



*Newfoundland
& Labrador*

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

2005-2006 ANNUAL REPORT



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

HEAD OFFICE

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Letter to the Minister of Justice

On behalf of the Board of Commissioners of Public Utilities, I respectfully submit the Board's 2005-2006 Annual Report in accordance with Section 18 of the Public Utilities Act.

This report was prepared under my direction and includes a summary of the Board's Key Highlights and Accomplishments, Activities, Challenges Ahead, Financial Statements, and a summary of Decisions and Orders issued in the year from April 1, 2005 to March 31, 2006.

Sincerely,

Robert Noseworthy
Chair and CEO

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MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

During the past two years the Board's mandate has expanded significantly to include regulatory responsibilities for petroleum products pricing, changes arising from provincial legislative reforms involving automobile insurance and specific Government direction requesting the Board to conduct a review of automobile, homeowners, commercial and marine insurances. As can be seen from the activities outlined in this annual report, many of the Board's achievements in 2005-2006 focused on the successful completion/implementation of these newest regulatory initiatives. On these fronts, substantial efficiencies and cost savings have been realized regarding petroleum pricing regulation and consultations with stakeholders have resulted in various regulatory system improvements with more to follow. Major revisions to the regulatory regime triggered by automobile insurance reforms were instituted by the Board with the objective of ensuring as little disruption as possible to the insurance market, its operating companies and consumers. The Board concluded its comprehensive public review of the multiple forms of insurance as directed by Government. The resulting detailed reports submitted to Government focused on stakeholder input and consultations and should constitute a sound basis for public policy considerations for years to come.

With regard to other regulatory activities, the Board continues to strive for additional regulatory efficiencies. This goal has been the cornerstone of the Board's operations in recent years whereby various cost cutting measures, technical upgrades and alternative dispute resolution (ADR) techniques have been applied to streamline our regulatory processes. Some of these achievements have been highlighted in previous annual reports. For the first time in many years, 2005-06 saw the capital budget applications of both NP and NLH dealt with by the Board without a public hearing. This outcome can be attributed to the recently established capital budget guidelines agreed to by the utilities and brokered by the Board which provided for more detailed information requirements affording the Board greater insight in reviewing and evaluating capital budget applications. Where appropriate, the Board will continue to rely on alternative methods such as mediation and settlement conferences in an effort to create even greater efficiencies in its regulatory processes.

Despite recent accomplishments, the Board faces numerous challenges in the months ahead. The global and provincial energy picture, both in respect of refined petroleum products such as gasoline and home heating oil as well as electricity, can be expected to provide a formidable cost environment for supplying enterprises, which in turn will mean sustained pressure on consumer rates/prices. Both NP and NLH have indicated each will be applying to the Board for rate increases within the next year and the volatility of petroleum products pricing is not expected to abate in the foreseeable future. The general rate applications (GRA's) for both utilities will require an extensive public review process by the Board. Petroleum pricing regulation, on the other hand, will demand a further Board assessment to ensure a responsive and timely mechanism reflecting both global market conditions and fair prices at the provincial level. In addition, the recent policies/procedures governing automobile insurance regulation will have to be evaluated and audits performed to test their effectiveness. The Board looks forward to working with all its stakeholders to address its collective responsibility in meeting these challenges in 2006-07.

Regulation is emerging as a significant economic and political issue in today's society. This trend is evident in the debate over sufficiency of supply surrounding "black/brown outs" on the North American electricity grid, the examination by other jurisdictions of petroleum pricing regulation as well as the recent round of review and associated changes involving automobile insurance regulation in a number of provinces. The role of the regulator is to provide a transparent and open regulatory framework balancing the interest of the consumer to fair rates/prices for the commodity being purchased while affording the

industry/companies a reasonable return on their investment. The Board is committed to fulfilling these regulatory obligations on behalf of all Newfoundlanders and Labradorians.

I wish to express my sincere gratitude to the Board staff and my Commissioner colleagues for their dedicated work and continued support throughout the year. It is only through the assignment of this expertise that the Board has the ability to perform its job.

Robert Noseworthy
Chair and CEO

OVERVIEW

MANDATE

The Board is an independent, quasi-judicial tribunal constituted under *The Public Utilities Act, R.S.N.L. 1990, c. P-47*. The Board has mandated responsibilities under various pieces of provincial legislation and performs its regulatory functions through, among other things, public hearings, meetings and on-going regulatory oversight. The Board exercises its authority in accordance with principles of natural justice and procedural fairness and Board Orders/Decisions are legally binding and may only be appealed to the Supreme Court of Newfoundland, Court of Appeal.

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 submits its annual report in the legislature.

MISSION

The Board's mission is to ensure that the interests of the consuming public and the industries/companies it regulates are well served in a progressive, fair and transparent regulatory environment while providing quality decision-making that is well-reasoned and clearly communicated.

LINE OF BUSINESS

The Board primarily has one line of business, which is economic regulation in a variety of mandated areas as defined in the Board's legislative authorities. The Board's individual responsibilities are: (i) to ensure the rates charged by the regulated utilities, Newfoundland and Labrador Hydro (NLH) and Newfoundland Power Inc. (NP), are just and reasonable and that service provided is safe and reliable; (ii) monitoring and approving rates for automobile insurance; (iii) establishing maximum prices and monitoring the sale of petroleum products; (iv) granting of certificates and approving rates for certain public service carriers; and (v) acting as an arbitrator to determine compensation for land expropriated by Government.

ORGANIZATION OF THE BOARD

By statute the Board is comprised of three full-time members, including the Chair and Chief Executive Officer, the Vice-Chair, and one additional full-time Commissioner, and up to six part-time Commissioners. 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 15 full-time staff that provide advice and support, and administer the operations of the Board. The Board's administration is generally organized in two components, Regulatory Affairs and Corporate Services.

Regulatory Affairs is responsible for overseeing the Board's regulatory mandate. Responsibilities include: conducting preliminary investigations and providing support on applications; managing the compliance monitoring program; monitoring the financial markets for benchmarking purposes; oversight of financial reviews; managing the customer complaint program; and completing investigations on a wide range of issues as required.

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

The Board’s organizational model is shown in Figure 1.

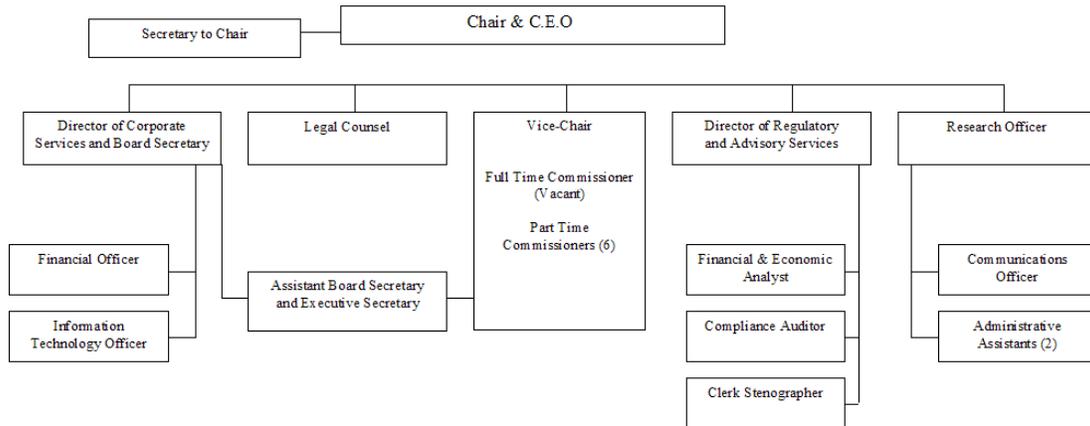


Figure 1 - Organization Chart at March 31, 2006

FINANCIAL

The Board is fully funded by assessments upon its regulated industries/companies. In addition, public hearings are funded on a cost recovery basis in accordance with applicable legislation.

The Board’s annual operating expenses for 2005-06 were budgeted at \$2.27 million. The breakdown of the assessments by industry were as follows:

| | |
|----------------------|--------------|
| Public Utilities | \$ 1,064,606 |
| Automobile Insurance | \$ 533,808 |
| Petroleum Products | \$ 624,513 |

Outside of its budgeted activities the Board also recovers certain costs directly from the applicant(s) and/or parties involved in specific proceedings and/or investigations. During 2005-06 the Board’s accumulated hearing costs were \$531,274: \$221,000 related to automobile insurance rate filing reviews; \$138,129 related to the hearing of NP’s accounting policy application; and \$172,145 related primarily to NLH’s general rate application, the utilities’ capital budget applications and annual financial reviews.

In November 2005 expenses in the amount of \$778,882 were invoiced in connection with the automobile insurance review conducted by the Board as directed by Government. These expenses, incurred partially in 2004-05 and 2005-06, were recovered by way of a special assessment upon automobile insurance companies operating in the Province as provided by s. 3.1 of the *Insurance Companies Act*.

Further details regarding the Board’s recoverable costs can be found in Notes 3 and 4 to the Board’s Financial Statements.

By virtue of its growing surplus the Board previously adopted a policy in accordance with the *Public Utilities Act* to reduce subsequent year assessments to its regulated industries/companies by an allocation from its unrestricted surplus. This unrestricted surplus is derived from a variance between budgeted and actual revenues/expenditures due to either improved financial performance and/or higher recoveries from directly funded regulatory activities. In 2005-06 the Board approved reductions in assessments to the electrical utilities and the petroleum products industry of \$105,281 and \$194,925 respectively. Where appropriate the Board will continue this policy of adjusting assessments in relation to prior years’

accumulated surplus. Further considerations concerning this policy for the coming year (2006-07) are outlined in Note 9 to the Board's Financial Statements.

KEY HIGHLIGHTS AND ACCOMPLISHMENTS

The year 2005-06 was a busy year for the Board. Maintaining a balance between its on-going general supervisory and compliance responsibilities and newly mandated regulatory responsibilities proved to be challenging at times. The following lists the Board's key highlights and accomplishments in the year.

1) *Completion of the Homeowner, Marine and Commercial Insurance Review*

Having completed the automobile insurance review, one of the key priorities during the year was to focus on the remaining aspects of the review directed by Government that included homeowner, commercial and marine insurances. These three insurance areas were new to the Board and demanded somewhat different processes in order to research, collect and analyze needed information. The Board held numerous discussions with stakeholders to fully identify and examine the numerous issues in each of these distinct insurance areas. The Board completed its review of homeowner, commercial and marine insurances by year-end and will be finalizing and submitting its report to Government by the end of April 2006.

2) *Implementation of Automobile Insurance Legislative Changes*

Since August 2004 Government has proclaimed a series of automobile insurance reform initiatives that have significantly changed the Board's automobile insurance regulatory mandate. In March 2005 Government announced a new rate setting process designed to replace the previous benchmarking system used by the Board. The new regulatory system provides for a file and use process for rate reductions with rate increases requiring detailed actuarial justification by the applicant insurance company. The Board also provides oversight of the risk classification system and underwriting guidelines of insurers. This change required significant modifications to the Board's long-standing policies and procedures. The Board is currently working with the insurance industry to develop the requisite processes to ensure that both the Board and the industry can meet these new regulatory challenges.

3) *Initiation of the Second Phase of the Petroleum Products Pricing Review*

The Board commenced the second phase of its operational analysis of methodologies and issues with respect to petroleum products pricing regulation. The Board received the consultant's final report "*A Study of Storage and Distribution Costs for Petroleum Products throughout Newfoundland and Labrador*" (S&D Study) in May 2005 and, following an in-house review, released the report in July 2005 to stakeholders for feedback. The recommendations of the S&D Study recognize the costs associated with the storage, distribution and handling of petroleum products throughout Newfoundland and Labrador and reflect the supply and distribution network for these products in the Province.

