

IN THE MATTER OF  
the Utilities Commission Act  
S.B.C. 1980, c. 60, as amended

and

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

DECISION

March 27, 1986

Before:

J.D.V. Newlands, Deputy Chairman,  
and Chairman of the Division  
N. Martin, Commissioner

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APPEARANCES

D.H. BELL-IRVING, Q.C.	For Princeton Light and Power Company, Limited
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K.C. MACKENZIE	Commission Counsel
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Hearing Officer	W.R. HARPER
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Commission Staff	B. MCKINLAY
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Court Reporter	ALLWEST REPORTING LTD.
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LIST OF EXHIBITS

<u>Exhibit No.</u>	
1	Affidavit of Graham Gould Re: Publication of Notice of Hearing
2	Princeton Light and Power Company, Limited Application
2A	Supplementary Appendices to Application
3	Commission Order No. G-83-85 dated October 10, 1985
4	Affidavit of Duncan Harry Bell-Irving Re: Hearing Notice to Customers
5	Commission Order No. G-98-85 dated December 20, 1985
6	Letter from D.R. Bonner to Commission Re: Tentative Financing Arrangements
7	Commission Order No. G-10-86 dated February 13, 1986
8	Deficiency Letter to D.R. Bonner from B.C. Utilities Commission
9	Response to Deficiency Letter from Dunwoody and Company to the Commission

The September 9, 1985 Application of Princeton Light and Power Company, Limited 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, March 19, 1986.

The Division of the Commission which heard the Application was comprised of J.D.V. Newlands, Deputy Chairman and Chairman of the Division and N. Martin, Commissioner.

## I INTRODUCTION

This Decision results from a September 9, 1985 Application by Princeton Light and Power Company, Limited ("Princeton", "the Applicant"). The Applicant requested permanent rate relief effective October 1, 1985 or, in the alternative, interim relief in the full amount subject to confirmation at a subsequent public hearing. The proposed increase of 3.198% would provide the Company the opportunity to earn a return of 15.842% on common equity for the fiscal year ending March 31, 1987.

By Commission Order No. G-83-85 dated October 10, 1985 the Commission approved an interim refundable rate increase of 3.198% applicable to consumption of electricity on and after October 10, 1985. This interim increase was subject to refund with interest at the average prime rate of the bank with which Princeton conducts its business.

Pursuant to Commission Order No. G-10-86 the Application was set for public hearing commencing at 10:00 a.m., March 19, 1986 at the Royal Canadian Legion Hall located in Princeton, British Columbia.

Princeton is an investor-owned electric distribution utility which has provided service to the Village of Princeton and environs for approximately 65 years. Princeton, situated at the junction of the Tulameen and Similkameen Rivers, is approximately 300 kilometres east of Vancouver and has a population of about 5,500.

The industrial support for the community is principally derived from the Weyerhaeuser lumber mill, although additional support is gained from the Similkameen copper mine adjacent to the community, as well as a locally active agriculture industry.

The lumber facility's consumption has grown from 14.5 Gwh in 1979 to approximately 19.6 Gwh in 1985 with the most significant increase in consumption occurring in fiscal 1983. The adjacent mine is served by the British Columbia Hydro and Power Authority ("B.C. Hydro").

The Applicant purchases its electric power requirements from West Kootenay Power and Light Company, Limited ("WKPL"), a wholly-owned subsidiary of Cominco Ltd., which provides service in the southern interior of British Columbia as well as the Kootenay region of the Province. Service is provided by a WKPL 69 kV transmission line from Penticton as well as an interconnection with B.C. Hydro at Princeton. This interconnection provides a much higher degree of security of service for the Village of Princeton than that which existed a few years ago when service was solely dependent on the 69 kV line from Penticton.

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

## **II TEST PERIOD**

The Applicant, in support of its rate Application put forward a two-year forecast test period ending March 31, 1987. The Applicant's material indicated that if the relief sought was granted, Princeton would have the opportunity to earn a return on equity of approximately 15.159% in the year ending March 31, 1986 and 15.842% in the year ending March 31, 1987. The Applicant argued that over the two-year period they should have the opportunity to earn an average of 15.5%.

If the return sought in the year ending March 31, 1986 is annualized, which has been the Commission's historic procedure, the return on equity requested is approximately 17.7%.

