including HST, as calculated under the Policy being a total contribution of \$86,808 distributed amongst 30 customers located in Butts Pond East; and
 - (b) the suspension of the payment of refunds to the Customers until such time as any shortfall in the recovery of the \$86,808 contribution which may be caused by customers opting not to take service has been recovered from additional customers connecting to the line.

DATED at St. John's, Newfoundland and Labrador, this 2nd day of October, 2002

Robert Noseworthy,
Chair & Chief Executive Officer.

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

G. Cheryl Blundon,
Board Secretary.