In conjunction with the release of this report the Board also issued for feedback and comment a discussion document outlining several issues with respect to regulatory pricing processes and methodologies used in the Province. Submissions were received from a number of stakeholders on the S&D Study recommendations as well as the issues related to the regulatory pricing regime. The Board determined that it would hold meetings with interested stakeholders in early 2006 before making final decisions on the recommendations presented in the S&D Study and the remaining issues concerning the regulatory pricing processes and methodologies. It is expected that this second phase of the Board's review will be completed and implemented in 2006.

4) *Meeting Challenges of the Marketplace on Petroleum Product Pricing*

The damage caused by Hurricanes Katrina and Rita to domestic refining facilities on the Gulf coast during September/October of 2005 dramatically pushed fuel prices to record levels. In response to extraordinary global market conditions the Board was faced with the possibility of supply shortages, particularly in rural areas. To secure fuel supply networks the Board determined that it was necessary to use its legislative authority to order increases and subsequent decreases to the base prices for gasoline five times from August 22 to September 3 outside its normal pricing methodology. This was the first time since assuming responsibility for petroleum pricing regulation that the Board determined that it was necessary to take such extraordinary action. Because of the volatility in the marketplace and the resulting impact on the regulatory process, the focus of the Board will be to monitor, and improve as necessary, its response to similar extenuating circumstances in future.

5) *Improving Regulatory and Administrative Efficiencies*

Impact of Capital Budget Review Process Filing Guidelines

In the Capital Budget Review Process the Board established *Provisional Capital Budget Application Guidelines* detailing the minimum information requirements necessary to streamline and improve the submission and evaluation of capital budget applications. Because of the enhanced information filings the Board determined that public hearings of the 2006 capital budget applications from NP and NLH would not be necessary, resulting in significant savings in both time and costs normally attributable to the review and approval process.

Technical and Settlement Conferences

The Board continues to use alternative processes such as mediation and settlement conferences to streamline its hearing process. In the preliminary hearing phase for NP's Accounting Policy Application the registered parties met for the purpose of identifying and settling issues upon which all parties could agree. At the commencement of the hearing a consensus document was filed outlining resolution and agreement on certain issues. This pre-emptive measure allowed the Board to focus on the remaining outstanding issues which resulted in the entire process being more effective and less costly overall.

Technical Efficiencies

The Petroleum Pricing Office has updated the database and distribution lists of the stakeholders requiring notification of pricing changes. This has significantly streamlined the notification process by reducing the notification period to stakeholders from 3 days to 1 day. With the addition of extra software and hardware, the functionality of the database has improved productivity dramatically and the per-adjustment costs have decreased significantly. The Board will continue to work with industry to streamline this process in order to develop a more efficient and accurate reporting system.

Administrative Efficiencies

During the transfer of petroleum product pricing regulation to the Board, Government announced that the Board would be conducting an operational review of the former PPPC in order to improve efficiencies and reduce costs. In 2004-05 the Board completed Phase I of this review, which resulted in amalgamation of the administrative and financial functions of the Petroleum Pricing Office with that of the Board's St. John's office. To date since integration of the PPO the Board has achieved considerable regulatory efficiencies with accumulated expenditure reductions exceeding 30% and commensurate savings passed through in the following year to reduce assessments.

ACTIVITIES

Decisions and Orders

The Board issued 56 Orders during the year. A summary of all Orders issued by the Board during the fiscal year can be found beginning on page 21 of this report. Forty Orders related to Electric Utility regulation, 12 Orders were issued pursuant to the *Automobile Insurance Act* and four Orders related to applications for Motor Carrier Certificates.

The following summarizes the significant activities during the year for the three major areas of regulation.

PUBLIC UTILITY REGULATION

In addition to the regularly scheduled annual reviews of the utilities and the receipt and review of compliance filings, the Board received 40 applications that resulted in decisions and Board Orders.

Board Orders

The Board issued 40 orders under the *Public Utilities Act* including:

- 15 Orders relating to contribution in aid of construction (“CIAC”) applications and policies;
- 11 Orders pursuant to section 41 relating to capital budget expenditures;
- 9 Orders pursuant to section 70 relating to rate applications;
- 2 Orders relating to administrative/procedural orders and related amendments;
- 3 others: 1 for the decommissioning of generation and the termination of service; 1 relating to the approval of the balance in the weather normalization reserve; and 1 for the approval of a bond issue.

NP Accounting Policy Concerning Revenue Recognition

After arriving at a negotiated tax settlement NP applied to the Board to change its method of revenue recognition from the Cash Method to the Accrual Method, beginning in 2006. This change was required in order to bring its regulated accounting policy into compliance with its agreement with Revenue Canada. NP also requested the Board approve the adoption of the Asset Rate Base Model as of 2006.

The public hearing into the Application took place on December 7, 8, and 9, 2005. On December 23, 2005, the Board issued Order No. P.U. 40(2005) approving changes to the accounting policy of NP concerning revenue recognition, the use of the Asset Rate Base Model, and several related transitional issues, to be effective for 2006 and subsequent years. This Application and Order had no effect on existing electricity rates charged to consumers.

NP 2006 Capital Budget

The Board determined that it could consider the Application and related documentation without a public hearing. The Board issued Order No P.U. 30(2005) on November 14, 2005, approving capital expenditures for 2006 totaling \$49,258,000, along with associated capital projects and leases, as well as the rate base for the year ending December 31, 2004, which was fixed and determined at \$715,111,000.

NLH 2006 Capital Budget

The Board determined that it could consider the Application and related documentation without a public hearing. On November 30, 2006 the Board issued Order No. P.U. 31(2005) approving budgeted capital expenditures totaling \$42,636,000, along with associated capital projects and leases.

General Supervision

In keeping with its mandate to ensure the safe and reliable supply of power the Board requires the utilities to file Power Outage Incident Reports detailing significant power outages and incidents involving safety or public contact, usually denoting contact with distribution feeders by private contractors. In 2005-06 the

Board reviewed and followed up where appropriate on 45 outage/incident reports from both NLH and NP. The breakdowns of incidents were as follows: 10 relating to Generation and Distribution problems; 12 relating to Equipment failures; 13 with respect to public contact incidents and 10 were weather related.

Customer Complaints

As part of its general supervisory mandate the Board also deals with mediation of complaints from utility customers. Complaints are tracked on the basis of specific categories which may require further investigation. During the reporting period the Board received and followed up on 21 complaints relating to service termination, the equal payment plan program, property damage claims, billings and security deposits.

AUTOMOBILE INSURANCE REGULATION

With respect to applications under the *Automobile Insurance Act* the Board issued 12 Orders: 11 for revised rate approvals and one for a rehearing of an application.

In 2005-06 the Board received a number of complaints and inquiries with respect to automobile insurance. These complaints and inquiries generally related to rating practices of insurers and/or agents, rate refunds and changes to policies and rates resulting from new legislative provisions.

During the reporting period the Board did not conduct any compliance audits of automobile insurers in its jurisdiction, primarily because the reforms introduced in August 1, 2004 had not yet been fully implemented by the industry. The Board intends to continue the compliance audit program in the coming year.

Automobile Insurance Review

On March 31, 2005 the Board submitted the final report of its review of the automobile insurance industry to Government. In August 2005, following consideration of the Board's report, Government enacted several legislative and regulatory changes affecting the automobile insurance industry. The key regulatory changes included, among other things, elimination of age, sex and marital status from consideration as rating variables, implementation of the use of "years driving experience" as an acceptable rating variable, changes to the rate review and filing requirements, introduction of new Class of Use definitions and rating system, and specific rate implementation processes.

Rates

A rate freeze had been in effect for the period April 1, 2004 to March 17, 2005. On March 16, 2005 Government announced its intentions with respect to additional reform measures to be proclaimed effective August 1, 2005. In late July 2005 the Board issued revised filing instructions based on Government's announced automobile insurance reform measures. Insurers were provided two options: i) submission of a Category 1 rate filing reducing all currently approved rates for all coverage by 5% as of August 1, 2005; or ii) submission of a Category 2 rate filing, in accordance with the new filing requirements, justifying rates not reduced by at least 5%. The Board reviewed and accepted 21 Category 1 filings from companies opting to file currently approved rates less 5%. The Board also received 11 Category 2 filings from companies opting to submit independently justified rates based on each company's own experience and other related factors. The Board subjected each of these independent filings to an in-depth review. Companies opting to reduce current premiums by 5% have all implemented the reduced rates and have completed the policy review and refund activities to ensure policyholders have received the appropriate ratings as of August 1, 2005. Orders for the independent Category 2 filings were finalized just prior to March 31, 2006 and companies are currently in the process of calculating and submitting final rate schedules for verification by the Board prior to implementation.

Homeowner, Commercial and Marine Insurance Review

As set out in the *Terms of Reference* issued in October 2004 Government directed the Board to report on issues that might be raised surrounding the availability and accessibility of homeowners and commercial insurance in light of associated profit margins and identify ways in which these issues may be addressed.

During the summer the Government appointed Consumer Advocate held a series of public meetings throughout the Province to gather information and feedback on the issues under review. Follow-up roundtable discussions and meetings involving the review Commissioners, Board staff, the Consumer Advocate, insurance company representatives, individual consumer and special interest groups were held at the Board's office to discuss specific issues. The Board is currently finalizing its report for Government which is expected to be submitted by the end of April 2006.

PETROLEUM PRODUCTS PRICING REGULATION

Despite volatile global market conditions and extraordinary events surrounding Hurricane Katrina during 2005-2006, the integration of the former Petroleum Products Pricing Commission (PPPC) with the Board continued to be implemented without apparent disruption.

The Board ordered 42 adjustments to maximum regulated fuel prices in accordance with the *Petroleum Products Act*:

- 12 price changes as a result of the scheduled mid-monthly adjustments;
- 24 price changes arising from the interruption formula;
- Five extraordinary adjustments resulting from the Board's decision to use its legislative authority under section 14(1) of the regulations under the *Petroleum Products Act* to adjust prices where circumstances warranted.

Charts showing the overall pricing adjustments for 2005-2006 for each of the refined petroleum products regulated by the Board can be found on page 37 of this report.

Home Heating Fuels Base Price Changes

In January 2005 the Board received an application from Harvey's Oil Limited requesting that the base price of furnace oil be increased to account for increases in the cost of retailing home heating fuel and operational costs since the initial base price was established in November 2001. After the investigation the Board issued Order No. P.P. 1(2005) approving an increase of 1.5 cpl in the total allowed mark-up for furnace oil sold by Harvey's, effective March 1, 2005. Subsequent to this Order the Board gave notice to other wholesalers and retailers of home heating fuels of the price adjustment and advised that the price increase may apply if documentation received warrants such an increase.

Based on the detailed review of the submissions and information provided by the industry, the Board determined that the adjustments were warranted and, on November 15, 2005, approved an increase of 1.6 cpl to the base price of furnace/stove oil and 3.7 cpl to the base price of residential propane used for home heating purposes. This was the first adjustment to base prices for home heating fuels since prices were initially set in 2001.

OTHER REGULATORY ACTIVITIES

The Board has certain responsibilities under the *Motor Carrier Act* and the *Expropriation Act*.

Under the *Motor Carrier Act*, four Orders were issued relating to applications for Motor Carrier Certificates: two Orders related to an application for a Motor Carrier Certificate for regular public passenger bus service; one order related to an application for irregular public passenger bus service, and the other Order related to an application for cancellation of a Motor Carrier Certificate. The Board did not receive any referrals for expropriation arbitrations during the year.