### III     RATE BASE

The Commission has reviewed the proposed capital additions and, in particular, the proposed acquisition of a new line truck for \$147,000, which in Princeton's case is a major capital addition. The Commission believes that the proposed capital expenditures are necessary and the acquisition of the new line truck should maintain the quality of service and assist in the control of operating expenses. The Commission accepts the accounting treatment proposed by the Applicant.

The Commission is concerned with depreciation rates proposed by Princeton in view of the quality of the vehicle to be purchased as well as the historic life of the previous line truck purchased in 1973 and which will be retained.

The Commission has also given consideration to the evidence with regard to the quality of the roads on which the truck is used and the expenditures which have been incurred to maintain the existing truck. The Commission has considered the proposed depreciation rate of 15% and believes this rate does not reasonably reflect the service life of the vehicle.

Accordingly the Commission has concluded that the appropriate rate of depreciation should be 7% and has made the appropriate adjustments in the Schedules.



#### IV COST OF SERVICE

The Commission has considered the cost of service and believes that both comments and adjustments are required.

Generally speaking the Commission believes that Princeton is efficiently operated and this is reflective upon not only the officers and directors but, particularly, upon the General Manager and operating staff.

The Commission, however, is concerned with the level of directors' fees in relationship to the size of the utility, the cost incurred for engineering consulting and professional services and the computer costs.

Regarding directors' fees, these appear to be high in view of the normal duties of directors. In the alternative, two of the directors, namely; Mr. Ewart and Mr. K. Bentley are providing services beyond the normal scope of a director's responsibility. Accordingly the Commission will continue to monitor this expense to ensure value is being received, and no adjustment is required at this time.

With regard to consulting fees and fees for professional services, the Commission has expressed concern with these in the past and, in fact, on occasion has disallowed a portion of these costs. The Commission would encourage the Applicant to take appropriate steps to reduce these costs. The Commission has not made any adjustments to these costs in the year ending March 31, 1986 recognizing that these are now largely beyond the control of the Company. However, in the year ending March 31, 1987 the Commission has reduced these costs by 25% and declares that any savings achieved greater than this, will initially accrue to the shareholders with the benefits achieved benefitting the ratepayers in future years.

Apart from the above items the Commission has also considered the cost incurred with regard to computerization and is extremely concerned that additional expenses are being contemplated with no apparent quantifiable benefits to be achieved. Accordingly, before significant new expenditures are made Commission approval must be obtained. The Applicant has chosen to write-off the considerable costs already incurred over a very short period of time, although the witnesses admitted the useful lives could be longer. Despite the rapid changes in technology cited as a reason, the Commission believes the present equipment and software can continue to provide benefits specifically to the Company and an adjustment has been accordingly made. The Commission has adopted an amortization rate of 10% on software costs. For the computer equipment, the net book value at March 31, 1985 is to be depreciated at 20% per annum.

Due to the difficulty in obtaining information from Weyerhaeuser as to its projected operations, Princeton simply used the fiscal 1985 consumption to estimate Industrial-Primary revenues for 1986 and 1987. Evidence provided by the Applicant shows, however, that year-to-date consumption is running about 7% higher than 1985. Given this, and the trend to higher consumption apparent over the last few years, the Commission, believing that up-to-date information ought to be utilized, has employed the 1986 sales figures for both test years after normalizing for the effect of a wildcat strike in June 1985. Forecast energy sales have therefore been increased by approximately 1.4 million kWh for fiscal 1986 and held constant for 1987. The result is that forecast sales for fiscal 1987 are therefore increased by 1.6% over forecast.

## V COST OF CAPITAL

The Commission has considered the capital structure proposed by the Applicant as well as the proposed return on equity of 15.5% over two years.

In considering the appropriate rate of return on equity the Commission has considered the evidence given, the likely level of interest rates and inflation in the test year ending March 31, 1987 and the level of business risk incurred.

With regard to interest rates and inflation it is likely over the next 12 months, that interest rates will decline. If a significant upward adjustment takes place in the financial markets, which cannot accurately be foreseen at this time, a modified Application can be considered.

With regard to business risk, Princeton has a higher level of business risk than most other electrical utilities since it is dependent on one large industrial customer. This risk can operate to both increase or decrease profits and hence is either a positive or negative influence on earnings.

