

IN THE MATTER OF THE UTILITIES COMMISSION
ACT, SBC 1980, c. 60

and

IN THE MATTER OF AN APPLICATION BY PRINCETON
LIGHT AND POWER COMPANY, LIMITED

Decision
March 24, 1981

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The Application of Princeton Light and Power Company, Limited dated October 31, 1980 for authorization to amend its filed tariffs concerning the rates to be charged for electric service was heard in public in Princeton, British Columbia on Wednesday, January 21, 1981.

The Division of the Commission which heard the Application was comprised of M. Taylor, Chairman; R. Smith, Deputy Chairman; and J.D.V. Newlands, Commissioner.

APPEARANCES

K.C. MACKENZIE

Commission Counsel

D.H. BELL-IRVING

For Applicant, Princeton
Light and Power Company,
Limited

HEARING SECRETARY

A.C. Michelson

COMMISSION STAFF

W.J. Krامل
J.A. Hodson

COURT REPORTER

Audiotron Enterprises Ltd.
(W.G. Bemister)

LIST OF EXHIBITS

	<u>Exhibit No.</u>
British Columbia Utilities Commission Order No. U-G-12-80	1
Affidavit of Graham Gould including Exhibits "A", "B" and "C" pertaining to publication of Notice of Public Hearing; Mailing of Customer Notices; and sample envelope	2
Princeton Light and Power Company, Limited Tariff Application dated October, 1980	3
November 27, 1980 letter, R.J. Fletcher (B.C.U.C.) to D.H. Bell-Irving requesting additional data pertaining to revised filing (1981 and 1982 fiscal information using available normalized actual and forecast data and a mid-year Rate Base and Capital Structure)	4
January 7, 1981 letter, D.R. Bonner, C.A. to B.C.U.C. enclosing corrections to Application dated October, 1980	5
December 23, 1980 letter, R.J. Fletcher (B.C.U.C.) to D.R. Bonner, C.A. requesting additional information	6
January 7, 1981 letter, D.R. Bonner, C.A. to R.J. Fletcher enclosing response to December 23, 1980 Fletcher request	7
Supplement to Tariff Application (filed January 8, 1981)	8
January 7, 1981 letter, R.J. Fletcher to D.R. Bonner, C.A. requesting additional information	9
January 9, 1981 letter, D.R. Bonner, C.A. to R.J. Fletcher in response to January 7, 1981 request	10

I. INTRODUCTION

Background

Princeton Light and Power Company, Limited is a closely held investor-owned electric distribution utility which has provided service to the Village of Princeton and the immediate surrounding areas for in excess of 60 years. Princeton is a community of approximately 5,500, situated at the junction of the Tulameen and Similkameen Rivers, approximately 300 kilometres east of Vancouver.

The Company purchases its electricity requirements from West Kootenay Power and Light Company, Limited ("West Kootenay") pursuant to Schedule 45. This Schedule includes three interim increases awarded West Kootenay which are subject to refund depending on the results of the West Kootenay hearing.

Although the electricity is purchased from West Kootenay the actual supply may be coming from either West Kootenay or the British Columbia Hydro and Power Authority as a result of a recent interconnection of the systems. This interconnection by West Kootenay has significantly increased the security of service not only to Princeton but also to other areas within the south Okanagan served by West Kootenay.

In 1979 the Company completed the construction of approximately 27 kilometres of distribution line at a total cost of approximately \$323,000 to provide service to approximately 110 customers. It is anticipated that additional customers will be supplied as building lots are sold and homes constructed.

The primary industries in the Princeton area are the Weyerhaeuser lumber mill and adjacent to Princeton the copper mining facilities of Newmont Mines Ltd.

The Company on October 31, 1980 filed an Application seeking both interim and permanent relief. This Application was predicated upon a historical year ended March 31, 1980 annualized and normalized.

The Commission by Order No. U-G-12-80 dated November 25, 1980, granted the interim relief sought, subject to refund after hearing, with interest at 12% per annum. The interim relief sought and granted represented 80% of the final relief applied for.

This Order, in addition to granting the interim relief, established a hearing date of January 21, 1981 and directed the Applicant to mail copies of the customer notice to each of its customers under separate cover.

In response to a request from the Commission the Applicant filed actual and estimated data for the year ending March 31, 1981 and a forecast for the year ending March 31, 1982.

