

In reference to Schedule “B”, page 46 of 82 – Trunk Feeders Rebuild Distribution Lines, at a project cost of \$3,504,000, please provide the following:

Q. Please advise how it was determined which company would incur the cost in reference to the joint initiative.

A. Responsibility for the costs of constructing the line is determined with reference to the service territories of the respective utilities. Newfoundland Power will own the portion of the distribution system required to serve its existing customers, and will contribute the costs associated with that portion of the line. Energy supplied to Newfoundland and Labrador Hydro to serve its existing customers in the Little Bay area is metered at a bulk metering point on the line. Hydro will own the portion of the distribution system beyond the bulk metering point, and will contribute the costs associated with that portion of the line.

The proposed project is the lowest cost option available to improve the reliability of service to customers of the two utilities in the Little Bay area. The reconstruction of the line provides an opportunity to reduce the total length of the lines required to serve the customers of both utilities, which results in lower capital costs as compared to simply rebuilding the line along the existing route. Because the new line will be shorter than the existing line, and in a more accessible location, the operating costs of both utilities associated with the maintenance of the line are also expected to be lower over the longer term.