CHALLENGES AHEAD

PUBLIC UTILITY REGULATION

In 2005 each utility filed its annual Capital Budget Application using the new guidelines set out by the Board. Further review and consultation will continue with the utilities and intervenors in an effort to create a more efficient capital budget process while ensuring that the proposed projects receive the appropriate amount of scrutiny by the Board.

Both utilities have indicated that they will also be filing General Rate Applications in 2006. The management of these applications in a timely manner will demand the focus of the Board's resources and the co-operation of all stakeholders. The Board will continue to look at ways to improve and streamline the hearing process. As with recent general rate applications, the Board will concentrate on improving regulatory efficiencies by using mediation and settlement conferences where appropriate to reduce the amount of time spent in hearings.

PETROLEUM PRICING REGULATION

Petroleum Products Pricing Review

In the upcoming year the Board will complete the final phases of the review of petroleum products pricing in the Province. These phases will involve implementing the S&D Study and refining the fuel-pricing regulatory system. Stakeholder feedback and comment on the S&D Study and the discussion document on additional regulatory issues will be further evaluated by the Board. The Board will also hold meetings with interested stakeholders in early spring before making its final decisions on these matters. The objective will be to have all aspects of the review completed in 2006.

Market Impacts

The regulatory process for petroleum products pricing is dependent on world events and their effect on the global market for refined fuels. These linkages present their own set of challenges affecting product pricing in the provincial marketplace. These challenges were evidenced by the impacts of hurricanes in the Gulf of Mexico in 2005 on world oil production which translated to substantial price volatility of petroleum products on the provincial scene.

While the Board is prepared to act whenever there are dramatic and sustained market-price fluctuations for refined fuels, these market fluctuations can result in significant difficulties for smaller reseller/retailer operations throughout the Province. These difficulties could lead to some regions being without fuel should maximum fuel prices not move appropriately to reflect the dramatic changes in prices. The Board is cognizant of its regulatory responsibilities and will continue to apply consistent standards in upholding the Board's regulatory obligations and balancing the needs of all stakeholders, both consumers and the industry.

A further challenge is to review the existing regulatory pricing model and methodology to determine if the model is flexible enough to meet the ever-changing stresses of the local marketplace, as well as any other unexpected demands that may occur. One example is the new federal law requiring the use of ultra low-sulphur diesel ("ULSD") for on-road use by September 1, 2006, instead of the current low-sulphur diesel ("LSD") product. The current regulated fuel-pricing model uses LSD diesel as the benchmark for petroleum pricing calculations. Legislative changes will be required to include ULSD as a benchmark fuel to be used by the Board in its pricing calculations. While beneficial from an environmental standpoint this transition to ULSD for all diesel uses will occur over the next couple of years.

AUTOMOBILE INSURANCE REGULATION

The challenges facing the Board with respect its regulatory responsibilities in automobile insurance will be to ensure proper interpretation and implementation of the legislative changes made by Government affecting automobile insurance. The Board will expand the review parameters for the compliance audit program to include the new regulatory oversight responsibilities as a result of legislative changes and streamline the review process for Category 2 filings to reduce the review time.

FINANCIAL STATEMENTS



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AUDITORS' REPORT

To: The Board of Commissioners of Public Utilities

We have audited the statement of financial position of the Board of Commissioners of Public Utilities as at March 31, 2006 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
St. John's, Newfoundland & Labrador
June 14, 2006

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**Statement of Financial Position
March 31, 2006**

| | 2006 | 2005 |
|--|--------------------|-------------|
| ASSETS | | |
| Current | | |
| Cash and short term investments | \$2,264,168 | \$1,320,994 |
| Receivables | 137,836 | 226,312 |
| Recoverable costs (Note 3) | 240,045 | 159,540 |
| Prepaid expenses | 8,987 | 4,427 |
| | 2,651,036 | 1,711,273 |
| Deferred costs – insurance review (Note 4) | 223,424 | 772,562 |
| Designated pension funds (Note 5) | 12,505 | 48,569 |
| Capital assets (Note 6) | 56,488 | 58,410 |
| | \$2,943,453 | \$2,590,814 |
| LIABILITIES | | |
| Current | | |
| Payables and accruals | \$ 309,638 | \$ 558,211 |
| Payroll accruals | 468,632 | 449,510 |
| | 778,270 | 1,007,721 |
| ACCUMULATED SURPLUS | | |
| Invested in capital assets | 56,488 | 58,410 |
| Invested in designated pension funds | 12,505 | 48,569 |
| Internally restricted (Note 8) | 1,089,713 | 1,084,060 |
| Unrestricted (Note 9) | 1,006,477 | 392,054 |
| | 2,165,183 | 1,583,093 |
| | \$2,943,453 | \$2,590,814 |

On Behalf of the Board:

_____ Chairperson and CEO

_____ Vice-Chairperson

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Operations
Year Ended March 31, 2006

| | 2006 | 2005 |
|--|-------------------|------------------|
| <hr/> | | |
| Revenues | | |
| Regulatory assessments | \$2,222,927 | \$2,313,267 |
| Insurance review assessments | 778,892 | - |
| Hearings room | 2,100 | 7,700 |
| Interest | 37,335 | 30,717 |
| Pension income (Note 5) | 7,181 | 5,868 |
| | <hr/> | <hr/> |
| | 3,048,435 | 2,357,552 |
| <hr/> | | |
| Expenses | | |
| Amortization | 21,912 | 13,088 |
| Consulting fees | 139,762 | 175,090 |
| Hearing costs (recovery) | (40,674) | 482,399 |
| Insurance review costs (Note 4) | 778,892 | - |
| Office equipment, supplies and services | 75,459 | 64,174 |
| Pension obligations estimation adjustment (Note 5) | 43,245 | 100,245 |
| Rent and insurance (Note 10) | 176,464 | 171,600 |
| Salaries and associated costs | 1,156,538 | 1,197,966 |
| Telecommunications | 53,049 | 43,561 |
| Training and membership | 19,325 | 12,547 |
| Travel | 42,373 | 42,891 |
| | <hr/> | <hr/> |
| | 2,466,345 | 2,303,561 |
| <hr/> | | |
| Excess of revenues over expenses | \$ 582,090 | \$ 53,991 |
| | <hr/> <hr/> | <hr/> <hr/> |

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**Statement of Accumulated Surplus
Year Ended March 31, 2006**

| | 2006 | | | | 2005 | |
|--|-------------------------------------|---|--------------------------------------|--------------------|--------------------|--------------------|
| | Invested in Capital Assets | Invested in Designated Pension Funds | Internally Restricted (Note 8) | Unrestricted | Total | Total |
| Balance as at beginning of year | \$ 58,410 | \$ 48,569 | \$1,084,060 | \$ 392,054 | \$1,583,093 | \$1,155,065 |
| Adjustments during the year: | | | | | | |
| Net assets of the former Petroleum Products Pricing Commission | - | - | - | - | - | 338,961 |
| Adjustment for capital assets | - | - | - | - | - | 35,076 |
| Excess of revenues over expenses | (21,912) | (36,064) | - | 640,066 | 582,090 | 53,991 |
| Invested in capital assets | 19,990 | - | - | (19,990) | - | - |
| Restricted during the year | - | - | 5,653 | (5,653) | - | - |
| Balance as at end of year | \$ 56,488 | \$ 12,505 | \$1,089,713 | \$1,006,477 | \$2,165,183 | \$1,583,093 |

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Cash Flows
Year Ended March 31, 2006

| | 2006 | 2005 |
|--|---------------------|--------------|
| Operating activities | | |
| Cash receipts from assessments and other revenues | \$ 3,136,911 | \$ 2,260,507 |
| Cash receipts from the Petroleum Products Pricing Commission | - | 318,386 |
| Cash paid to suppliers and employees | (2,678,444) | (1,987,647) |
| Cash provided by operating activities | 458,467 | 591,246 |
| Hearing and review activities | | |
| (Increase) decrease in recoverable costs | (80,505) | 1,165,809 |
| Decrease (increase) in deferred costs – insurance review | 549,138 | (772,562) |
| Cash provided by hearing and review activities | 468,633 | 393,247 |
| Investing activities | | |
| Purchase of capital assets | (19,990) | (15,848) |
| Decrease in designated pension funds | 36,064 | 94,377 |
| Cash provided by investing activities | 16,074 | 78,529 |
| Increase in cash during year | 943,174 | 1,063,022 |
| Cash position as at beginning of year | 1,320,994 | 257,972 |
| Cash position as at end of year | \$ 2,264,168 | \$ 1,320,994 |

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

March 31, 2006

1. General

The Board of Commissioners of Public Utilities is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are reasonable and that the service provided is safe and reliable. Other responsibilities include (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, fuel prices pursuant to the Petroleum Products Act; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations and (d) to establish compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

2. Summary of significant accounting policies

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

a) Operating revenues and expenses

Operating revenues and expenses are accounted for on the accrual basis.

b) Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenses of the Board.

c) Capital assets

Capital assets are recorded on the Statement of Financial Position at their historical cost and are amortized as follows:

- Furniture and equipment - 20% declining balance method
- Computer hardware - 35% declining balance method
- Computer software - 50% declining balance method
- Leasehold improvements - the lesser of five year straight-line and remaining term of the lease

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**Notes to Financial Statements
March 31, 2006**

2. Significant accounting policies (cont'd)

d) Severance pay

Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Board's management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes related thereto. Actual results may differ from those estimates.

3. Recoverable costs

| | 2006 | 2005 |
|--|------------------|-------------|
| Recoverable costs, beginning of year | \$159,540 | \$1,325,349 |
| Add – specific enquiry costs incurred during the year: | | |
| Consulting fees | 407,872 | 161,582 |
| Consumer Advocate | 62,891 | 33,779 |
| Salaries and associated costs | 42,107 | 70,295 |
| Transcription and printing | 2,360 | 11,398 |
| Travel and accommodations | 7,473 | 19,313 |
| Advertising and notice | 7,641 | 7,865 |
| Other | 930 | 1,205 |
| | 531,274 | 305,437 |
| Less – costs recovered during the year | 690,814 | 1,630,786 |
| Recoverable costs, end of year | \$240,045 | \$ 159,540 |

4. Deferred costs – insurance review

The Board incurred costs in the 2005 and 2006 fiscal year relating to the insurance industry review. These costs are deferred until all costs pertaining to a specific review have been accumulated and a special assessment issued. Assessment revenue and the related costs are included in the operating revenues and expenses of the Board.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**Notes to Financial Statements
March 31, 2006**

5. Designated pension funds and pension obligations

Designated pension funds are disclosed in the Statement of Financial Position as net of the related pension obligation.

The Board maintains a defined benefit pension plan for two former commissioners. Designated pension funds have been established and consist of investments maintained in trust with the Royal Trust Corporation of Canada on behalf of these pensioners and are recorded at market value.

| | 2006 | 2005 |
|---------------------------------------|-----------------------------------|---------------------|
| Balance on deposit, beginning of year | \$432,869 | \$492,446 |
| Add – earnings net of expenses | 7,181 | 5,868 |
| Deduct – benefit payments | 440,050 (65,445) | 498,314 (65,445) |
| Balance on deposit, end of year | 374,605 | 432,869 |
| Related pension obligation | (362,100) | (384,300) |
| | \$ 12,505 | \$ 48,569 |

Pension obligations represent the present value of accrued pension benefits as calculated in an actuarial report dated April 20, 2006. A pension obligations estimation adjustment of \$43,245 (2005 - \$100,245) is included in expenses in the fiscal year.

The Board also makes pension payments to a former Commissioner in the amount of \$24,520 per annum. These payments are paid directly by the Board out of operating expenses and are included in salaries and associated costs. In addition, salaries and associated costs include the expenditure of \$54,814 (2005 - \$56,173) with respect to current Commissioners and employees who are members of the *Public Service Pension Fund Act*, 1991 and entitled to benefits under that Act.