In addition to electrical utilities the Commission has also considered Princeton's proposed rate of return on equity in relationship to that recently allowed gas utilities in British Columbia. The Commission recognizes that the argument is often made that gas utilities have a higher level of risk than the electrics due to the nature of their market.

After consideration of the evidence the Commission concludes that the opportunity to earn a rate of return on common equity within the range of 14% to 15% is just and reasonable in these circumstances and for the purpose of determining the revenue requirements has adopted 14.5%.

## **VI OTHER MATTERS**

Apart from the matters heretofore discussed, comments are required regarding the proposed financing, appropriate treatment of Contributions in Aid of Construction for rate-making purposes, and the "catch-up" concept advanced by the Applicant.

The Commission has considered the proposed financing and hereby gives approval in principle contingent upon the rate being equal to, or less than, 11.25% and subject to the removal of the restriction on capital expenditures. Needless to say, if the Applicant can achieve a rate less than that contemplated this will accrue initially to the benefit of the shareholders.

In addition to the above the Commission has also considered the appropriate treatment to be accorded to Contributions in Aid of Construction, that is, whether it should be deducted from rate base or included in the capital structure for rate-making purposes. Historically Princeton has included this as a component of the capital structure whereas in the circumstances of other utilities it has been deducted from rate base. The Commission believes that Princeton's historic treatment should prevail.

Concerning the concept of "catch-up" earnings as put forward by Princeton, it argued that the opportunity to earn the approved return should be viewed over two years. The Commission believes there is merit in considering a two-year test period inasmuch as this provides rate stability as well as reduces the cost of the proceedings on an annual basis.

In the alternative, the Commission believes the rates in an individual test year must be just and reasonable in themselves and that the Princeton proposal does not achieve this criteria, especially in the year ending March 31, 1986. As an example, if Princeton had applied sooner, the forecast return in 1986 would have been lower and, conversely, if they had applied later, the rate increase required would have been higher with a significantly higher return resulting in 1987. The Commission also believes that an onus exists on senior management to apply for relief in a timely manner and such action, to a large extent, may overcome the Applicant's concern.

In addition to the above theoretical concerns the Commission has also considered the actual results achieved over the last several years to ensure the desired results are being achieved. The unadjusted actual earnings reported by Princeton from 1980 have been as follows :

	<u>Return on Equity (%)</u>
1980	12.43
1981	6.82
1982	13.40
1983	15.94
1984	16.65
1985	16.35

After having given consideration to the circumstances of Princeton, not the least of which is size, the Commission believes "catch-up" is inappropriate and the required adjustments have accordingly been made in the Schedules.

## VII DECISION

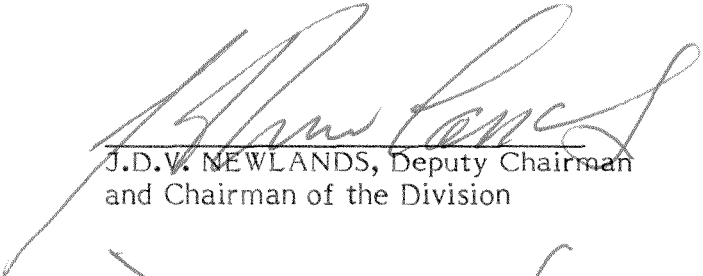
On the basis of the evidence the Commission has determined that no increase is required for the fiscal year ending March 31, 1986 as Princeton will have the opportunity to equal or exceed the approved return. The Commission directs the Applicant to proceed with appropriate refunds including interest, to all customers of record in the period October 10, 1985 through March 31, 1986. Such refunds will apply to actual consumption for the period ending March 31, 1986 or such earlier date as may be appropriate. The refunds may be implemented as a credit on customer billings.

The Commission concludes that an increase of 1.0% over permanent rates is required for the fiscal year ending March 31, 1987. The Commission directs the Applicant to file, in a timely manner, amended Tariff Rate Schedules to reflect this increase effective April 1, 1986.

In circumstances where the Applicant has been unsuccessful in whole or in part an argument can be made for a sharing of the costs between the ratepayers and shareholders. However, the Commission believes that the previous Application costs incurred are appropriate to be recovered from customers over two years due to the extenuating circumstances. A change in the Income Tax Act occurred after the filing of that Application, thus removing the need for a rate change.

