

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 22, 1982

Before: M. Taylor, Chairman and B.M. Sullivan, Commissioner

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SCHEDULE I

SCHEDULE II

APPEARANCES

P. Gall

Commission Counsel

D.H. Bell-Irving

For Princeton Light and
Power Company, Limited

Hearing Officer

A.C. Michelson

Commission Staff

J.A. Hodson
R.J. Fletcher

Court Reporter

W.B. Audiotron
Enterprises Ltd.

LIST OF EXHIBITS

	<u>Exhibit No.</u>
Affidavit of Graham Gould re Publication of Notice of Hearing	1
Princeton Light and Power Company, Limited, Tariff Application dated November 5, 1981	2
Copy of Commission Order No. G-89-81	3
Copy of Commission Order No. G-98-81	4
Commission letter dated February 9, 1982, requesting additional information	5
Dunwoody and Company response to request for additional information, dated February 17, 1982	6

The Application of Princeton Light and Power Company, Limited, dated November 5, 1981, for authorization to amend its filed tariffs concerning the rates to be charged for electric service, was heard in public in Vancouver, British Columbia, on Tuesday, February 23, 1982.

The Division of the Commission which heard the Application was comprised of M. Taylor, Chairman and B.M. Sullivan, Commissioner.

I. INTRODUCTION

This Decision deals with an Application dated November 5, 1981 by Princeton Light and Power Company, Limited, hereinafter referred to as "Princeton Light", "the Applicant" or "the Company", for interim and permanent rate relief of 14.582% or .401¢/Kwh before discounts, over current rates. This proposed increase would enable the Company to earn a return of 11.8% on rate base and 17% on a deemed equity component comprising 40% of the capitalization.

By Order No. G-89-81, dated December 1, 1981, the Commission granted an interim rate increase of .31¢/Kwh or 11.285% applicable to consumption of electricity on and after the meter reading dates recorded in customer billing issued on or about December 31, 1981. This increase was subject to refund with interest at the average prime rate of the bank with which Princeton Light conducts its business. The Application was set for public hearing to commence at 10:00 a.m. local time, on Tuesday, February 23, 1982 at the Commission Hearing Room located on the 21st Floor, 1177 West Hastings Street, Vancouver, British Columbia.

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 with a population of approximately 5,500 people and is situated at the junction of the Tulameen and Similkameen Rivers, approximately 300 kilometers east of Vancouver.

The Company purchases its electricity requirements from West Kootenay Power and Light Company, Limited ("West Kootenay") pursuant to West Kootenay's Rate Schedule 45. This Schedule includes four interim increases awarded to West Kootenay which have been passed through to the customers of the Applicant. These interim increases are subject to refund pending issuance of a Commission Decision confirming the West Kootenay interim rates.

As was noted in the Commission Decision of March 24, 1981 concerning this Applicant, the recent interconnection of the Princeton system to both the West Kootenay and B.C. Hydro power supply has significantly increased the security of service not only to Princeton but also to other areas within the South Okanagan served by West Kootenay.

The primary industrial companies operating in the Princeton area, are the Weyerhaeuser Canada Ltd. lumber mill, and adjacent to Princeton, the copper mining facilities of Newmont Mines Ltd.

The Applicant was represented at the hearing by Mr. John Barr Hall, Vice-President, as its policy witness, supported by Mr. Graham Gould, General Manager, and Mr. David Bonner, C.A., partner of Dunwoody and Company, as its accounting and financial witness.

II. TEST PERIOD

The Company selected a forecast test year ending March 31, 1983. This was supported by a base year comprised of six months actual operations to September 30, 1981 and six months estimated operations to March 31, 1982. Without the proposed rate increase, the Applicant had forecast a return of 5.56% on rate base for the year ending March 31, 1983.

In preparing the Application, the Company generally followed the principles established in the Decisions of March 24 and September 22, 1981, and, having noted the Commission's comments in its September 22, 1981 Decision, has proposed the adoption of normalized income tax accounting.

III. COST OF SERVICE

(a) Income Tax

The Commission finds the change to be appropriate and consistent with income tax accounting adopted by many utilities in this jurisdiction. For financial and regulatory accounting purposes the Commission therefore approves the adoption of normalized income tax accounting to be effective January 1, 1982.

(b) Rate Hearing Costs

The Applicant has proposed to amortize current rate hearing costs over a three year period commencing April 1, 1982. During the course of the Hearing the Applicant indicated that a two year period would be more appropriate commencing with the effective date of the interim increase. In the circumstance of this utility, as evidenced by recent proceedings, it is apparent to the Commission that material rate hearing costs remain unamortized. In order to cushion the impact of amortizing these costs the Commission believes a three year amortization period to be more appropriate and consequently has made no adjustment to the Application as filed November 5, 1981.

(c) Interest Expense

The Decision of March 24, 1981 instructed the Applicant to book short term interest expense at a rate of 15% per annum and to record any variance in a deferred account. This rate was increased to 20% in the Decision of September 22, 1981. Having examined the actual and projected interest expense for the year ended March 31, 1982, the Commission finds the amount booked per the Commission Decisions to be approximately the actual cost incurred in that year, the result being a zero balance in the Applicant's interest deferred account at March 31, 1982. In this time of volatility in interest cost the Commission

finds that the interest deferral account should be maintained on the same basis as outlined in the Decision of September 22, 1981, with interest recognition for rate making purposes continuing at 20% per annum. The Commission considers that the continuation of this scheme will be in the best interests of both the customers and the shareholders.