The Applicant at the hearing was represented by Mr. John Barr Hall, Vice-President, as its policy witness, supported by Mr. Graham Gould, General Manager, Mr. David Bonner, C.A., Partner of Dunwoody & Co. as its accounting and financial witness and Mr. M.A. Thomas, Chairman of M.A. Thomas & Associates, as its electrical consultant.

Subsequent to the hearing an increase in electric service rates was granted to West Kootenay permitting West Kootenay to recover the cost of increased water fees which became effective January 1, 1981. This matter is incorporated in this Decision.

II. TEST PERIOD

The Applicant initially provided a test year ending March 31, 1980 but this was subsequently revised to a test year ending March 31, 1981 and a test year extending to March 31, 1982.

The Commission believes that, considering the impact of inflation, the need to provide a reasonable opportunity for the investors to earn the approved return, and the need to

minimize the cost of rate proceedings, the test period ending March 31, 1982 is appropriate.

Even though a test period extending to March 31, 1982 has been adopted, the Commission during the course of its deliberations has considered what would be the appropriate rates to be in place in each of the fiscal years. That is to say, what would the appropriate rates be in the fiscal years ending March 31, 1981 and 1982.

III. RATE BASE

The Applicant in Exhibit 8 provided data in support of its 1981 rate base of \$1,081,702 and its 1982 rate base of \$1,124,263.

The Commission has considered the material tendered and the evidence given, and accepts the rate bases proposed by the Applicant with the exception that adjustments have been made to reflect the impact of a revised lead/lag study, the inclusion of a portion of the unamortized rate case expenses in the rate base, the inclusion of the unamortized balance of contributions in aid of construction in the capital structure as no cost capital (with amortization to commence in the 1982 fiscal year), the adjustment required in the overhead capitalization policy, and costs relating to engineering studies.

With regard to the capitalization of overhead, the Commission believes that the overhead capitalization percentage should relate to the percentage of direct labour in construction, which the Applicant shows to be 30% in 1981 and 1982. This percentage should be applied to administrative and general accounts such as administration and accounting salaries, pensions, employee benefits, and office supplies.

With regard to the cost of engineering studies preliminary to construction, the Commission believes that such costs should be charged to the facilities ultimately constructed, and therefore believes that the costs incurred in the year ended March 31, 1980 relative to the Osprey Lake preliminary engineering studies should be capitalized. Further adjustments were made in the 1981 and 1982 test years to recognize this concept.

The respective rate bases are set out on Schedules I(A) and I(B).

IV. COST OF SERVICE EXCLUDING RETURN

The Commission has considered the material submitted by the Applicant as well as the impact of increased charges from West Kootenay which became effective February 16, 1981.

The Commission adjustments are set out on Schedules II(A) and II(B).

In addition to the adjustments made the Commission is concerned with the rate hearing costs by this Company. In the interest of reducing these costs in the future the Commission will develop minimum filing guidelines.

However, the Commission believes that the Applicant should review its own operation with the view to dramatically reducing the use of outside consultants.

The Commission accepts the Applicant's argument that it is only a small utility but nevertheless, a point is reached when it is cheaper to employ in-house expertise in preference to consultants.

The Commission has permitted the cost of the hearing to be written off over three years and has included in the rate base a portion of the unamortized rate hearing costs. This portion has been determined using a ratio of the allowed revenue increase over the requested increase exclusive of the most recent West Kootenay increase.

V. RETURN

The Applicant has proposed that a 17% return be granted on the common equity component which comprises 55% of the capital structure as at March 31, 1982.

The Commission has considered the capital structure and the 17% return on equity requested and has decided to reduce the return on equity to 16%.

Furthermore, the Commission believes that the capital structure includes an excessive amount of common equity and accordingly has reduced this component to 35% of the capitalization with the balance imputed as additional preferred stock at 12%.

With regard to the short-term debt, this has been included in the capital structure at the actual cost incurred in the year ended March 31, 1981 and at a deemed cost of 15% for the year ending March 31, 1982.

If the actual cost in 1982 exceeds the deemed amount the difference should be recorded in a deferred rate base account. Similarly, if the amount is less than the 15% the account will be credited.

In adopting a rate of 15% the Commission has considered the absence of substantial administrative charges, the size of the utility, and the resultant difficulty of access to the financial markets.