The current Application cost should be amortized over two years as provided in the Application.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of March, 1986.



J.D.V. NEWLANDS, Deputy Chairman  
and Chairman of the Division



N. MARTIN, Commissioner



BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-18-86

PROVINCE OF BRITISH COLUMBIA  
BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

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

BEFORE: J.D.V. Newlands, )  
Deputy Chairman; and ) March 27, 1986  
N. Martin, )  
Commissioner )

O R D E R

WHEREAS a public hearing pertaining to Princeton  
Light and Power Company, Limited ("Princeton") commenced before  
this Commission at Princeton, B.C. on Wednesday, March 19, 1986  
to hear, inter-alia, the following matter:

- (a) An Application dated September 9, 1985 for a  
3.198% interim rate increase effective October 1,  
1985 to its filed Tariff Rate Schedules.

WHEREAS the Commission has considered the  
Application and the evidence adduced thereon, 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 interim rates currently in effect since  
October 10, 1985 as authorized by Commission Order  
No. G-5-85 are hereby confirmed as being in excess  
of the 1986 test year Revenue Requirements of  
Princeton.
2. The Revenue Requirements of Princeton for the 1987  
Test Year indicate a requirement for a 1.0%  
general increase effective April 1, 1986 over  
customer rates which were in effect immediately  
prior to October 10, 1985.
3. The Rate Base for the Test Year ending March 31,  
1986 is approximately \$2,045,000.

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BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-18-86

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4. The Rate Base for the Test Year ending March 31, 1987 is approximately \$2,131,000.
5. The Commission will accept for filing, subject to timely presentation, revised Tariff Rate Schedules conforming to the Revenue Requirement for the 1987 Test Year, effective with consumption on and after April 1, 1986. The amended Tariff Rate Schedules will allow Princeton an opportunity to earn a rate of return on common share equity of approximately 14.5%, within a range of 14.0% to 15.0%.
6. Princeton is to proceed with refunds to its customers of record in the period October 10, 1985 through March 31, 1986 as specified in the Commission Decision issued concurrently with this Order.
7. Princeton will comply with the directions incorporated in the Commission's Decision.

DATED at the City of Vancouver, in the Province of  
British Columbia, this 27<sup>th</sup> day of March, 1986.

BY ORDER



Deputy Chairman



SCHEDULE 1

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PRINCETON LIGHT AND POWER COMPANY LIMITED

UTILITY RATE BASE FOR 1986

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	Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
<b>PLANT IN SERVICE</b>						
Beginning of year	\$2,812,480		\$2,812,480	\$0		\$2,812,480
Additions	262,427		\$262,427			\$262,427
Disposals	(5,000)		(\$5,000)	\$0		(5,000)
End of year	3,069,907	0	3,069,907	0		3,069,907
Less - Accum. deprec.	1,048,436		1,048,436	(2,725)	(4)	1,045,711
Depreciated plant	2,021,471	0	2,021,471	2,725		2,024,196
Depreciated plant - previous year	1,865,167	0	1,865,167	0		1,865,167
MEAN DEPR. PLANT	1,943,319	0	1,943,319	1,363		1,944,682
MEAN RATE HEARING COSTS	14,036		14,036	2,500	(9)	16,536
MEAN SOFTWARE COSTS	9,218		9,218	4,364	(3)	13,582
WORKING CAPITAL ALLOWANCE	69,747		69,747			69,747
DEPRECIATED RATE BASE FOR REGULATORY PURPOSES	\$2,036,320	\$0	\$2,036,320	8,227		\$2,044,547