6. Capital assets

| | 2006 | | 2005 | |
|-------------------------|-------------------------|-----------------------------|---------------------------------|-------------------|
| | <i>Original</i> Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Furniture and equipment | \$242,188 | \$217,439 | \$ 24,749 | \$ 23,260 |
| Computer hardware | 177,606 | 159,972 | 17,634 | 15,798 |
| Computer software | 18,794 | 16,890 | 1,904 | 2,951 |
| Leasehold improvements | 129,617 | 117,416 | 12,201 | 16,401 |
| | \$568,205 | \$511,717 | \$ 56,488 | \$ 58,410 |

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

**Notes to Financial Statements
March 31, 2006**

7. Bank credit agreement

The Board has established a \$1,000,000 line-of-credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%.

8. Internally restricted surplus

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2006 are as follows:

| | 2006 | 2005 |
|----------------------------|--------------------|--------------------|
| Lease commitments | \$ 182,663 | \$ 173,625 |
| Payroll contingency | 61,202 | 73,224 |
| Redundancy pay contingency | 483,132 | 470,978 |
| Working capital | 362,716 | 366,233 |
| | \$1,089,713 | \$1,084,060 |

Certain comparative figures related to the internally restricted surplus have been reclassified to conform to the current year's presentation.

9. Unrestricted surplus and subsequent event

Subsequent to the year end and pursuant to Section 13(7) of the Public Utilities Act, the Board approved reductions in assessments to the electrical utilities, the insurance industry and the petroleum products industry in the amounts of \$594,482, \$159,453 and \$152,542, respectively, thereby reducing the unrestricted surplus by \$906,477.

10. Lease commitments

The Board has the following lease commitments for the rental of office space in St. John's and Grand Falls-Windsor:

- a) lease agreement in the amount of \$12,256 per month (\$147,072 per annum) concluding May 31, 2008.
- b) lease agreement in the amount of \$3,074 per month (\$36,888 per annum) concluding July 31, 2006.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 2005 - 2006
UNDER
THE PUBLIC UTILITIES ACT**

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 11 (2005)

Application:

Issued: April 15, 2005

For approval of:

- (i) An additional proposed capital project (Cat Arm Road Rehabilitation);
- (ii) An increased expenditure for a previously approved project (Upper Salmon Power Canal Slope Stabilization);
- (iii) The replacement of a failed diesel engine in the Ramea generating station; and
- (iv) A lease for employee accommodations, pursuant to section 41 (3) of the Act.

Decision:

1. The Board approves additional 2005 capital expenditures as follows:

- (i) An amount of \$1,260,000 for the rehabilitation of the Cat Arm Road;
 - (ii) The increased amount of \$2,671,000 to carry out remediation work for slope stabilization for the Upper Salmon power canal (being an increase of \$1,668,000 over the amount previously approved);
 - (iii) An amount of \$225,700 for the replacement of a failed engine for its Ramea diesel generating station; and
 - (iv) A lease for a dwelling house in Postville in the amount of \$10,800 per annum.
2. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 12 (2005)

Application:

Issued: April 19, 2005

For approval of:

- (i) The construction of a transmission interconnection to the Duck Pond Mine site, owned by Aur Resources Inc., situated to the southeast of Millertown, pursuant to section 41(3) of the Act; and
- (ii) A customer contribution for the transmission interconnection, pursuant to section 41(5) of the Act.

Decision:

- 1. The Board approves the additional 2005 capital expenditure of \$5,705,500 for the construction of a transmission interconnection of approximately 45 kilometers to the Duck Pond Mine site owned by Aur Resources Inc., an intended industrial customer of NLH.
- 2. The Board approves the contribution from NLH’s intended industrial customer, Aur Resources Inc., of \$5,705,000 for the construction of the aforesaid transmission interconnection.
- 3. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 13 (2005)

Application:

Issued: April 18, 2005

For approval of the balance of the weather normalization reserve as of December 31, 2004 pursuant to sections 69(3) and 78 of the Act.

Decision:

The Board approves NP’s weather normalization reserve of a negative balance of \$10,477,386 as of December 31, 2004.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 14 (2005)

Application:

Issued: May 24, 2005

For approval of two additional proposed capital projects further to Board Order No. PU. 53 (2004):

- (i) The replacement of the electronic control system for the governor of one Cat Arm Unit; and
- (ii) The addition of disconnecting means to 600-volt motor control center branch feeders at the Holyrood Thermal Plant pursuant to section 41(3) of the Act.

Decision:

1. The additional 2005 capital expenditures were approved as follows:

- (i) An amount of \$377,600 for the replacement of the electronic control system for the governor of one of the generating units at the Cat Arm Generating Station; and
 - (ii) An amount of \$613,300 for the installation of disconnecting means to 600-volt motor control center branch feeders at the Holyrood Thermal Plant.
2. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 15 (2005)

Application:

Issued: May 24, 2005

For approval of a CIAC for a line extension to serve a seasonal customer pursuant to section 41(5) of the Act.

Decision:

The Board approves the CIAC of \$17,016.55, including HST, for a single-phase extension to serve 16 potential seasonal customers in the customer’s building lot development located near Port Blandford.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 16 (2005)

Application:

Issued: June 16, 2005

For approval of:

- (1) Rate Stabilization and Municipal Tax Adjustments to be applied to the rates of NP for the period July 1, 2005 to June 30, 2006; and
- (2) A Schedule of rates, tolls and charges incorporating the Rate Stabilization and Municipal Tax Adjustments, pursuant to section 70(1) of the Act.

Decision:

1. The Board approves the following:

- (i) The Rate Stabilization Adjustment of 1.150 cents/kWh as set out in Schedule “A” and the Municipal Tax Adjustment factor of 1.02408 as set out in Schedule “B” to be applied to all bills based on consumption on and after July 1, 2005 to June 30, 2006; and
- (ii) The rates proposed by NP to be effective on all electrical consumption on and after July 1, 2005, set out in Schedule “C”.

2. NP shall pay the expenses of the Board in connection with this application.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 17 (2005)

Application:

Issued: June 16, 2005

For approval of rates to be charged to its Island Interconnected Customers (Rate Class 1.1, 2.1, 2.2, 2.3, 2.4 and 4.1), Isolated Rural Domestic Customers (Rate Class 1.2D) and for Isolated Rural Street and Area Lighting (Rate Class 4.1D), pursuant to Section 70 of the Act, and for approval of the rates to be charged to NP as affected by the change in the Rate Stabilization Plan component of the rates, pursuant to section 71 of the Act.

Decision:

1. The Board approves the Schedule of Rates for NLH’s Island Interconnected customers, attached hereto as Schedule “A”, and the Schedule of Rates for NLH’s Isolated Rural Domestic customers and for Isolated Rural Street and Area Lighting set out in Schedule “B”, to be effective for consumption on and after July 1, 2005.
2. The Board approves the Schedule of Rates for NLH’s retail customer, set out in Schedule “C”, to be effective as of July 1, 2005.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 18 (2005)

Application:

Issued: June 22, 2005

For approval of a CIAC for a line extension to serve the specified seasonal customer whose seasonal residence is located on Hell Hill Pond Road Extension near Cape Broyle, pursuant to section 41(5) of the Act.

Decision:

The Board approves the CIAC of \$5,410.75, including HST, as calculated under the Policy to provide single-phase electrical service to the seasonal residence of the specified seasonal customer.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 19 (2005)

Application:

Issued: June 22, 2005

For approval of revisions to the policies respecting the demand from customers of contributions toward the cost of improvements or additions to its property CIAC policies pursuant to sections 41(6) and 55 of the Act.

Decision:

The Board approves the revised CIAC policies set out in Schedule “A” and “B” to be effective on and after July 1, 2005.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 20 (2005)

Application:

Issued: July 14, 2005

For approval to issue Series AK First Mortgage Sinking Fund Bonds pursuant to section 91 of the Act.

Decision:

1. The Board approves NP’s application to issue Series AK First Mortgage Sinking Fund Bonds in an amount of up to \$60,000,000 and on the general terms set out in the application subject to the following conditions:
 - (a) The Bonds shall be issued on or before December 31, 2005.
 - (b) NP shall provide the Board with an affidavit specifying the terms and conditions of the Bond issue within five (5) days (non-business days accepted) after closing the Bond issue. In particular, the affidavit shall set forth the following:
 - (i) date of the issue;
 - (ii) term;
 - (iii) maturity date;
 - (iv) principal amount;
 - (v) coupon rate;
 - (vi) particulars of sinking fund, if any;
 - (vii) price to public and to the underwriters;
 - (viii) yield to the public;
 - (ix) agency fee;
 - (x) actual cost (i.e. yield) to NP, and
 - (xi) any other material terms or conditions not contemplated at the date of the application but forming part of the negotiated terms and conditions.
 - (c) NP shall provide to the Board a copy of the Agency Agreement relating to the Bond issue within (5) days after closing the Bond issue.
 - (d) The proceeds from the Bond issue shall be used in the manner set out in paragraph 9 of the application, and NP shall report by affidavit to the Board on the disposition of the proceeds no later than January 15, 2006.
2. All costs and expenses incurred by the Board in connection with the application shall be borne by NP.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 21 (2005)

Application:

Issued: July 29, 2005

For approval of a CIAC for a residential subdivision located in the town of Reidville, pursuant to section 41(5) of the Act.

Decision:

The Board approves the CIAC in the amount of \$8,626.15, including HST, as calculated under the policy to provide single-phase electric service to a subdivision consisting of nine residential building lots located in the town of Reidville.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 22 (2005)

Application:

Issued: September 9, 2005

For approval of a CIAC for Aliant communications tower, Postville, Labrador, pursuant to section 41(5) of the Act.

Decision:

The Board approves the CIAC in the amount of \$106,453.00, including HST, as calculated under the policy, to supply single-phase electric service to Aliant’s communications tower.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 23 (2005)

Application:

Issued: September 9, 2005

For approval of a CIAC for a line extension to serve Lakeside Investments Inc., pursuant to section 41(5) of the Act.

Decision:

The Board approves the deviation from the policy as described in paragraph 9 of the application to permit the development to be treated as a subdivision for the purpose of calculating a CIAC under the policy.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 24 (2005)

Application:

Issued: September 23, 2005

For approval of a new proposed capital project for 2005, a stage 1 emergency diesel at Holyrood, and the approval of two leases:

- (i) the iSeries Server; and
- (ii) an automobile lease.

Decision:

1. The Board approves the changes to the 2005 capital expenditures and leases.
 - i) An amount of \$192,600 for the replacement of a failed emergency diesel generating unit for the Holyrood Thermal Generating Station;
 - ii) A 60-month lease of \$179,987 per annum to lease the iSeries Server and related computer equipment as required for its approved iSeries Server Replacement Project;
 - iii) A 40-month lease for an automobile in the annual amount of \$9,961.56; and
 - iv) The removal of the amount of \$983,000 from the previously approved total budgeted capital expenditures.
2. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P. U. 25 (2005)

Application:

Issued: September 29, 2005

For approval, pursuant to sections 41(6) and 55 of the Act, revisions to its CIAC policies respecting the demand from its customers of contributions for the costs of improvements or additions to its property.

Decision:

The Board approves:

- (i) The revised CIAC policies set out in Schedule "A" and "B" to be effective as of the date hereof.

Newfoundland Power Inc. (“NP”)

Board Order No. P. U. 26 (2005)

Application:

Issued: September 29, 2005

For approval, pursuant to section 41(3) of the Act, of capital expenditures supplemental to NP’s 2005 Capital Expenditure Budget further to the Board Order No. P.U. 43(2004) to proceed with the replacement of an uninterruptible power supply.