VI. TARIFFS

The Commission has determined that the existing interim rates are just and reasonable for the fiscal year ending March 31, 1981 and a refund is not required.

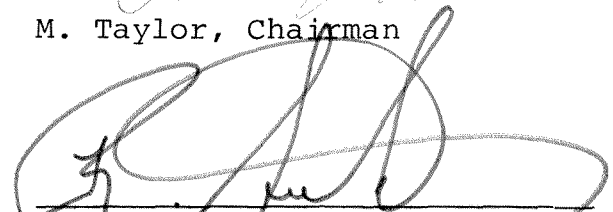
Effective on and after April 1, 1981, the Commission accepts the proposed amendments to the filed tariff which make provision for a basic service charge in Schedules A, B, C, D, G, J and K.

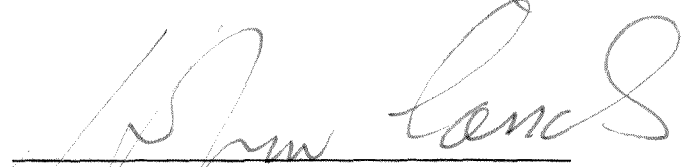
In the fiscal year ending March 31, 1982 a further increase is required, effective April 1, 1981, to recover the increased charges from West Kootenay, which resulted from the increase in water fees.

This latter increase should be recovered by adding approximately .1¢/kwh to the existing interim rates which are the final rates with the exception of that portion which is subject to refund pending a Commission decision on the West Kootenay interim rates.

DATED at the City of Vancouver, in the Province of
British Columbia, this 24th day of March, 1981.



M. Taylor, Chairman

R. Smith, Deputy Chairman

J.D.V. Newlands, Commissioner



BRITISH COLUMBIA UTILITIES COMMISSION	
ORDER NUMBER	G-24-81

PROVINCE OF BRITISH COLUMBIA
BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission
Act, SBC 1980, c. 60

and

IN THE MATTER OF an Application by
Princeton Light and Power Company, Limited

BEFORE:	M. Taylor,)	
	Chairman;)	
	R. Smith,)	March 24, 1981
	Deputy Chairman; and)	
	J.D.V. Newlands,)	
	Commissioner)	

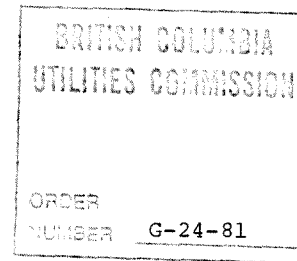
O R D E R

WHEREAS Princeton Light and Power Company,
Limited ("Princeton Light") applied October 31, 1980 as
amended January 8, 1981 for both interim and permanent rate
relief; and

WHEREAS Commission Order No. U-G-12-80 authorized
the implementation of amended tariff rate schedules effective
with customer billing issued on or about November 30, 1980,
with the interim increase subject to refund with interest at
12% per annum pending a public hearing; and

WHEREAS a public hearing of Princeton Light's
Application was heard at Princeton, B.C. on January 21, 1981;
and

.../2



WHEREAS the Commission has considered the Application and the evidence adduced thereon and finds that Princeton Light has justified the interim rates which became effective on or about November 30, 1980 and that those interim rates augmented by .106 cents/kwh should be the permanent rates to become effective April 1, 1981, all as set forth in a Decision issued concurrently with this Order.

NOW THEREFORE the Commission hereby orders Princeton Light and Power Company, Limited as follows:

1. The rate base for Princeton Light for the test periods are:

March 31, 1981	\$1,529,197
March 31, 1982	\$1,601,135
2. The total cost of service including the return on capital employed for the test periods are:

March 31, 1981	\$1,082,745
March 31, 1982	\$1,233,093
3. The Commission will accept for filing effective with consumption on and after April 1, 1981, subject to timely filing, amended tariff rate schedules which will permit Princeton Light to generate the annual gross revenue requirement of \$1,233,093 as set out in Schedule II(B) of the Commission Decision dated March 24, 1981. The amended tariff rate schedules will incorporate a service charge as described in the Decision, and a reconciliation schedule must be filed concurrently.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of March, 1981.