## SCHEDULE 11

## PRINCETON LIGHT AND POWER COMPANY LIMITED

## UTILITY INCOME AND EARNED RETURN FOR 1985

	Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
SALES (kWh)	52,663,282	0	52,663,282	1,375,197	(1)	54,058,479
Requested avg., cents/kWh % rate increase (annual)	3.937 1.751%		3.937 1.751%	-0.101 -1.691%		3.836 0.060%
ELECTRICITY REVENUE						
Existing avg., 3.870	\$2,038,635	\$0	\$2,038,635	\$34,000	(1)	\$2,072,635
Discounts & interest	(178,899)	0	(178,899)	39		(178,860)
"Revenue deficiency"	35,696	0	35,696	(\$34,444)		1,252
Other income	34,200		34,200			34,200
TOTAL REVENUE REQUIREMENT	1,929,632	0	1,929,632	(405)		1,929,227
PURCHASED POWER	1,152,354	0	1,152,354	17,756	(1)	1,170,110
GROSS MARGIN	777,278	0	777,278	(18,161)		759,117
GENERAL AND ADMIN.						
Admin. salaries	77,510		77,510			77,510
Amort. of comp. software	10,314		10,314	(6,728)	(3)	1,586
Amort. of contributions	(16,111)		(16,111)			(16,111)
Amort. of rate appl.	15,572		15,572	5,000	(9)	20,572
Bad debts	4,000		4,000			4,000
Bank charges	1,433		1,433			1,433
Consty. overhead cap.	(12,260)		(12,260)			(12,260)
Data processing	4,735		4,735			4,735
Depreciation	109,707		109,707	(2,725)	(4)	106,982
Directors' fees	23,300		23,300			23,300
Employee benefits	19,172		19,172			19,172
Engineering consult.	7,000		7,000			7,000
Insurance	13,078		13,078			13,078
Mice, -wages	99,669		99,669			99,669
-other	12,667		12,667			12,667
Miscellaneous	4,768		4,768			4,768
Office expenses	19,546		19,546			19,546
Pension	37,879		37,879			37,879
Professional services	24,000		24,000			24,000
Provincial taxes	21,869		21,869			21,869
Transportation	15,739		15,739			15,739
Travel	3,044		3,044			3,044
Village taxes	22,126		22,126			22,126
Total G & A	519,757	0	519,757	(6,453)		512,304
UTILITY INCOME BEFORE INCOME TAXES	258,521		258,521	(11,708)		246,813
INCOME TAXES	48,808		44,172	(2,933)		41,239
EARNED RETURN	\$209,713	\$0	\$209,713	(\$4,139)		\$205,574
UTILITY RATE BASE	\$2,036,320	\$0	\$2,036,320	\$8,227		\$2,044,547
RETURN ON RATE BASE	10.30%		10.30%			10.05%

SCHEDULE III

PRINCETON LIGHT AND POWER COMPANY LIMITED

CALCULATION OF INCOME TAX FOR 1986

Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
UTILITY INCOME BEFORE TAX	\$258,521	\$258,521	(\$11,708)		\$246,813
Less:					
Interest	13,126	13,126	0		13,126
- debenture	8,400	8,400	0		8,400
- operating	37,400	37,400	0		37,400
- capital	5,390	5,390	0		5,390
- truck	6,738	6,738	744		7,482
- notional	187,467	187,467	(12,452)		175,015

Timing Differences

Depreciation	109,707	109,707	(\$2,725)	{4}	106,982
Amort., hearing costs	15,572	15,572			20,572
Amort., software costs	10,314	10,314	(\$8,728)	{3}	1,586
Capital cost allowance	(116,460)	(116,460)			(116,460)
Amort., contributions	(16,111)	(16,111)			(16,111)
Overhead capitalized	(12,260)	(12,260)			(12,260)
Plant removal costs	(3,585)	(3,585)			(3,585)
Rate application costs		0	(35,000)	{9,10}	(35,000)
	A	(12,823)	0		(12,823)
			(41,453)		(54,276)
TAXABLE INCOME	B	\$174,644	\$0		\$174,644
			(\$53,905)		\$120,739

INCOME TAXES

Deferred -	A * 23.563	3,021	0	3,021	9,768
Current -	B * 23.563	41,151	0	41,151	(12,701)
					28,459

TAX PROVISION	\$44,172	\$0	\$44,172	(\$2,933)	\$41,239
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SCHEDULE IV

