

1 Q. The Executive Summary contained in Section 1.0 at page 1 of the *Business*
2 *Case for VHF Mobile Radio System Replacement* (Application, Section G,
3 Appendix 4) indicates that the provincial Department of Works, Services and
4 Transportation (the “Department”) will share in the costs of the proposed
5 VHF Mobile Radio System on a “prorated number of users basis”. In Section
6 7.3 at page 12, it is stated that “the radios are divided roughly evenly
7 between the Corporation and WS&T; it is therefore reasonable to assume
8 that WS&T will contribute approximately half the capital and operating cost of
9 the system.”

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11 Please provide greater detail of how the Department will participate in the
12 cost of the proposed system, including specific details with respect to:

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- 14 (a) the Department’s contribution to the costs (capital and operating) of
15 the system over the system’s projected useful life;
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- 17 (b) how additional coverage requirements of the Department outside of
18 Hydro’s requirements will be addressed and how the costs of
19 providing such additional coverage will be recovered;
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- 21 (c) any adjustment mechanisms that will enable Hydro to recover any
22 unforeseen additions to the capital costs of the system or increases in
23 the operating costs of the system; and
24
- 25 (d) any basis under which the Department may terminate its obligations to
26 contribute to the capital and/or operating costs of the system.

- 1 A. The Department currently utilizes Hydro's VHF system and has agreed to
2 continue such practice, which will reduce Hydro's effective cost of VHF
3 service. However, detailed negotiations have not commenced with the
4 Department.
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- 6 (a) The capital budget proposal submitted by Hydro covers 100% of the
7 capital costs for the project. If the Department contributes capital
8 towards this project, Hydro will reduce the capital project cost
9 accordingly. This would be accomplished by reducing the 2005
10 project cost and thus the final net capital cost. If the Department does
11 not make a specific capital contribution, Hydro will recover the
12 Department's capital portion of the cost over the life of the system
13 along with its share of the operating expense.
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- 15 (b) Should the Department request additional coverage beyond Hydro's
16 requirements, it will contribute 100% of the capital and operating cost
17 of such additions.
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- 19 (c) As noted above, negotiations have not occurred with the Department,
20 however, it is anticipated that an annual review of the contract will be
21 conducted, and adjustments made as necessary to ensure that all
22 costs are allocated appropriately.
23
- 24 (d) This item has not been addressed at this time; however it will be
25 addressed during detailed negotiations with the Department.