BY ORDER

M. Taylor
Chairman

SCHEDULE I (A)

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Forecast Depreciated Rate Base
for the year ending March 31, 1981

	Per Application <u>Exhibit 8</u>		Commission <u>Adjustments</u>	Final <u>Balance</u>
Mean Depreciated Plant in Service	\$1,452,286	(a)	\$ 6,348	\$1,461,424
		(b)	2,790	
Less: Mean Contributions in Aid of Construction	<u>(436,180)</u>	(c)	<u>436,180</u>	<u>-</u>
Mean Depreciated Plant Value	<u>1,016,106</u>		<u>445,318</u>	<u>1,461,424</u>
Unamortized Rate Hearing Costs (pro-rated)	<u>-</u>	(d)	<u>9,631</u>	<u>9,631</u>
Allowance for Working Capital:				
- Investment in cash operating expenses	22,935	(d)	(7,454)	15,481
- Inventory (mean)	49,511			49,511
- Less: mean customer deposits	<u>(6,850)</u>			<u>(6,850)</u>
	<u>65,596</u>		<u>(7,454)</u>	<u>58,142</u>
Mean Depreciated Rate Base	<u>\$1,081,702</u>		<u>\$447,495</u>	<u>\$1,529,197</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule I (A)

- (a) Adjustment of 1981 overhead capitalized on the basis of 30% of crew wages charged to capital.

	<u>1981</u>
Accounting and administrative salaries, Pension, Office supplies and Employee benefits	<u>\$86,968</u>
Capitalized at 30%	\$26,090
Capitalized per Exhibit 8	<u>13,394</u>
Adjustment required	<u>\$12,696</u>
Mean	<u>\$ 6,348</u>

- (b) To adjust rate base for the capitalization of engineering consulting costs.

1980		\$1,100
1981	\$3,419	
Less depreciation	<u>39</u>	$\frac{\$3,380}{2} = \underline{1,690}$
		<u>\$2,790</u>

- (c) To add back contributions in aid of construction to depreciated rate base. These contributions have been included in the capital structure as no cost capital (see Schedule IV (A)).
- (d) Provision for unamortized rate hearing costs, prorated using a ratio of the allowed revenue increase over the requested increase.

Notes to Schedule I (A) (cont'd)

	<u>1981</u>	
Balance, beginning of year	\$ -	
Amortization (3 years)	(19,060)	
Rate Hearing Costs	<u>57,179</u>	
Balance, end of year	<u>\$38,119</u>	
Mean	<u>\$19,060</u>	
Allocation		
$\frac{7.58\%}{15.0\%} \times \$19,060 =$		<u>\$9,631</u>
(e) Adjustment of power purchases to 35 lag days.		
Revenue lag days		35.23
Power purchases extension per Exhibit 3 (30 days)	\$13,968,930	
Power purchases extension at 35 days	<u>16,297,085</u>	
Adjustment	2,328,155	
Average expenses extension per Exhibit 3	<u>18,095,437</u>	
	<u>\$20,423,592</u>	
Weighted average lag		
Average expenses per Exh.3 $\frac{\$20,423,592}{\$725,552} =$		<u>28.15</u>
Difference		<u>7.08</u>
$\frac{7.08}{365} \times \$725,552 =$	<u>\$14,074</u>	
Per Exhibit 8, 1981 = 1980 allowance for cash working capital plus 10%.		
\$14,074 X 1.1 =	\$15,481	
Exhibit 8 allowance for cash working capital	<u>22,935</u>	
Adjustment required	<u>\$ (7,454)</u>	

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Forecast Statement of Earned Return
for the year ending March 31, 1981