PRINCETON LIGHT AND POWER COMPANY LIMITED

UTILITY CAPITAL STRUCTURE FOR 1986

	Balance at Mar. 31, 1985	Adjusted Forecast at Mar. 31, 1986	Adjusted Forecast Average 1986	Adjusted % of capital structure	Return \$	Rate %	Average cost of capital %
Deferred income taxes	\$20,614	\$28,271	\$24,442	1.195			
Contributions in aid	392,894	380,393	386,624	16.910			
Customer advances	5,344	1,920	3,632	0.178			
DEBT							
Debenture	135,000	120,000	125,014	6.115	13,126	10.500	0.642
Capital	330,000	350,000	340,000	16.630	37,400	11.000	1.029
Current	60,000	100,000	80,000	3.913	8,400	10.500	0.411
Truck	0	0	49,000	2.397	5,390	11.000	0.264
Notional	61,259	61,259	68,016	3.327	7,482	11.000	0.366
	586,259	631,259	662,030	32.380	71,798	10.845	3.512
EQUITY:							
Preferred shares	150,000	150,000	150,000	7.337	15,188	10.125	0.743
Common shares	814,528	814,528	817,819	40.000	118,589	14.500	5.800
Total equity	964,528	964,528	967,819	47.337	133,776		6.543
TOTAL CAPITALIZATION	\$1,959,599	\$2,006,371	\$2,044,547	100.000	\$205,574		10.055

SCHEDULE 1

PRINCETON LIGHT AND POWER COMPANY LIMITED

UTILITY RATE BASE FOR 1987

	Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
PLANT IN SERVICE						
Beginning of year	\$3,069,907		\$3,069,907	\$0		\$3,069,907
Additions	130,628		\$130,628			\$130,628
Disposals	(5,000)		(\$5,000)	\$0		(5,000)
End of year	3,195,535	0	3,195,535	0		3,195,535
Less - Accum. deprec.	1,176,060		1,176,060	(17,410)	(2,4)	1,158,650
Depreciated plant	2,019,475	0	2,019,475	17,410		2,036,885
Depreciated plant - previous year	2,021,471	0	2,021,471	0		2,021,471
MEAN DEPR. PLANT	2,020,473	0	2,020,473	6,705		2,029,178
MEAN RATE HEARING COSTS	12,500		12,500	2,500	(9)	15,000
MEAN SOFTWARE COSTS	4,284		4,284	10,562	(3)	14,846
WORKING CAPITAL ALLOWANCE	71,838		71,838			71,838
DEPRECIATED RATE BASE FOR REGULATORY PURPOSES	\$2,109,095	\$0	\$2,109,095	21,767		\$2,130,862

SCHEDULE 11

PRINCETON LIGHT AND POWER COMPANY LIMITED

UTILITY INCOME AND EARNED RETURN FOR 1987

	Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
SALES (kWh)	53,281,506	0	53,281,506	1,375,197	(1)	54,656,703
Requested avg., cents/kWh	4.002		4.002	-0.126		3.876
% rate increase	3.181%		3.181%	-2.325%		0.856%
ELECTRICITY REVENUE						
Existing avg., 3.878	\$2,066,463	\$0	\$2,066,463	\$34,000	(1)	\$2,100,463
Discounts & interest	(183,889)	0	(183,889)	1,185		(182,704)
"Revenue deficiency"	65,732	0	65,732	(47,745)		17,987
Other income	34,200		34,200			34,200
TOTAL REVENUE REQUIREMENT	1,982,506	0	1,982,506	(12,560)		1,969,946
PURCHASED POWER	1,165,439	0	1,165,439	17,756	(1)	1,183,195
GROSS MARGIN	817,067		817,067	(30,316)		786,751
GENERAL AND ADMIN.						
Admin. salaries	78,580		78,580			78,580
Amort. of comp. software	5,555		5,555	(3,669)	(3)	1,886
Amort. of contributions	(16,239)		(16,239)			(16,239)
Amort. of rate appl.	12,500		12,500	5,000	(9)	17,500
Bad debts	4,000		4,000			4,000
Bank charges	1,490		1,490			1,490
Constn. overhead cap.	(12,380)		(12,380)			(12,380)
Data processing	4,925		4,925			4,925
Depreciation	136,236		136,236	(14,685)	(2,4)	121,551
Directors' fees	23,300		23,300			23,300
Employee benefits	19,357		19,357			19,357
Engineering consult.	7,000		7,000	(1,750)	(5)	5,250
Insurance	13,601		13,601			13,601
Mice.-wages	100,409		100,409			100,409
-other	13,174		13,174			13,174
Miscellaneous	4,956		4,956			4,956
Office expenses	20,328		20,328			20,328
Pension	38,195		38,195			38,195
Professional services	25,000		25,000	(6,250)	(6)	18,750
Provincial taxes	23,356		23,356			23,356
Transportation	16,369		16,369			16,369
Travel	3,166		3,166			3,166
Village taxes	22,461		22,461			22,461
Total G & A	545,339	0	545,339	(21,354)		523,985
UTILITY INCOME BEFORE INCOME TAXES	271,727		271,727	(9,961)		262,766
INCOME TAXES	45,887		45,887	(3,102)		42,785
EARNED RETURN	\$225,841	\$0	\$225,841	(\$5,860)		\$219,981
UTILITY RATE BASE	\$2,109,095	\$0	\$2,109,095	\$21,767		\$2,130,862
RETURN ON RATE BASE	10.71%		10.71%			10.324%