Decision:

The Board approves:

- (a) The capital expenditure in excess of \$50,000, as set forth in Schedule "B"; and
- (b) The revised 2005 capital budget set forth in Schedule "C".

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 27 (2005)

Application:

Issued: November 2, 2005

For approval of revisions to correct omissions in the policies respecting the demanding from domestic and general service customers of contributions toward the cost of improvements or additions to its property (“CIAC Policies”) pursuant to sections 41(6) and 55 of the Act.

Decision:

1. The Board approves the revised CIAC policies as set out in Schedules “A” and “B” to be effective on and after July 1, 2005.
2. Order No. P.U. 19 (2005) dated June 22, 2005 is rescinded.

Newfoundland Power Inc. (“NP”)

Board Order No. P. U. 28 (2005)

Application:

Issued: November 7, 2005

For approval of a CIAC for a line extension to serve cottage area customers located in a cottage area on Witness Bay Line, pursuant to section 41(5) of the Act.

Decision:

The Board approves the non-refundable CIAC in the amount of \$2,161.24, including HST, for each domestic customer, as calculated under the policy to provide single-phase service to domestic customers located in a cottage area on Witless Bay Line.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 29 (2005)

Application:

Issued: November 10, 2005

For approval of CIAC for a single-phase line extension to serve a Canadian Coast Guard communications tower located on Dome Mountain, Happy Valley-Goose Bay, Labrador, pursuant to section 41(5) of the Act.

Decision:

The Board approves the CIAC in the amount of \$197,976.00, including HST, for the supply of single-phase electrical service to one general service customer, the Canadian Coast Guard.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 30 (2005)

Application:

Issued: November 14, 2005

Pursuant to sections 41 and 78 of the Act, for approval of:

- (a) NP’s 2006 Capital Budget of \$49,258,000;
- (b) 2006 leases with annual payments of \$52,000; and
- (c) Fixing and determining its average rate base for 2004 in the amount of \$715,111,000.

Decision:

- 1. The Board approves NP’s capital purchases and construction projects in excess of \$50,000, as set out in Schedule A.
- 2. The Board approves NP’s leases in excess of \$5,000 a year, as set out in Schedule B.
- 3. The Board approves the 2006 Capital Budget for improvement and additions to NP’s property in an amount of \$ 49,258,000.
- 4. The rate base for the year ending December 31, 2004 is hereby fixed and determined at \$715,111,000.
- 5. Unless otherwise directed by the Board, NP shall file an annual report to the Board on its 2006 capital expenditures by March 1, 2007.
- 6. In relation to the Wesleyville Gas Turbine Refurbishment project NP shall file, no later than the filing of its 2007 Capital Budget application, a report including the final cost estimate, on the chosen alternative.
- 7. Unless otherwise directed by the Board, NP shall provide in conjunction with the 2007 Capital Budget application, a status report on the 2006 capital budget expenditures showing for each project:
 - (i) the approved budget for 2006;
 - (ii) the expenditures prior to 2006;
 - (iii) the 2006 expenditures to the date of the application;
 - (iv) the remaining projected expenditures for 2006;
 - (v) the variance between the projected total expenditures and the approved budget; and
 - (vi) an explanation of the variance.
- 8. NP shall pay all costs and expenses of the Board incurred in connection with this application.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 31 (2005)

Application:

Issued: November 30, 2005

Pursuant to subsection 41(3), 41(1), and section 78 of the Act, for approval of:

- (a) NLH’s 2006 Capital Budget in the amount of \$42,636,000;
- (b) the 2006 capital purchases and construction projects in excess of \$50,000;
- (c) the proposed estimated CIAC’s of approximately \$300,000; and
- (d) fixing and determining NLH’s average rate base for 2004 in the amount of \$1,476,724,000.

Decision:

- 1. The Board approves improvements and additions to NLH’s property for construction and purchases in excess of \$50,000, and leases in excess of \$5,000 in a year, as set out Schedule A.
- 2. The Board approves the 2006 Capital Budget for improvements and additions to NLH’s property in the amount of \$42,636,000.
- 3. NLH’s average rate base for the year ending December 31st, 2004 is hereby fixed and determined at \$1,476,724,000.
- 4. NLH shall pay all costs and expenses of the Board incurred in connection with this application.

Newfoundland Power Inc. (“NP”)

Board Order No. P. U. 32 (2005)

Application:

Issued: December 13, 2005

For approval of a CIAC for a line extension to serve domestic customers residing in a cottage area located at Thorburn Lake near Clarenville, pursuant to section 41(5) of the Act.

Decision:

The Board approves the non-refundable CIAC in the amount of \$5,137.40, including HST, for each customer, as calculated in accordance with Clause 6(a) of the Policy to provide single-phase service to Domestic Customers located at Thorburn Lake near Clarenville.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 33 (2005)

Application:

Issued: December 15, 2005

For approval to proceed with the construction and purchase of certain improvements to its property pursuant to section 41(3) of the Act and supplemental to NP’s 2005 capital budget approved by Order No. P. U. 43(2004) and P. U. 26 (2005).

Decision:

1. The Board approves the supplemental 2005 capital expenditures of:
 - i) \$500,000 for the Plant Refurbishment – Rocky Pond; and
 - ii) \$400,000 to Repair Portable Substation P-435.
2. NP shall pay the expenses of the Board arising from this application.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 34 (2005)

Application:

Issued: December 15, 2005

For approval to proceed with the construction and purchase of certain improvements to its property pursuant to section 41(3) of the Act and supplemental to its 2006 capital budget approved by Order No. P.U. 30(2005).

Decision:

1. The Board approves the supplemental 2006 capital expenditures of \$963,200 for the Plant Refurbishment – Rocky Pond
2. NP shall pay the expenses of the Board arising from this Application.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 35 (2005)

Application:

Issued: December 14, 2005

For approval of changes to its System of Accounts pursuant to section 58 of the Act and Order No. P.U. 44 (2004).

Decision:

The Board approves the definition of the Purchase Power Unit Cost Variance Reserve Account as set out in Schedule “A” for inclusion in NP’s System of Accounts to be effective for 2005.

Newfoundland Power Inc. (“NP”)

Board Order No. P. U. 36 (2005)

Application:

Issued: December 14, 2005

For approval of a CIAC for a line extension to serve domestic customers residing in a cottage area located at Cape Pond Road, off the Southern Shore Highway, pursuant to section 41(5) of the Act.

Decision:

The Board approves the non-refundable CIAC in the amount of \$1,673.26, including HST, as calculated under the policy, to provide single-phase service to domestic customers located in a cottage area on Cape Pond Road off the Southern Shore Highway.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 37 (2005)

Application:

Issued: December 16, 2005

For approval of the rates to be charged to Labrador Interconnected Customers (Rate Class 2.1H, 2.2H, 2.3H, 2.4H, 1.1W, 2.1W, 4.11W, and 4.12W) and Isolated General Service Customers (excluding Government Departments) (Rate Class 2.1D and 2.2D), pursuant to section 70 of the Act.

Decision:

The Board approves the Schedule of Rates for NLH’s Labrador Interconnected Customers and the Schedule of Rates for NLH’s Isolated Customers, attached hereto as Rates Schedules 1 to 11, to be effective for consumption on and after January 1, 2006.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 38 (2005)

Application:

Issued: December 14, 2005

For approval of the rates to be charged to NP effective January 1, 2006, pursuant to section 70 of the Act.

Decision:

The Board approves the Schedule of Rates for NP, attached hereto as Schedule 1, to be effective for consumption on and after January 1, 2006.

Newfoundland Power Inc. (“NP”)

Board Order No. P. U. 39 (2005)

Application:

Issued: December 23, 2005

For approval of a schedule of rates, tolls and charges on an interim basis pursuant to the operation of the Automatic Adjustment Formula.

Decision:

1. Pursuant to section 70 of the Act the use of rates, tolls and charges approved in Order No. P. U. 16 (2005), on an interim basis, to be effective on all electrical usage on and after January 1, 2006, is approved.
2. No later than January 15, 2006 NP shall apply for approval of the forecast 2006 rate base, application of the Automatic Adjustment Formula to the rate of return on rate base and approval of its Schedule of Rates, Tolls and Charges.
3. NP shall pay the expenses of the Board arising from this application.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 40 (2005)

Application:

Issued: December 23, 2005

For approval of the accounting policy of NP concerning revenue recognition and matters related thereto; and an application by NP for an order pursuant to sections 67, 69, 78 and 80 of the Act:

- (a) approving changes in accounting policy concerning revenue recognition to be effective for 2006 and subsequent years;
- (b) approving the recognition of \$9,579,000 in 2005 unbilled revenue as revenue for regulatory purposes for 2006;
- (c) approving the disposition of the balance of the unbilled revenue increase reserve; and
- (d) approving revised values for rate base and invested capital for use in the Automatic Adjustment Formula for the calculation of return on rate base for 2006 pursuant to Order No. P. U. 19(2003).

Decision:

1. NP’s proposal to adopt the Accrual Method of revenue recognition commencing in 2006 is approved.
2. NP’s proposal to apply \$295,000 of the 2005 Unbilled Revenue in 2006 to dispose of the current balance in the Unbilled Revenue Increase Reserve is approved.
3. NP’s proposal to recognize for regulatory purposes \$3,086,000 of the 2005 Unbilled Revenue in 2006 to account for income tax effects arising from the tax settlement is approved.
4. NP shall defer recovery of an increase in 2006 depreciation expense of \$5,793,000 in 2006 related to the amortization of the depreciation true-up as approved in Order No. P.U. 19(2003) until a further Order of the Board.
5. NP shall deduct the average value of the unrecognized 2005 Unbilled Revenue shall be deducted from rate base commencing in 2006.
6. NP shall, for regulatory purposes commencing in 2006, discontinue the use of regulated common equity and substitute book common equity in the calculation of return on rate base.
7. NP shall file with its 2005 and 2006 annual returns a schedule which provides a reconciliation of the balance of the unrecognized 2005 Unbilled Revenue.
8. NP shall pay the expenses of the Board arising from this Application, including the expenses of the Consumer Advocate incurred by the Board.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 1 (2006)

Application:

Issued: January 20, 2006

For approval, pursuant to sections 70, 71 and 75 of the Act, of certain rules, regulations and rates pertaining to the supply of electrical power and energy to one of its industrial customers, Aur Resources Inc.

Decision:

1. Unless and until varied by further order of the Board, the Board approves:
 - (a) Interim firm rates for Aur Resources Inc., set out in Schedule “A”, to be effective for consumption on or after Jan. 20, 2006;
 - (b) Interim non-firm rates for Aur Resources Inc., set out in Schedule “B”, to be effective for consumption on or after Jan. 20, 2006.
2. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 2 (2006)

Application:

Issued: January 27, 2006

For approval, pursuant to section 70 of the Act, of the RSP components of the rates to be charged to Island Interconnected Industrial Customers.

Decision:

1. The Board hereby approves the firm rates for NLH’s Island Interconnected Industrial Customers attached hereto as Schedule “A” to be effective for consumption on or after January 1, 2006.
2. Unless and until by further Order of the Board, the Board approves interim firm rates for Aur Resources Inc., set out in Schedule “B”, to be effective for consumption on or after January 27, 2006.
3. NLH shall pay the expenses of the Board incurred in connection with this matter.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 3 (2006)

Application:

Issued: January 27, 2006

Pursuant to sections 70, 78 and 80 of the Act for approval of:

- (a) Forecast rate base for 2006 in the amount of \$743,976,000;
- (b) The operation of the automatic adjustment formula to determine a rate of return on rate base for 2006; and
- (c) A schedule of rates, tolls and charges on all electrical usage on and after January 1, 2006.