	Per Application <u>Exhibit 8</u>	Commission Adjustments	Final Balance
<u>SALES</u>			
Residential	\$ 363,805	(a) \$36,528	\$ 400,333
Commercial	266,630	(a) 26,771	293,401
Industrial - primary	293,448	(a) 29,464	322,912
- secondary	49,041	(a) 4,924	53,965
Street Lights	<u>11,027</u>	(a) <u>1,107</u>	<u>12,134</u>
	983,951	98,794	1,082,745
Less discounts	<u>85,702</u>	(a) <u>8,596</u>	<u>94,298</u>
	898,249	90,198	988,447
Other Income	<u>16,196</u>		<u>16,196</u>
	<u>914,445</u>	<u>90,198</u>	<u>1,004,643</u>
<u>EXPENSES</u>			
Purchased power	528,524	(b) 24,482	553,006
Maintenance - wages	58,123		58,123
- other	5,300		5,300
Transportation	7,885		7,885
Administration & Accounting salaries	50,706		50,706
Pension	18,392		18,392
Directors fees	9,500		9,500
Provincial taxes	8,735		8,735
Municipal taxes	10,018		10,018
Office supplies	10,000		10,000
Professional services	18,226		18,226
Engineering consulting	5,380	(c) (3,419)	1,961
Miscellaneous	2,309		2,309
Insurance	6,923		6,923
Advertising	300		300
Employee benefits	7,870		7,870
Bad debts	600		600
Regulatory Commission	75		75
Travel	3,000		3,000
Depreciation	70,060	(d) 39	70,099
Amortization of rate hearing costs	-	(e) 19,060	19,060
Construction overhead capitalized	<u>(13,394)</u>	(f) <u>(12,696)</u>	<u>(26,090)</u>
	<u>808,532</u>	<u>27,466</u>	<u>835,998</u>
Utility Income before Income Taxes	105,913	62,732	168,645
Income Taxes	<u>18,488</u>	<u>2,589</u>	<u>21,077</u>
Earned Return	<u>\$ 87,425</u>	<u>\$60,143</u>	<u>\$ 147,568</u>
Depreciated Rate Base	<u>\$1,081,702</u>		<u>\$1,529,197</u>
Rate of Return on Rate Base	<u>8.08%</u>		<u>9.65%</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule II (A)

- (a) Pro-ration of revenue deficiency and adjustment to customer discounts.
- (b) Adjustment for January 1, 1981 West Kootenay Power cost of power interim increase.

Estimated 1981 purchases	48,502,300kwh	
Increase in cost/kwh	<u>.2019¢/kwh</u>	<u>\$97,926 X 3/12</u>
Adjustment required		<u>\$ 24,482</u>

- (c) To capitalize a portion of engineering consulting expense (see Note (b), Schedule I (A)).
- (d) Depreciation on 1981 Engineering consulting capitalized.
- (e) Amortization of rate hearing costs (see Note (d), Schedule I (A)).
- (f) Adjustment of construction overhead capitalized (see Note (a), Schedule I (A)).

PRINCETON LIGHT AND POWER COMPANY, LIMITEDForecast Income Taxes
for the year ending March 31, 1981

	Per Application <u>Exhibit 8</u>	Commission <u>Adjustments</u>	<u>Final Balance</u>
Utility Income before Taxes	\$105,913	\$62,732	\$168,645
Add:			
Depreciation	70,060	(a) 39	70,099
Amortization of rate hearing costs	<u>-</u>	(b) <u>19,060</u>	<u>19,060</u>
	175,973	81,831	257,804
Deduct:			
Capital cost allowance	56,658		56,658
Rate hearing costs	-	(c) 57,179	57,179
Interest on long term debt	15,750		15,750
Interest on bank loan	16,875	(d) 1,901	18,776
Overhead capitalized	13,394	(e) 12,696	26,090
Removal costs re plant retired	<u>1,500</u>		<u>1,500</u>
	<u>104,177</u>	<u>71,776</u>	<u>175,953</u>
Taxable Income	<u>\$ 71,796</u>	<u>\$10,005</u>	<u>\$ 81,851</u>
Tax thereon:			
Federal @15.75%	\$ 11,308	\$ 1,584	\$ 12,892
Provincial @10%	<u>7,180</u>	<u>1,005</u>	<u>8,185</u>
	<u>\$ 18,488</u>	<u>\$ 2,589</u>	<u>\$ 21,077</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule III (A)

- (a) Depreciation adjustments per Note (c), Schedule II (A).
- (b) Amortization of Rate Hearing costs (Note (c), Schedule I (A)).
- (c) All rate application costs deducted for income tax purposes.
- (d) Increase in interest on short term bank loan as a result of changes to rate base (see Schedule I (A)).
- (e) Overhead adjustment per Note (a), Schedule I (A).