(d) Overhead Charged to Construction

The Decision of March 24, 1981 instructed the Applicant to capitalize 30% of administrative and general accounts such as administration and accounting salaries, pensions, employee benefits and office supplies. In this Application the Company submitted figures to support a 25% capitalization rate on employee benefits as being appropriate to reflect the proper recording of capital costs. The Applicant also estimated a 2% loading factor on construction materials would produce the proper recording of construction costs.

The Commission has carefully considered this submission and finds the Applicant's proposed method of calculating overhead charged to construction to be acceptable, with commencement to be effective January 1, 1982, concurrent with the effective date of the interim relief.

(e) Impact of Federal Budget of November 12, 1981

The Application of November 5, 1981 was subsequently amended to take into account the proposed changes in the Income Tax Act as outlined in the Federal Budget of November 12, 1981. The net effect on an annual basis would result in tax savings and consequently reduce the revenue requirement by approximately \$37,000. Due to the current uncertainty regarding its enactment the Commission believes that to incorporate the new proposals at this time would prejudice the Company's ability to earn a fair and reasonable return to its shareholders. However, the Applicant is requested to advise the Commission should legislative changes impact materially on the return to the shareholders.

IV. OTHER MATTERS

The Commission has reviewed the material filed in support of this Application and compliments the Applicant on its presentation.

V. RATES


The Application requested permanent rate relief of .401¢/Kwh before discounts or 14.582%. By Order No. G-89-81 dated December 1, 1981 the Commission approved an interim rate increase, subject to refund, of .31¢/Kwh or 11.285%.

The Commission has examined the cost of service pursuant to its responsibilities and confirms the existing interim rates as just and reasonable. The Commission also finds the Applicant is entitled to recover the full requested permanent increase. The approved rates will provide the requested return on equity of 17%, as determined in the Decision of September 22, 1981. They are to be effective upon timely filing, with consumption on and after March 1, 1982.

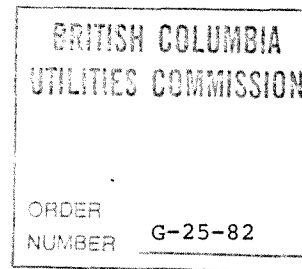
DATED at the City of Vancouver, in the Province of British Columbia this *22nd* day of March, 1982.



M. Taylor, Chairman



B.M. Sullivan, Commissioner



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; and)	March 22, 1982
	B.M. Sullivan,)	
	Commissioner)	

O R D E R

WHEREAS Princeton Light and Power Company,
Limited ("Princeton Light") applied November 5, 1981 to amend
the rates to be charged for electric service; and

WHEREAS Commission Order No. G-89-81 authorized
the implementation of amended tariff rate schedules effective
with customer billing issued on or about December 31, 1981,
with the 11.285% interim increase subject to refund with
interest at the average prime rate of the bank with which
Princeton Light conducts its business, pending a public
hearing; and

WHEREAS Princeton Light's Application was heard
in public at Vancouver, B.C. on February 23, 1982, pursuant
to the requirements of Commission Order No. G-98-81; 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 January 1, 1982 and that those interim rates augmented by .091 cent/kwh should be the permanent rates to become effective with consumption on and after March 1, 1982, 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 period is:

March 31, 1983	\$1,748,000
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2. The total cost of service including the return on capital employed for the test period is:

March 31, 1983	\$1,561,772
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3. The Commission will accept for filing effective with consumption on and after March 1, 1982, subject to timely filing, amended tariff rate schedules which will permit Princeton Light to generate the annual gross revenue requirement of \$1,561,772 as set out in Schedule I of the Commission Decision dated March 18, 1982.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of March, 1982.

BY ORDER

M. Taylor
Chairman

SCHEDULE I

PRINCETON POWER AND LIGHT COMPANY LIMITED

Utility Income and Earned Return Forecast for the
Year Ending March 31, 1983

Sales Revenue	\$1,561,772
Discounts	<u>136,187</u>
	1,425,585
Other Income	<u>15,290</u>
	1,440,875
Cost of Power	<u>728,034</u>
Gross Margin	712,841
General & Administrative Expenses	<u>421,281</u>
Utility Income before Income Taxes	291,560
Income Taxes: - Current	<u>76,073</u>
- Deferred	<u>9,093</u>
	<u>85,166</u>
	<u>\$ 206,394</u>
Rate Base	<u>\$1,748,095</u>
Rate of Return on Rate Base	<u>11.80%</u>

SCHEDULE IIPRINCETON LIGHT AND POWER COMPANY, LIMITEDFORECAST RATE BASE CAPITALIZATION FOR THE YEAR
ENDING MARCH 31, 1983

	<u>Amount</u>	<u>% of Capital</u>	<u>Embedded Cost</u>	<u>Cost Component</u>	<u>Return</u>
Debenture	\$150,000	8.58%	10.50%	.90%	\$15,750
Customer advances	10,641	.61%	-	-	-
Contributions in aid of construction	424,255	24.27%	-	-	-
Deferred income taxes	10,899	.62%	-	-	-
Bank Loan	281,806	16.12%	20.00%	3.22%	56,361
Preferred Shares	171,256	9.80%	9.00%	.88%	15,413
Common Share Equity	<u>699,238</u>	<u>40.00%</u>	17.00%	<u>6.80%</u>	<u>118,870</u>
RATE BASE	<u>\$1,748,095</u>	<u>100.00</u>		<u>11.80%</u>	<u>\$206,394</u>

DOCUMENT SUMMARY

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