Decision:

The Board approves:

- i. The forecast rate base for 2006 of \$743,976,000;
- ii. A rate of return on rate base for 2006 of 8.68% in a range of rate of return on rate base of 8.50% to 8.86%; and
- iii. The continued use of the customer rates approved in Order No P. U. 16(2005) as NP’s schedule of rates, tolls and charges for all electrical usage on and after January 1, 2006.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 4 (2006)

Application:

Issued: January 27, 2006

For approval, pursuant to Section 91(5) of the Act, to amend an existing committed revolving term credit facility to extend the maturity date.

Decision:

1. The Board approves the extension of the maturity date associated with the committed facility as contemplated by the amended facility.
2. NP shall pay all costs and expenses of the Board incurred in connection with this application.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 5 (2006)

Application:

Issued: January 27, 2006

For approval, pursuant to section 41(5) of the Act, of a CIAC for a line extension to serve cottage area customers at Belbin’s Pond off the Salmonier Line.

Decision:

The Board approves the non-refundable CIAC in the amount of \$4,076.82, including HST.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 6 (2006)

Application:

Issued: January 27, 2006

For approval, pursuant to section 41(3) of the Act, to proceed with the construction and purchase of certain improvements to its property and supplemental to its 2006 capital budget approved by Order No. P. U. 30(2005) and P. U. 34(2005).

Decision:

1. The Board approves the second supplemental 2006 capital expenditure of:
 - (i) Lease of a replacement color photocopier as proposed in the application at an annual cost of \$27,960.
2. NP shall pay the expenses of the Board arising from this application.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 7 (2006)

Issued: February 14, 2006

Application:

For approval of:

- (i) Revised Distribution Line Cost per Meter for CIACs;
- (ii) Revised Distribution Plant Upgrade Cost for CIACs; and
- (iii) Revised CIAC Cost Factors.

Decision:

1. (a) Schedule “A”, Appendix A, Page 1 of 1, of the Contribution in Aid of Construction Policy: Distribution Line Extensions for Domestic CIAC’s, approved by Order No. P.U. 27 (2005) be and it is hereby rescinded and replaced by Schedule “A”, Appendix A, Page 1 of 1, Revised February 1, 2006, appended to this Order.
- (b) Schedule “B”, Appendix A, page 1 of 1, Effective July 1, 2005, Schedule “C”, Appendix B, page 1 of 1, Effective July 1, 2005, and Schedule “D”, Appendix C, Page 1 of 1, Effective July 1, 2005 of the Contribution in Aid of Construction Policy: Distribution Line Extensions and Upgrades to the General Service Customers, approved by Order No. P.U. 27 (2005) be and they are hereby rescinded and replaced by the following Appendices, and appended to this Order: Schedule “B”, Appendix A, page 1 of 1, Effective July 1, 2006, Schedule “C”, Appendix B, page 1 of 1, Effective July 1, 2006, and Schedule “D”, Appendix C, Page 1 of 1, Effective July 1, 2006.
2. The revised cost factors submitted with the application dated January 13, 2006, and approved above, are to be used in the calculation of all CIAC’s with effect from February 1, 2006, and, where advantageous to customers of the Newfoundland Power, on all CIAC’s quoted but unpaid as of February 1, 2006.
3. NP submit a revised CIAC policy in its entirety incorporating the revisions approved herein.

Newfoundland Power Inc. (“NP”)

Board Order No. P.U. 8 (2006)

Issued: March 9, 2006

Application:

For approval, pursuant to section 41(5) of the Act, of a CIAC to provide single-phase service to domestic customers located in a cottage area at Placentia Junction off the Argentia Access Road.

Decision:

The Board approves the non-refundable CIAC in the amount of \$3,308.96, including HST.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 9 (2006)

Issued: March 13, 2006

Application:

For approval, pursuant to section 38 of the Act, for consent to decommission its diesel generating station and to abandon its service of the electrical distribution system situate at Davis Inlet.

Decision:

1. The Board consents to and approves the abandonment and decommissioning by NLH of its diesel generating station and electrical distribution system in the community of Davis Inlet.
2. NLH shall pay all costs and expenses of the Board incurred in connection with this application.

Newfoundland and Labrador Hydro (“NLH”)

Board Order No. P.U. 10 (2006)

Issued: March 13, 2006

Application:

For approval, pursuant to section 41(3) of the Act, of a proposed supplemental capital project for 2006.

Decision:

1. The Board approves the supplemental 2006 capital expenditure as follows:
 - i) An amount of \$183,800 for the replacement of a diesel engine for a generating unit at NLH’s Charlottetown diesel generating station.
2. NLH shall pay the expenses of the Board incurred in connection with this matter.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 2005-2006
UNDER
THE AUTOMOBILE INSURANCE ACT**

Royal & SunAlliance Insurance Company of Canada

Board Order No. A.I. 2 (2005)

Application:

Issued: September 9, 2005

For approval to implement revised rates for its commercial class of business with effective dates of September 15, 2005 for new business and October 1, 2005 for renewals.

Decision:

Approved as submitted.

Security National Insurance Company

Board Order No. A.I. 1 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The Applicant's March 22, 2006 rate proposals are approved.
2. The Applicant shall file with the Board revised rate manual pages and rate tables consistent with the March 22, 2006 proposal setting out the dates on which the revised rates are effective.
3. The proposed discount program is approved.
4. The proposed Class of Use definitions are approved for use.
5. The Applicant shall pay all the expenses of the Board arising from this application.

Primum Insurance Company

Board Order No. A.I. 2 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The Applicant's March 22, 2006 rate proposals are approved.
2. The Applicant shall file with the Board revised rate manual pages and rate tables consistent with the March 22, 2006 proposal setting out the dates on which the revised rates are effective.
3. The proposed discount program is approved.
4. The proposed Class of Use definitions are accepted for use.
5. The Applicant shall pay all the expenses of the Board arising from this application.

Royal & SunAlliance Insurance Company of Canada

Board Order No. A.I. 3 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, a Premium to Surplus Ratio of 2.25 to 1, the assumptions of MOW with respect to Loss Trend, Effects of Reform and Credibility Standard/Procedure.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board.
4. The proposed Class of Use definitions are accepted for use.
5. The proposed discount program is approved.
6. The Applicant shall pay all the expenses of the Board arising from this application.

TD Home and Auto Insurance Company

Board Order No. A.I. 4 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The Applicant's March 22, 2006 rate proposals are approved.
2. The Applicant shall file with the Board revised rate manual pages and rate tables consistent with the March 22, 2006 proposal setting out the dates on which the revised rates are effective.
3. The proposed discount program is approved.
4. The proposed Class of Use definitions are accepted for use.
5. The Applicant shall pay all the expenses of the Board arising from this application

S & Y Insurance Company

Board Order No. A.I. 5 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, an ROI of 3.7%, a Premium to Surplus Ratio of 2.25 to 1, the alternate assumptions of MOW with respect to Underwriting Profit, Effect of Reforms and Credibility Standard/Procedure and the exclusion from rates of any revenue shortfall arising from the proposed capping program.
3. The Applicant shall submit for approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board.
4. The proposed discount program is approved.
5. The proposed Class of Use definitions are accepted for use.
6. The Applicant shall pay all the expenses of the Board arising from this application.

Insurance Corporation of Newfoundland

Board Order No. A.I. 6 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file revised rate indications reflecting the findings of the Board, which specifically include an ROE of 10% and the alternate assumptions of MOW with respect to Loss Trend and Credibility Standard/Procedure.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board.
4. The proposed discount program is approved with the exception of the Driving Experience discount, which is prohibited.
5. The proposed Class of Use definitions are accepted for use.
6. The Applicant shall pay all the expenses of the Board arising from this application.

Elite Insurance Company

Board Order No. A.I. 7 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%; an ROI of 5.14%; a Premium to Surplus Ratio of 2.25 to 1, the alternate assumptions of MOW with respect to Underwriting Profit, Loss Trend and Credibility Standard/Procedure and the exclusion from rates of any revenue shortfall arising from the proposed capping program.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board.
4. The proposed discount program is approved.
5. The proposed Class of Use definitions are accepted for use.
6. The Applicant shall pay all the expenses of the Board arising from this application.

Traders General Insurance Company

Board Order No. A.I. 8 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, an ROI of 4.89%, a Premium to Surplus Ratio of 2.25 to 1, and the exclusion from rates of any revenue shortfall arising from the proposed capping program.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board in accordance with this Order.
4. The proposed discount program is approved.
5. The proposed class of use definitions are accepted for use.
6. The Applicant shall pay all the expenses of the Board arising from this application.

Scottish & York Insurance Co. Limited

Board Order No. A.I. 9 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its Private Passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, an ROI of 5.4%, a Premium to Surplus Ratio of 2.25 to 1, the assumptions of MOW with respect to Large Loss Adjustment, and the exclusion from rates of any revenue shortfall arising from the proposed capping program.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board in accordance with this Order.
4. The proposed discount program is approved.
5. The proposed Class of Use definitions are accepted for use.
6. The Applicant shall pay all the expenses of the Board arising from this application.

The Personal Insurance Company

Board Order No. A.I. 10 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its private passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, an ROI of 5.4%, a Premium to Surplus Ratio of 2.25 to 1, and the alternate assumptions of MOW with respect to Loss Trend, Effect of Reforms and Credibility Standard/Procedure.
3. The Applicant shall submit for approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board in accordance with this Order.
4. The proposed classification variable and discount program are approved for rate-making purposes except that the proposed Group discount and the Leased Vehicle surcharge are prohibited.
5. The Applicant shall pay all the expenses of the Board arising from this application.

The Canadian Union Insurance Company

Board Order No. A.I. 11 (2006)

Application:

Issued: March 30, 2006

For approval to implement revised rates for its Private Passenger class of business.

Decision:

1. The proposed rates are prohibited.
2. The Applicant shall file with the Board revised rate indications reflecting the findings of the Board which specifically include an ROE of 10%, an ROI of 4.76%, a Premium to Surplus Ratio of 2.25 to 1, and the assumptions of MOW with respect to Loss Trend.
3. The Applicant shall submit for the approval of the Board a revised rate proposal, setting out the effective dates, which for each coverage shall be no more than the indications filed with the Board, in accordance with this Order.
4. The proposed Class of Use definitions are accepted for use.
5. The proposed discount program is approved.
6. The Applicant shall pay all the expenses of the Board arising from this application.

**SUMMARY OF ORDERS OF THE BOARD ISSUED DURING 2005-2006
UNDER
THE MOTOR CARRIER ACT**

James Wiseman,

Gander Tours and Charters

Application:

Application for a Motor Carrier Certificate to provide an Irregular Public Passenger Bus Service for the transportation of passengers and their baggage at separate fares from Gander and any point within a 100 km road radius of Gander to any point in the province of Newfoundland and Labrador and return. This authority is restricted to the transportation of passengers on special outings or for scheduled special events only, including but not limited to ski resorts, concerts, sporting events and similar such events. This authority includes the pick up of passengers at points enroute. This authority does not provide for the transportation of passengers and their baggage on a regular basis between communities located on or accessed by the TCH as restricted by the Motor Carrier Act.

Decision:

Approval granted.

Board Order No. M.C. 3 (2005)

Issued: June 22, 2005

Thomas Bus Company Ltd.

Application:

Application for a Motor Carrier Certificate (No.6399) to provide regular public passenger bus service for the transportation of passengers and their baggage at separate fares from Deer Lake to Corner Brook and the reverse thereof via Highway Route 1. This authority includes pick up and drop off privileges at intermediate points enroute.

Decision:

Approval granted.

Board Order No. M.C. 1 (2006)

Issued: January 24, 2006

Dorman Roberts Limited

Application:

Application for a Motor Carrier Certificate (No.6383) to provide regular public passenger bus service for the carriage of passengers and their baggage at separate fares from St. John's to Port aux Basques and the reverse thereof via Highway Route 1. This authority will include pick up and drop off privileges at intermediate points enroute. This authority is restricted to the use of a vehicle with a maximum adult seating capacity of 60 passengers.