PRINCETON LIGHT AND POWER COMPANY, LIMITEDForecast Capital Structure
for the year ending March 31, 1981

	<u>Per Application Exhibit 8</u>	<u>Commission Adjustments</u>	<u>Final Balance</u>	<u>% of Capital</u>	<u>Embedded Cost</u>	<u>Cost Component</u>
Long Term Debt						
Debenture	\$ 150,000		\$150,000	9.81	10.5%	1.03%
Customer Advances	10,212		10,212	.67	Ø	Ø
Contributions in Aid of Construction	-	(a) \$436,180	436,180	28.52	Ø	Ø
Bank Loan	100,250	(b) 11,315	111,565	7.30	16.83%	1.23%
Preferred Shares						
9% Class B	232,500		232,500	15.20	9.00%	1.37%
Deemed	-	(c) 53,521	53,521	3.50	12.00%	.42%
Common Share Equity	<u>588,740</u>	(c) <u>(53,521)</u>	<u>535,219</u>	<u>35.00</u>	16.00%	<u>5.60%</u>
	<u>\$1,081,702</u>	<u>\$447,495</u>	<u>\$1,529,197</u>	<u>100.00</u>		<u>9.65%</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule IV (A)

- (a) To include the mean unamortized balance of contributions in aid of construction in the capital structure.

Beginning balance	\$433,129
Additions during the year	<u>6,101</u>
Ending balance	<u>\$439,230</u>
Mean	<u>\$436,180</u>

- (b) To increase bank loan to balance the capital structure with rate base.
- (c) Adjustment to reflect common share equity at 35% with the balance deemed to be preferred share equity.

PRINCETON LIGHT AND POWER COMPANY, LIMITEDForecast Depreciated Rate Base
for the year ending March 31, 1982

	Per Application <u>Exhibit 8</u>		Commission <u>Adjustments</u>	Final <u>Balance</u>
Mean Depreciated Plant in Service	\$1,491,603	(a)	\$ 19,600	\$1,517,327
		(b)	6,124	
Less: Mean Contributions in Aid of Construction	<u>(440,680)</u>	(c)	<u>440,680</u>	<u>-</u>
Mean Depreciated Plant Value	<u>1,050,923</u>		<u>466,404</u>	<u>1,517,327</u>
Unamortized Rate Hearing Costs (pro-rated)	<u>-</u>	(d)	<u>18,666</u>	<u>18,666</u>
Allowance for Working Capital:				
Investment in cash operating expenses	25,228	(e)	(8,198)	17,030
Inventory (mean)	54,462			54,462
Less: mean customer deposits	<u>(6,350)</u>			<u>(6,350)</u>
	<u>73,340</u>		<u>(8,198)</u>	<u>65,142</u>
Mean Depreciated Rate Base	<u>\$1,124,263</u>		<u>\$476,872</u>	<u>\$1,601,135</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule I(B)

- (a) Adjustment of 1981 and 1982 overhead capitalized on the basis of 30% of crew wages charged to capital.

	<u>1981</u>	<u>1982</u>
Accounting and administrative salaries, Pension, Office supplies and Employee benefits	<u>\$86,968</u>	<u>\$94,090</u>
Capitalized at 30%	\$26,090	\$28,227
Capitalized per Exhibit 8	<u>13,394</u>	<u>13,970</u>
	<u>\$12,696</u>	<u>\$14,257</u>

1982 Adjustments

Adjustment to Depreciated Plant in Service, April 1, 1981		\$12,696
Adjustment to Depreciated Plant in Service, March 31, 1982:		
1981 Adjustment	\$12,696	
1982 Adjustment	14,257	
Depreciation on 1981 Adjustment	<u>(450)</u>	<u>26,503</u>
		<u>\$39,199</u>
Mean		<u>\$19,600</u>

- (b) To adjust rate base for the capitalization of engineering consulting costs.

Amount capitalized 1980		\$ 1,100
1981		3,419
1982	3,368	
Less depreciation	<u>158</u>	
	3,210	
Mean	<u>÷ 2</u>	<u>1,605</u>
		<u>\$ 6,124</u>

- (c) To add back contributions in aid of construction to depreciated rate base. These contributions have been included in capital structure as no cost capital (see Schedule IV(B)).
- (d) Provision for unamortized rate hearing costs, prorated using a ratio of the allowed revenue increase over the requested increase.

