

**IN THE MATTER OF** *The Public Utilities Act*,  
(R.S.N. 1990, Chapter P-47 (the “Act”))

**AND IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro for approvals of: (1) Under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to its Retail Customer, Newfoundland Power, its Rural Customers and its Industrial Customers; (2) Under Section 71 of the Act, its Rules and Regulations applicable to the supply of electricity to its Rural Customers; (3) Under Section 71 of the Act, the contracts setting out the terms and conditions applicable to the supply of electricity to its Industrial Customers; and (4) Under Section 41 of the Act, its 2002 Capital Budget.

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**REPLY TO APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO  
REGARDING EXTENSION OF INTERIM RATES AND APPROVAL OF THE  
2002 CAPITAL BUDGET**

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**TO:** The Board of Commissioners of Public Utilities (the “Board”)

**THE REPLY** of Counsel to the Board of Commissioners of Public Utilities concerning the approval of the 2002 Capital Budget states:

**Hydro’s Interim Application**

1. Pursuant to paragraph 11 of the application of Newfoundland and Labrador Hydro (hereafter “Hydro”) dated the 20<sup>th</sup> day of November, 2001 (the “Application”), Hydro seeks an Order of the Board:
  - a. extending the interim rates charged Industrial Customers under Order P.U. 25(2000-2001); and
  - b. approving those 2002 capital projects to which no party makes an objection.
2. Hydro submits at paragraph 10 of the Application that a non-objection made by an Intervenor to a capital project at this stage in the proceeding would be on without prejudice basis to that party’s right to address argument on:

- a. the sufficiency of the documentation supplied by Hydro to support a capital project generally;
- b. the principles and procedures applied in the capital budget process; and
- c. adjustments required to reflect Hydro's past capital spending experience.

### **Interim Rates – Industrial Customers**

3. Pursuant to P.U. 25 (2000-2001), the interim rates charged to Industrial Customers, as approved by Order P.U. 23 (1999-2000), were extended to December 31, 2001.
4. The interim rates charged to Industrial Customers will expire before the Board issues a final order pursuant to the general rate application as filed by Hydro on May 31, 2001 (the "Rate Application").
5. As requested by Hydro, an extension of the interim rates charged to Industrial Customers beyond December 31, 2001 will mean that the interim rates will apply for a period of the 2002 test year as proposed in the Rate Application.
6. Approving, on an interim basis, the rates charged to Industrial Customers for part of the 2002 test year may impact the determination of Hydro's revenue requirements for the 2002 test year and/or on the calculation of the final rates to be charged to the Industrial Customers in the 2002 test year.
7. It is recommended that the Board seek the views of the parties on this point before approving an extension beyond December 31, 2001 of the interim rates charged to Industrial Customers, should an extension be deemed appropriate.

### **Capital Budget Projects**

8. In their reply dated the 3<sup>rd</sup> day of December, 2001, the Industrial Customers have provided a list of those capital projects to which they object (the "List").
9. Newfoundland Power has confirmed that they have no further projects which they wish to add to the List.

10. The Consumer Advocate has not specified any additional capital projects to which he objects that are not already included on the List, although it is noted that the Consumer Advocate has placed at issue other matters concerning the approval of Hydro's capital projects.
11. In light of the capital projects included on the List, the Board may wish to defer consideration of the following five (5) additional capital projects:
- a. B-44 Replace 250kW Diesel Unit No. 2027 – McCallum (Previous \$209,000; \$55,000)

Although the majority of capital project B-44 has already been approved (pursuant to Hydro's 2001 Capital Budget Application), Hydro is seeking approval in its 2002 Capital Budget Application to replace an obsolete unit in Harbour Deep with Diesel Unit No. 2027.

Since the Harbour Deep plant upgrade (B-46, and B-57) is being objected to, the Board may wish to defer consideration of this capital project until it hears final argument on the matter of Harbour Deep.

- b. B-52 Replace 136 kW Diesel Unit No. 266, William's Harbour (\$11,000; Future \$288,000)
- c. B53 Replace 300 kW Diesel Unit No. 288 – Black Tickle (Previous \$11,000; \$318,000)
- d. B-54 Replace 250 kW Diesel Unit No. 293 – Rigolet (Previous \$11,000; \$301,000)

Each of these projects involves the replacement of an existing diesel unit rather than undergoing its sixth major overhaul. The replacing of existing diesel units after they have had five (5) major overhauls represents a departure by Hydro from its past policy.

The Board may wish to defer consideration of these capital projects (B-52, B-53 and B-54) until it hears final argument on the appropriateness of this new policy.

- e. B-65 Replace Power Line Carrier Equipment – Transmission System – West Coast (Previous \$300,000; \$651,000; Future \$1,428,000)

This project is part of Phase IV of Hydro's Strategic Telecommunications Plan.

Since most of the other capital projects involving Hydro's Strategic Telecommunications Plan (B-66, 67, 68, 69, 71, 72, and 73) have been objected to, the Board may wish to defer consideration of capital project B-65 until it hears final argument on these other projects and on Hydro's Strategic Telecommunications Plan.

Respectfully submitted this      day of December, 2001.

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