Decision:

Approval granted.

Board Order No. M.C. 2 (2006)

Issued: January 30, 2006

DRL Coachlines Ltd.

Application:

Application for cancellation of Motor Carrier Certificate No. 6383 upon the issuance of a Motor Carrier Certificate to Dorman Roberts Limited.

Decision:

Approval granted.

Board Order No. M.C. 3 (2006)

Issued: January 30, 2006

**SUMMARY OF PRICING CHANGES DURING 2005 - 2006
UNDER
THE PETROLEUM PRODUCTS PRICING ACT**

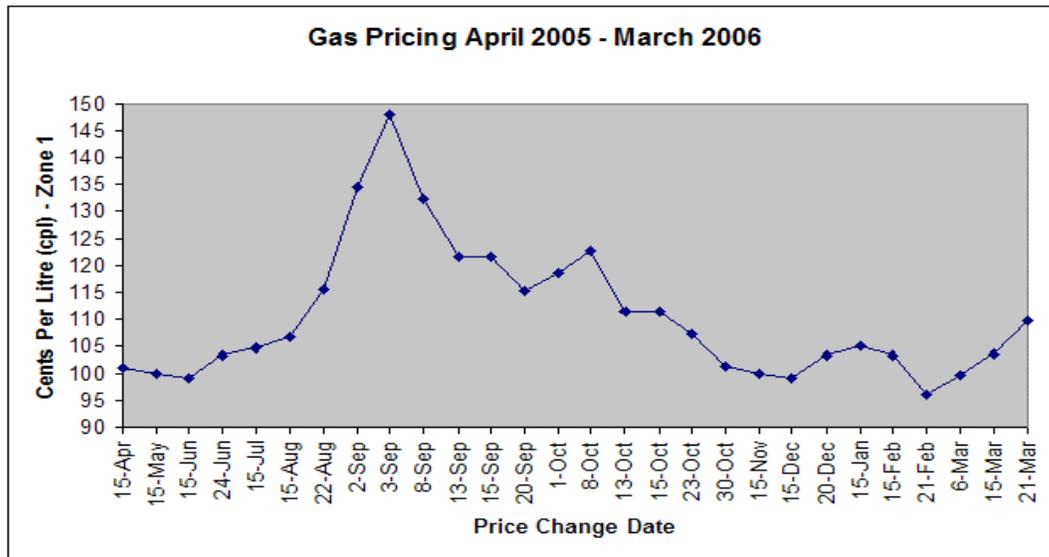
Pricing Zones

The Province is divided into 14 primary pricing zones for the setting of maximum prices for petroleum products. Each of these primary zones is separated from the next by unique geographic boundaries, and each has established product-pricing differentials from the base zone. These zone price differentials are added to the base prices for products in the base zone to reflect the additional costs for the transportation, storage and distribution of the product in the destination zone. As well, where primary pricing zones contain special geographic features such as islands, pricing sub-zones have been established to reflect the additional cost differentials of providing products to these more remote locations.

Maximum prices for automotive fuels and furnace/stove oil are referenced to Zone 1 – Avalon Peninsula. In the case of propane, the base or reference all products are referenced to the Burin-Bonavista Peninsula Zone because the majority of the propane used in the Province comes from Come by Chance.

Zone 1 (Avalon) is the base zone for all fuels except residential propane used for home heating purposes, which has Zone 2 (Clarenville/Burin-Bonavista Peninsulas) as its base zone. The following charts demonstrate the overall pricing movement for each of the refined petroleum products. It should be noted that the straight lines joining the data points are intended to reflect trends only and do not represent gradual increases or decreases in prices between the indicated price change dates.

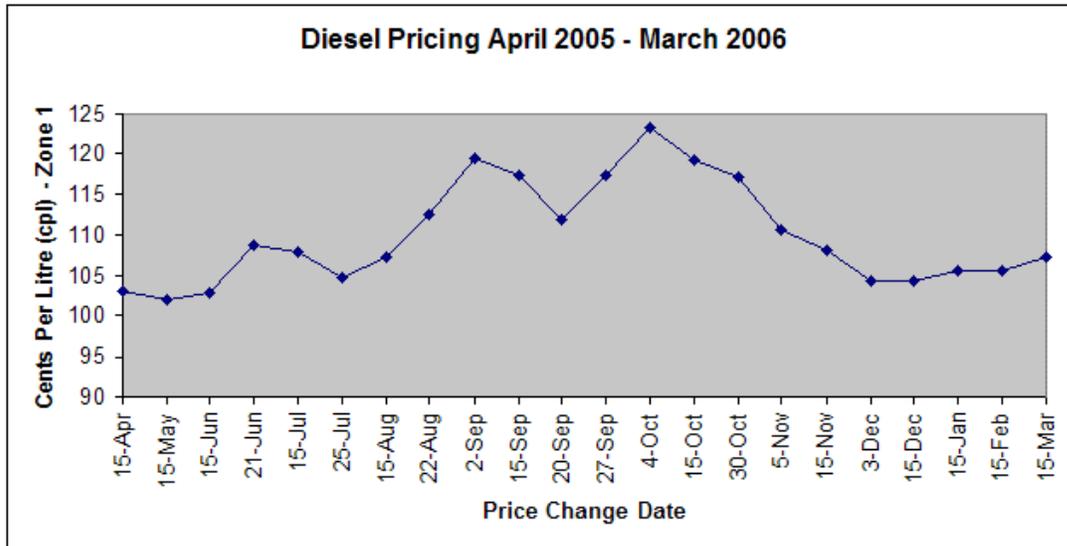
Maximum Gasoline Prices



Gasoline

There were 26 changes (14 increases, 12 decreases) to the maximum price of gasoline: 10 were scheduled mid-monthly adjustments; 11 related to the use of the interruption formula; and five were extraordinary interventions to deal with market price spikes caused by the impacts on refined petroleum products as a result of Hurricanes Katrina and Rita.

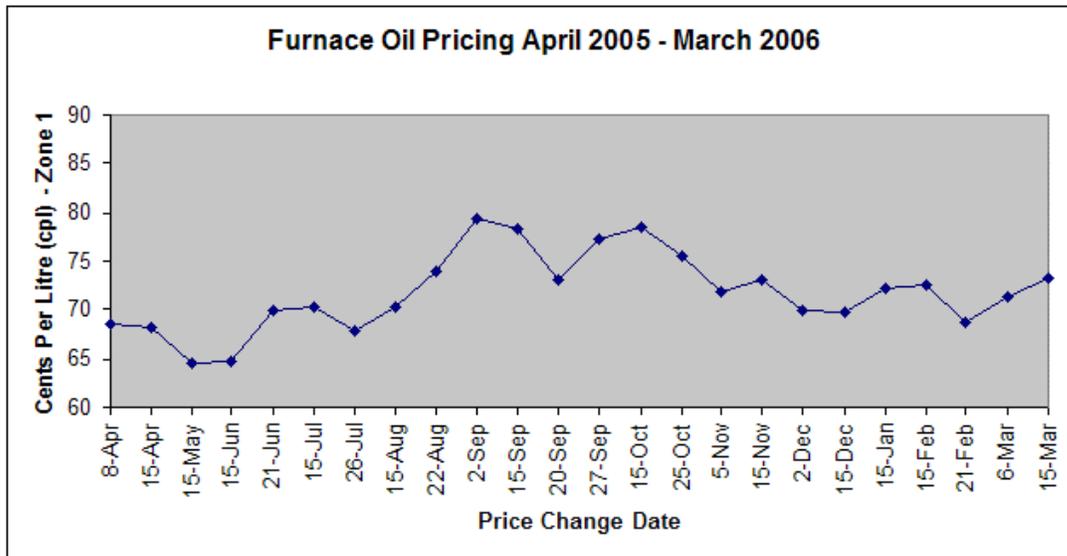
Maximum Diesel Prices



Automotive diesel

There were 20 changes (10 increases, 10 decreases) to the maximum prices of automotive diesel: 10 were scheduled mid-monthly adjustments; nine related to the use of the interruption formula; and one was an extraordinary intervention to deal with market price spikes caused by the impacts on refined petroleum products as a result of Hurricanes Katrina and Rita.

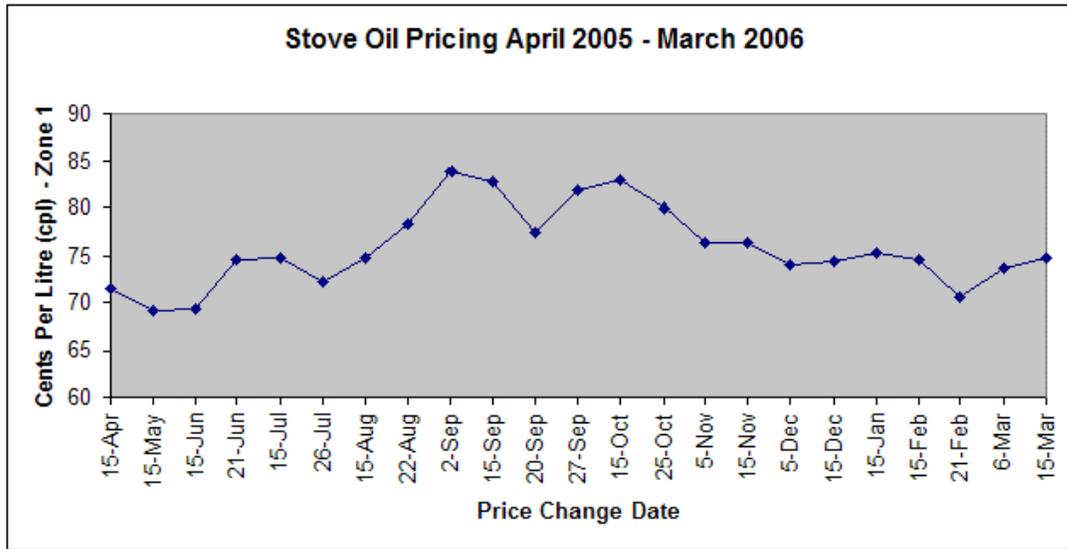
Maximum Furnace Oil Prices



Furnace oil

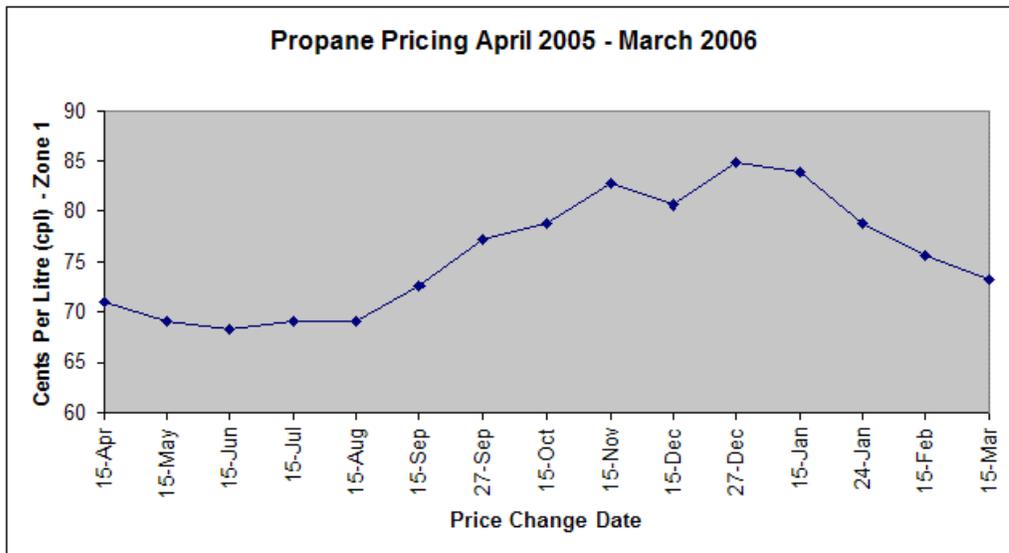
There were 24 adjustments (14 increases, 10 decreases) to the maximum price for furnace oil: 12 were scheduled mid-monthly adjustments; 11 resulted from the use of the interruption formula; and one was an extraordinary intervention to deal with market price spikes caused by the impacts on refined petroleum products as a result of Hurricanes Katrina and Rita.