SCHEDULE 111

PRINCETON LIGHT AND POWER COMPANY LIMITED

CALCULATION OF INCOME TAX FOR 1987

Application	Applicant's Adjustments	Amended	Commission Adjustments	Ref. No.	Adjusted Balance
UTILITY INCOME BEFORE TAX	\$238,247	\$238,247	\$24,519		\$262,766
Less:					
Interest					0
- denture	11,552	11,552	(11,552)		
- operating	36,500	36,500	39,948		79,448
- capital	10,500	10,500	(9,212)		1,288
- truck	15,015	15,015	(15,015)		0
- notional	1,437	1,437	32		1,469
	161,243	161,243	20,318		181,561

Timing Differences

Depreciation	136,236	136,236	(\$14,685)	(2,4)	121,551
Amort., heating costs	12,500	12,500	5,000	(9)	17,500
Amort., software costs	5,555	5,555	(\$3,659)	(3)	1,896
Capital cost allowance	(128,196)	(128,196)			(128,196)
Amort., contributions	(16,239)	(16,239)			(16,239)
Overhead capitalized	(12,380)	(12,380)			(12,380)
Plant removal costs	(3,612)	(3,612)			(3,612)

Rate application costs

A	(6,136)	0	(6,136)	(13,354)	(19,490)
TAXABLE INCOME	B	\$155,107	\$0	\$155,107	\$5,964
					\$162,071

INCOME TAXES

Deferred -	A * 23.565	1,446	0	1,446	3,147
Current -	B * 23.565	36,551	0	36,551	1,641
					38,192

TAX PROVISION	\$37,997	\$0	\$37,997	\$4,786	\$42,783
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SCHEDULE IV

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PRINCETON LIGHT AND POWER COMPANY LIMITED

UTILITY CAPITAL STRUCTURE FOR 1987

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	Balance at Mar. 31, 1986	Adjusted Forecast at Mar. 31, 1987	Adjusted Forecast Average 1987	Adjusted % of capital structure	Return %	Rate % of capital	Average cost of capital %
Deferred income taxes	\$28,271	\$29,717	\$28,994	1.361			
Contributions in aid	384,043	367,804	375,924	17.642			
Customer advances	1,920	0	960	0.045			
DEBT							
Debtenture	0	0	0	0.000	0	10.500	0.000
Capital	700,000	694,626	697,313	32.724	78,448	11.250	3.681
Current	17,000	7,534	12,267	0.576	1,288	10.500	0.060
Truck	0	0	0	0.000	0	11.000	0.000
Notional	61,259	61,259	13,060	0.613	1,469	11.250	0.069
	778,259	763,419	722,640	33.913	81,205	11.237	3.811
EQUITY:							
Preferred shares	150,000	150,000	150,000	7.039	15,188	10.125	0.713
Common shares	843,638	843,638	852,345	40.000	123,589	14.500	5.800
Total equity	993,638	993,638	1,002,345	47.039	138,776		6.513
TOTAL CAPITALIZATION	\$2,186,131	\$2,154,578	\$2,130,862	100.000	\$219,981		10.324



ADJUSTMENTS

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PRINCETON LIGHT AND POWER COMPANY LIMITED

1. Industrial-Primary consumption increased by 7%.
2. Line truck depreciated by 7% p.a.
3. Software costs amortized over ten years.
4. Computer equipment net book value depreciated at 20%.
5. Engineering consulting expenses reduced by 25%.
6. Professional services expense reduced by 25%.
7. Return on common equity adjusted to 14.5%.
8. Proposed financing approved for 1987.
9. Commission costs charged (\$10,000), two year amortization.
10. Income tax calculation corrected.