Notes to Schedule I (B) (con'td)

	<u>1981</u>	<u>1982</u>
Balance, beginning of year	\$ -	\$38,119
Amortization (3 years)	(19,060)	(19,060)
Rate Hearing Costs	<u>57,179</u>	<u>-</u>
Balance, end of year	<u>\$38,119</u>	<u>\$19,059</u>
Mean		<u>\$28,589</u>
Adjustment to rate base		
$\frac{\$ 99,498}{\$152,403} \times \$28,589 =$		<u>\$18,666</u>
(e) Adjustment of power purchases to 35 lag days.		
Revenue lag days		35.23
Power purchases extension per Exhibit 3 (30 days)	\$13,968,930	
Power purchases extension at 35 days	<u>16,297,085</u>	
Adjustment	2,328,155	
Average expenses extension per Exhibit 3	<u>18,095,437</u>	
	<u>\$20,423,592</u>	
Weighted average lag		
Average expenses per Exh. 3 $\frac{\$20,423,592}{\$ 725,552} =$		<u>28.15</u>
Difference		<u>7.08</u>
$\frac{7.08}{365} \times \$725,552 =$		<u>\$14,074</u>
Per Exhibit 8, 1982 = 1980 allowance for cash working capital plus 10% per year.		
(\$14,074 x 1.1) 1.1 =	\$17,030	
Exhibit 8 allowance for cash working capital	<u>25,228</u>	
Adjustment required	<u>\$ (8,198)</u>	

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Forecast Statement of Earned Return
for the year ending March 31, 1982

	Per Application <u>Exhibit 8</u>	Commission <u>Adjustments</u>	Final <u>Balance</u>
<u>SALES</u>			
Residential	\$ 437,389	(a) \$ 22,728	\$ 460,117
Commercial	319,517	(a) 16,606	336,123
Industrial - primary	344,813	(a) 17,921	362,734
- secondary	57,967	(a) 3,015	60,982
Street Lights	<u>12,491</u>	(a) <u>646</u>	<u>13,137</u>
	1,172,177	60,916	1,233,093
Less discounts	<u>102,101</u>	<u>5,291</u>	<u>107,392</u>
	1,070,076	55,625	1,125,701
Other income	<u>16,000</u>		<u>16,000</u>
	<u>1,086,076</u>	<u>55,625</u>	<u>1,141,701</u>
<u>EXPENSES</u>			
Purchased power	554,010	(b) 99,781	653,791
Maintenance - wages	64,402		64,402
- other	5,830		5,830
Transportation	8,673		8,673
Administration & Accounting salaries	54,760		54,760
Pension	19,996		19,996
Directors' fees	10,000		10,000
Provincial taxes	14,660		14,660
Municipal taxes	11,721		11,721
Office supplies	11,000		11,000
Professional services	17,500		17,500
Engineering consulting	5,300	(c) (3,368)	1,932
Miscellaneous	2,518		2,518
Insurance	7,615		7,615
Advertising	350		350
Employee benefits	8,334		8,334
Bad debts	600		600
Regulatory Commission	75		75
Travel	3,300		3,300
		(d) 158	
Depreciation	74,328	(e) (15,373)	59,563
		(f) 450	
Amortization of rate hearing costs	25,500	(g) (6,440)	19,060
Construction overhead capitalized	<u>(13,970)</u>	(h) <u>(14,257)</u>	<u>(28,227)</u>
	<u>886,502</u>	<u>60,951</u>	<u>947,453</u>
Utility Income before Income Taxes	199,574	(5,326)	194,248
Income Taxes	<u>34,889</u>	<u>1,967</u>	<u>36,856</u>
Earned Return	<u>\$ 164,685</u>	<u>\$ (7,293)</u>	<u>\$ 157,392</u>
Depreciated Rate Base	<u>\$1,124,263</u>		<u>\$1,601,135</u>
Rate of Return on Rate Base	<u>14.65%</u>		<u>9.83%</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule II (B)

- (a) Pro-ration of additional revenue requirement and adjustment to customer discounts.
- (b) Adjustment for January 1, 1981 West Kootenay Power cost of power interim increase.

Estimated 1982 purchases	49,421,050kwh
Increase in cost/kwh	<u>.2019¢/kwh</u>
Adjustment required	<u>\$ 99,781</u>
- (c) To capitalize a portion of engineering consulting expenses.
- (d) Depreciation on 1980 and 1981 engineering consulting expenses capitalized (see Note (b), Schedule I (B)).
- (e) Amortization of contributions in aid of construction (see Note (a), Schedule IV (B)).
- (f) Depreciation of 1981 overhead capitalized (see Note (a), Schedule I (B)).
- (g) Adjustment to amortization of rate hearing costs (see Note (d), Schedule I (B)).
- (h) Adjustment of construction overhead capitalized (see Note (a), Schedule I (B)).