Maximum Stove Oil Prices



Stove oil

There were 23 changes (14 increases, 9 decreases) to the maximum prices of stove oil: 12 were scheduled mid-monthly adjustments; 10 were a result of the interruption formula; and one was an extraordinary intervention to deal with market price spikes caused by the impacts on refined petroleum products as a result of Hurricanes Katrina and Rita.



Residential propane

There were 15 pricing adjustments (8 increases, 7 decreases) for residential propane used for home heating purposes: 12 of those were scheduled mid-monthly changes and three were through the use of the interruption formula.

The following charts show the pricing adjustments for each of the refined petroleum products regulated by the Board during the period April 1, 2005 to March 31, 2006 using base Zone 1 (Avalon).

**Petroleum Price Changes - April 1, 2005 - March 31, 2006
Zone 1 (Avalon/St. John's)¹**

| Date | Regulation Mode | Automotive Gasoline | | Diesel Fuel | |
|--------------|---------------------------|---------------------|--------|-------------|--------|
| | | +(-) | cents | +(-) | cents |
| April 8 | Interruption ² | N/C | 98.90 | N/C | 101.00 |
| April 15 | Monthly | 2.10 | 101.0 | 2.00 | 103.00 |
| May 15 | Monthly | (1.10) | 99.90 | (1.10) | 101.90 |
| June 15 | Monthly | (0.60) | 99.30 | 1.00 | 102.90 |
| June 21 | Interruption | N/C | 99.30 | 5.90 | 108.80 |
| June 24 | Interruption | 3.90 | 103.20 | N/C | 108.80 |
| July 15 | Monthly | 1.60 | 104.80 | (0.90) | 107.90 |
| July 25 | Interruption | N/C | 104.80 | (3.10) | 104.80 |
| July 26 | Interruption | N/C | 104.80 | N/C | 104.80 |
| August 15 | Monthly | 1.90 | 106.70 | 2.50 | 107.30 |
| August 22 | Interruption | 8.90 | 115.60 | 5.40 | 112.70 |
| September 2 | Interruption | 18.90 | 134.50 | 6.70 | 119.40 |
| September 3 | Interruption | 13.60 | 148.10 | N/C | 119.40 |
| September 8 | Interruption | (15.90) | 132.20 | N/C | 119.40 |
| September 13 | Interruption | (10.40) | 121.80 | N/C | 119.40 |
| September 15 | Monthly | N/C | 121.80 | (2.00) | 117.40 |
| September 20 | Interruption | (6.50) | 115.30 | (5.50) | 111.90 |
| September 27 | Interruption | N/C | 115.30 | 5.50 | 117.40 |
| October 1 | Interruption | 3.20 | 118.50 | N/C | 117.40 |
| October 4 | Interruption | N/C | 118.50 | 5.80 | 123.20 |
| October 8 | Interruption | 4.40 | 122.90 | N/C | 123.20 |
| October 13 | Interruption | (11.60) | 111.30 | N/C | 123.20 |
| October 15 | Monthly | N/C | 111.30 | (3.90) | 119.30 |
| October 23 | Interruption | (4.10) | 107.20 | N/C | 119.30 |
| October 25 | Interruption | N/C | 107.20 | N/C | 119.30 |
| October 30 | Interruption | (5.80) | 101.40 | (2.10) | 117.20 |
| November 5 | Interruption | N/C | 101.40 | (6.40) | 110.80 |
| November 15 | Monthly | (1.30) | 100.10 | (2.70) | 108.10 |
| December 2 | Interruption | N/C | 100.10 | N/C | 108.10 |
| December 3 | Interruption | N/C | 100.10 | (3.80) | 104.30 |
| December 5 | Interruption | N/C | 100.10 | N/C | 104.30 |
| December 15 | Monthly | (1.00) | 99.10 | N/C | 104.30 |
| December 20 | Interruption | 4.30 | 103.40 | N/C | 104.30 |
| December 27 | Interruption | N/C | 103.40 | N/C | 104.30 |
| January 15 | Monthly | 1.60 | 105.00 | 1.20 | 105.50 |
| January 24 | Interruption | N/C | 105.00 | N/C | 105.50 |
| February 15 | Monthly | (1.60) | 103.40 | N/C | 105.50 |
| February 21 | Interruption | (7.20) | 96.20 | N/C | 105.50 |
| March 6 | Interruption | 3.50 | 99.70 | N/C | 105.50 |
| March 15 | Monthly | 3.80 | 103.50 | 1.70 | 107.20 |
| March 21 | Interruption | 6.10 | 109.60 | N/C | 107.20 |

¹ Prices quoted are for Zone 1 (Avalon/St. John's) in cents per litre (cpl). The pricing adjustments indicated were applied across all zones.

² Interruption formula was used to adjust maximum prices outside of the scheduled mid-monthly price change.

**Petroleum Price Changes - April 1, 2005 - March 31, 2006
Zone 1 (Avalon/St. John's)¹**

| Date | Regulation Mode | Stove Oil | | Residential Propane | | Furnace Oil | |
|--------------|-----------------|-----------|-------|---------------------|-------|-------------|-------|
| | | +(-) | cents | +(-) | cents | +(-) | cents |
| April 8 | Interruption | N/C | 69.92 | N/C | 67.90 | 2.37 | 68.39 |
| April 15 | Monthly | 1.61 | 71.53 | 3.10 | 71.00 | (0.27) | 68.12 |
| May 15 | Monthly | (2.45) | 69.08 | (2.00) | 69.00 | (3.54) | 64.58 |
| June 15 | Monthly | 0.19 | 69.27 | (0.80) | 68.20 | 0.19 | 64.77 |
| June 21 | Interruption | 5.19 | 74.46 | N/C | 68.20 | 5.19 | 69.96 |
| June 24 | Interruption | N/C | 74.46 | N/C | 68.20 | N/C | 69.96 |
| July 15 | Monthly | 0.29 | 74.75 | 0.80 | 69.00 | 0.29 | 70.25 |
| July 25 | Interruption | N/C | 74.75 | N/C | 69.00 | N/C | 70.25 |
| July 26 | Interruption | (2.55) | 72.20 | N/C | 69.00 | (2.55) | 67.70 |
| August 15 | Monthly | 2.61 | 74.81 | 0.10 | 69.10 | 2.61 | 70.31 |
| August 22 | Interruption | 3.55 | 78.36 | N/C | 69.10 | 3.55 | 73.86 |
| September 2 | Interruption | 5.50 | 83.86 | N/C | 69.10 | 5.50 | 79.36 |
| September 3 | Interruption | N/C | 83.86 | N/C | 69.10 | N/C | 79.36 |
| September 8 | Interruption | N/C | 83.86 | N/C | 69.10 | N/C | 79.36 |
| September 13 | Interruption | N/C | 83.86 | N/C | 69.10 | N/C | 79.36 |
| September 15 | Monthly | (1.07) | 82.79 | 3.50 | 72.60 | (1.07) | 78.29 |
| September 20 | Interruption | (5.31) | 77.48 | N/C | 72.60 | (5.31) | 72.98 |
| September 27 | Interruption | 4.32 | 81.80 | 4.70 | 77.30 | 4.32 | 77.30 |
| October 1 | Interruption | N/C | 81.80 | N/C | 77.30 | N/C | 77.30 |
| October 4 | Interruption | N/C | 81.80 | N/C | 77.30 | N/C | 77.30 |
| October 8 | Interruption | N/C | 81.80 | N/C | 77.30 | N/C | 77.30 |
| October 13 | Interruption | N/C | 81.80 | N/C | 77.30 | N/C | 77.30 |
| October 15 | Monthly | 1.16 | 82.96 | 1.50 | 78.80 | 1.16 | 78.46 |
| October 23 | Interruption | N/C | 82.96 | N/C | 78.80 | N/C | 78.46 |
| October 25 | Interruption | (2.96) | 80.00 | N/C | 78.80 | (2.96) | 75.50 |
| October 30 | Interruption | N/C | 80.00 | N/C | 78.80 | N/C | 75.50 |
| November 5 | Interruption | (3.63) | 76.37 | N/C | 78.80 | (3.63) | 71.87 |
| November 15 | Monthly | 0.03 | 76.40 | 4.00 | 82.80 | 1.21 | 73.08 |
| December 2 | Interruption | N/C | 76.40 | N/C | 82.80 | (3.16) | 69.92 |
| December 3 | Interruption | N/C | 76.40 | N/C | 82.80 | N/C | 69.92 |
| December 5 | Interruption | (2.40) | 74.00 | N/C | 82.80 | N/C | 69.92 |
| December 15 | Monthly | 0.41 | 74.41 | (2.20) | 80.60 | (0.14) | 69.78 |
| December 20 | Interruption | N/C | 74.41 | N/C | 80.60 | N/C | 69.78 |
| December 27 | Interruption | N/C | 74.41 | 4.30 | 84.90 | N/C | 69.78 |
| January 15 | Monthly | 0.80 | 75.21 | (1.10) | 83.80 | 2.43 | 72.21 |
| January 24 | Interruption | N/C | 75.21 | (5.00) | 78.80 | N/C | 72.21 |
| February 15 | Monthly | (0.71) | 74.50 | (3.10) | 75.70 | 0.31 | 72.52 |
| February 21 | Interruption | (4.02) | 70.48 | N/C | 75.70 | (3.92) | 68.60 |
| March 6 | Interruption | 3.18 | 73.66 | N/C | 75.70 | 2.78 | 71.38 |
| March 15 | Monthly | 1.15 | 74.81 | (2.40) | 73.30 | 1.82 | 73.20 |
| March 21 | Interruption | N/C | 74.81 | N/C | 73.30 | N/C | 73.20 |

¹ Prices quoted are for Zone 1 (Avalon/St. John's) in cents per litre (cpl). The pricing adjustments indicated were applied across all zones.

² Interruption formula was used to adjust maximum prices outside of the scheduled mid-monthly price change.

COMMISSIONERS
Year End - March 31, 2006

Chair and Chief Executive Officer Robert Noseworthy
Vice-Chair Darlene Whalen
Full-time Commissioner Vacant
Part-time Commissioner William Finn
Part-time Commissioner Gerard Martin
Part-time Commissioner Don Powell
Part-time Commissioner Fred Saunders
Part-time Commissioner Gordon Seabright
Part-time Commissioner Walter Vincent

STAFF
Year End - March 31, 2006

Director of Corporate Services and Board Secretary G. Cheryl Blundon
Director of Regulatory and Advisory Services Robert Byrne
Financial and Economic Analyst Doreen Dray
Financial Officer Leah Keating
Legal Counsel Dwanda Newman
Senior Electrical Engineer Vacant
Compliance Auditor Don Seaward
Information Technology Officer Mike McNiven
Secretary to the Chair Helen Reddy
Assistant Board Secretary & Executive Secretary Barbara Thistle
Clerk-Steno Colleen Wood
Research Officer David Hillier
Communications Officer Michelle Hicks
Administrative Assistant Kendra Pelley
Administrative Assistant Venus Hollett

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Newfoundland & Labrador

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