

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.

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

THE APPLICATION of Newfoundland and Labrador Hydro (the “Applicant”)

STATES that: -

1. Section 41 (1) of the Act requires that a public utility submit an annual capital budget to the Board for its approval not later than December 15 in each year for the next calendar year.

2. Section 41 (3) of the Act states that a public utility shall not proceed with the construction, purchase or lease of improvements or additions to its property where
 - (a) the cost of the construction or purchase is in excess of \$50,000;
or
 - (b) the cost of the lease is in excess of \$5,000 in a year of the leasewithout the prior approval of the Board.

3. On May 31, 2001, the Applicant filed an application requesting an Order of the Board to, inter alia, (1) set the rates to be charged Newfoundland Power, Rural Customers and Industrial Customers, to be effective January 1, 2002 and (2) approve the Applicant's 2002 capital budget, which contained Sections A, B, C, D and E.

4. Section A of the Applicant's revised proposed 2002 Capital Budget lists all capital projects including those that are less than \$50,000 each and those that are \$50,000 each or more. The revised total of all capital projects proposed for 2002 is \$40,946,000. Section B of the Applicant's proposed 2002 capital budget lists projects that each are \$50,000 or more. The total revised amount proposed for 2002 Section B projects is \$26,206,000. Projects less than \$50,000 each in Section A total \$14,740,000.

5. On November 20, 2001 Hydro filed an Application seeking an Order of the Board

- (i) extending the interim rates charged Industrial Customers under Order No. P.U. 25 (2000-2001) until such time as an Order is issued revising such rates; and
 - (ii) approving those 2002 capital projects to which no party made an objection.
- 6. All parties filed replies to the November 20, 2001 Application indicating certain projects in Sections A and B, including those less than \$50,000 each, in the Applicant's proposed 2002 capital budget that they objected to. Objections were made in the replies to projects less than \$50,000 each listed in Section A totaling \$359,000. Objections were not made to any projects in Section C or leases in Section D.
- 7. Order No. P.U. 30 (2001-2002) issued on December 20, 2001 approved those projects in Sections B and C of the Applicant's proposed 2002 capital budget to which no party had indicated an objection in its reply. Projects less than \$50,000 each listed in Section A and leases in Section D were not addressed in Order No. P.U. 30 (2001-2002).
- 8. The Applicant seeks an Order at this time approving
 - (i) those projects under \$50,000 each listed in Section A of the Applicant's proposed 2002 capital budget to which the other parties did not indicate objections in their replies to the Applicant's November 21, 2001 Application; and
 - (ii) those leases for 2002 in excess of \$5,000 listed in Section D of the Applicant's proposed capital budget to which no party indicated an objection.

As in the November 20, 2001 Application, the Applicant proposes that the Order sought be made without prejudice to the other parties' rights to address argument on (i) the sufficiency of the documentation supplied to support a capital project generally or the principles and procedures applied in the capital budget process and (ii) an adjustment to the 2002 Capital Budget to reflect the Applicant's past capital spending practice.

Dated at St. John's, Newfoundland this 28th day of December, 2001.

NEWFOUNDLAND & LABRADOR HYDRO

Maureen P. Greene
Counsel to Newfoundland & Labrador Hydro
Hydro Place, Columbus Drive
P.O. Box 12400
St. John's, Newfoundland
A1B 4K7

c.c. Gillian Butler, Q.C. and Peter Alteen
Counsel to Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, Newfoundland
A1B 3P6

Janet M. Henley Andrews and Joseph S. Hutchings
Stewart McKelvey Stirling Scales Poole Althouse
Cabot Place, 100 New Gower St. P.O. Box 812, 49-51 Park Street
P.O. Box 5038 A2H 6H7
St. John's, Newfoundland
A1C 5V3

Dennis Browne, Q.C.
Consumer Advocate
c/o Browne Fitzgerald Morgan & Avis
P.O. Box 23135
Terrace on the Square, Level II
St. John's, Newfoundland
A1B 4J9

Mr. Edward M. Hearn, Q.C.
Miller & Hearn
450 Avalon Drive
P.O. Box 129
Labrador City, Newfoundland
A2V 2K3

Mr. Dennis Peck
Director of Economic Development
Town of Happy Valley-Goose Bay
P.O. Box 40, Station B
Happy Valley-Goose Bay
Labrador, Newfoundland
AOP 1EO

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