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Forecast Income Taxes

for the year ending March 31, 1982

	Per Application <u>Exhibit 8</u>	Commission Adjustments	Final Balance
Utility Income before Income Taxes	<u>\$199,574</u>	<u>\$ (5,326)</u>	<u>\$194,248</u>
Add:			
Depreciation	74,328	(a) (14,765)	59,563
Amortization of rate hearing costs	<u>-</u>	(b) <u>19,060</u>	<u>19,060</u>
	<u>74,328</u>	<u>4,295</u>	<u>78,623</u>
Deduct:			
Capital cost allowance	57,657		57,657
Unamortized portion of estimated rate application costs	25,500	(c) (25,500)	-
Interest on long term debt	15,750		15,750
Interest on bank loan	24,035	(d) 1,522	25,557
Overhead capitalized	13,970	(e) 14,257	28,227
Removal costs re plant retired	<u>1,500</u>		<u>1,500</u>
	<u>138,412</u>	<u>(9,721)</u>	<u>128,691</u>
Taxable Income	<u>\$135,490</u>	<u>\$ 8,690</u>	<u>\$144,180</u>
Tax Thereon:			
Federal @15%	\$ 20,324	\$ 1,303	\$ 21,627
plus surtax	<u>1,016</u>	(f) <u>(205)</u>	<u>811</u>
	21,340	1,098	22,438
Provincial @10%	<u>13,549</u>	<u>869</u>	<u>14,418</u>
	<u>\$ 34,889</u>	<u>\$ 1,967</u>	<u>\$ 36,856</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule III(B)

- | | |
|---------------------------------------------------------------------------|--------------------------|
| (a) Amortization of Customer contributions (Note (a), Schedule IV (B)). | \$(15,373) |
| Depreciation of 1981 overhead capitalized (Note (a), Schedule I (B)). | 450 |
| Depreciation of 1980 and 1981 engineering consulting expenses capitalized | <u>158</u> |
| | <u><u>\$(14,765)</u></u> |
- (b) Amortization of Rate Hearing costs (Note (b), Schedule I (B)).
- (c) All rate application costs were deducted in 1981 for income tax purposes.
- (d) Increase in interest on short term bank loans as a result of changes to rate base (see Schedule I (B)).
- (e) Overhead adjustment per Note (a), Schedule I (B)).
- (f) The 5% Federal surtax is slated to end December 31, 1981, hence the rate has been reduced to an effective rate of 3.75% (i.e. $9/12 \times 5\%$).

PRINCETON LIGHT AND POWER COMPANY, LIMITEDForecast Capital Structure
for the year ending March 31, 1982

	Per Application <u>Exhibit 8</u>	Commission <u>Adjustments</u>	Final <u>Balance</u>	% of <u>Capitalization</u>	Embedded <u>Cost</u>	Cost <u>Component</u>
Long Term Debt						
Debenture	\$150,000		\$150,000	9.37	10.5%	.98%
Customer Advances	14,746		14,746	.92	-	-
Contributions in Aid of Construction	-	(a) \$432,994	432,994	27.04	-	-
Bank Loan	126,500	(b) 43,878	170,378	10.64	15.0%	1.60%
Preferred Shares						
9% Class B	210,000		210,000	13.12	9.0%	1.18%
Deemed		(c) 62,620	62,620	3.91	12.0%	.47%
Common Share Equity	<u>623,017</u>	(c) <u>(62,620)</u>	<u>560,397</u>	<u>35.00</u>	16.0%	<u>5.60%</u>
	<u>\$1,124,263</u>	<u>\$476,872</u>	<u>\$1,601,135</u>	<u>100.00</u>		<u>9.83%</u>

PRINCETON LIGHT AND POWER COMPANY, LIMITED

Notes to Schedule IV (B)

- (a) To include the mean unamortized balance of Contributions in Aid of Construction in the capital structure.

Beginning balance	\$439,230
Amortization @3.5%	(15,373)
Additions during the year	<u>2,900</u>
Ending balance	<u>\$426,757</u>
Mean	<u>\$432,994</u>

- (b) To increase bank loan to balance the capital structure with rate base.
- (c) Adjustment to reflect common share equity at 35% with the balance deemed to be preferred share equity.