

1 Q. Please provide copies of any agreement between Newfoundland Hydro and
2 Newfoundland Power on the sharing of any services or assets associated with
3 serving customers.

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6 A. See PUB-Nalcor-014, Attachment 1 for a Memorandum of Understanding (MOU) for
7 Service and Equipment Sharing between Hydro and Newfoundland Power. This
8 MOU was signed in 2006 and both utilities have been using this as the guiding
9 document for sharing of services since. Both utilities have agreed to complete a
10 refresh of the MOU in 2019.



September 19, 2006

Memorandum From: Jim Haynes and Phonse Delaney
To: Engineering and Operating Staff
Subject: Sharing of Services and Equipment

The enclosed document "Sharing of Services and Equipment Agreement between Newfoundland Power and Newfoundland & Labrador Hydro", provides guidance to both utilities in the sharing of services and equipment and should prove most valuable in emergency situations. It is designed to enhance service reliability and reduce costs, two of the more important issues for consumers of electrical energy in Newfoundland and Labrador.

The Sharing of Services and Equipment Agreement establishes a protocol for the provision of equipment and service between the two organizations and the rates to be charged. It will result in an overall increased utilization of equipment and services at both utilities, thereby reducing total costs.

This agreement supersedes and provides an update to the current Sharing of Services Memorandum of Understanding. It will continue to need updating with respect to the equipment listings, contacts information and charge out rates. This should be done annually as part of other contingency plan updating. Any questions on the use of these guidelines should be addressed to Glenn Samms at Newfoundland Power or Hughie Ireland at Newfoundland & Labrador Hydro.

Thank you for your assistance in implementing this important initiative between our Companies.

A handwritten signature in black ink, appearing to read "Jim Haynes", written over a horizontal line.

Jim Haynes , P.Eng.
Vice-President
Regulated Operations
Newfoundland and Labrador Hydro

A handwritten signature in black ink, appearing to read "Phonse Delaney", written over a horizontal line.

Phonse Delaney, P.Eng.
Vice President
Engineering and Operations
Newfoundland Power Inc.

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MEMORANDUM OF UNDERSTANDING

Services & Equipment Sharing

Newfoundland Power & Newfoundland & Labrador Hydro

SCOPE:

The following Memorandum of Understanding (MOU) was developed by a joint committee and provides guidance to the utilities in their sharing of services and equipment, primarily in emergency situations.

Emergencies under this MOU are defined as follows:

- where the potential exists for extended service interruptions,
- where public safety is at risk, or
- loss of specialized equipment.

The spirit of the MOU is that the sharing of resources provides the people of Newfoundland & Labrador with the most reliable supply of electrical service at minimum cost.

SHARING CO-ORDINATION:

A Sharing Co-ordinator is appointed for each utility with responsibility for the co-ordination of sharing requests, during regular work hours. See Appendix 1 for contact information.

The Co-ordinators will meet when required, to review usage and benefits and will make adjustments to the process as required.

After Hours Sharing Co-ordination

In after hours circumstances, the on-call system of both utilities will be utilized. The initial contact point for after hours requests will be the respective Control Center.

EQUIPMENT:

Equipment for sharing includes two types:

- Major: Specialized equipment for Island wide sharing such as gas turbines, portable transformers, boom trucks, Nodwells/Muskegs, etc. Charge out rates shall apply for this equipment.
- Minor: Specialized smaller tools and equipment for local sharing. Charge out rates do not apply for this equipment.

The following guidelines will apply:

- 1) Users are expected to replenish fuel used.
- 2) Accidental damage repair which occurs while equipment is on loan, will be the responsibility of the user utility.
- 3) The user utility is responsible for all costs associated with the delivery and return of borrowed equipment.
- 4) In circumstances where the requested equipment is not utilized, the user utility will be responsible for mobilization and demobilization costs.

MATERIALS:

- 1) Materials purchased directly from each utility's stores will be billed at replacement cost plus handling charges.
- 2) Release of emergency stock from each utility's stores will be in accordance with the utility's policies.

RATES:

Equipment rates include routine maintenance, operating expenses and fixed costs such as depreciation and interest. Labour rates include equipment operators, line crew labour and/or other personnel services requested. These rates will be based on the actual salary or contract rate for each classification plus appropriate overheads.

The co-ordinators will be responsible for maintaining an up-to-date schedule of rates in conjunction with their respective Finance Departments. The Finance Departments of both utilities will review the rates annually.

Refer to Appendices 2 and 3 for rate details.

PROTOCOLS FOR REQUESTING SERVICES/MATERIALS/EQUIPMENT:

- 1) Safety remains the highest priority of both utilities. The host utility will ensure that the highest standards of employee safety and protection guarantee apply.
- 2) The utility providing specialized equipment will ensure a qualified operator accompanies the equipment.
- 3) Non-specialized equipment may be shared for situations where the requesting utility is faced with a non-routine work requirement. This sharing will be at the discretion of the local area management and the conditions of this MOU will apply.
- 4) When linecrew services are requested for emergency response, the utility will normally respond with full crews.
- 5) Linecrews assigned to work with crews from the other utility, will be assigned a specific project where practical, and will follow the normal work practices and methods of their “home” utility.
- 6) Both utilities will retain the right to withhold the sharing of its crews and equipment in situations where local management is concerned about the possibility of an emergency within its own system.
- 7) The Co-ordinators will on a continuing basis jointly review sharing requests to ensure the most cost effective methods are utilized.
- 8) Both utilities will have the right to recall its crews and equipment to respond to an emergency on its own system. Where temporary generation is providing emergency power to customers, the recall of this generation equipment will be subject to senior management review by both utilities.
- 9) The Co-ordinators will be responsible for maintaining daily communication with respect to any sharing activities, and will ensure that supplied equipment has been approved by the user.
- 10) Detailed invoices shall be provided to the user utility within sixty (60) days.

PERSONAL INJURY AND PROPERTY DAMAGE:

Refer to Appendix 4.

Contact Information

SHARING CO-ORDINATORS

Newfoundland Power

Glenn Samms
(709) 737-5702 (Work)
(709) 685-0793 (Cell)
(709) 364- 7361 (Home)
gsamms@newfoundlandpower.com

After Hours

(709) 737-5993 (Control Centre)

Newfoundland & Labrador Hydro

Hughie Ireland
(709) 258-2367
(709) 486-0350
(709) 489-8827
hireland@nlh.nl.ca

After Hours

(709) 737-1958/1957 (Control Centre)

FINANCE CONTACTS (Charge-Out Rates)

Newfoundland Power

Don Myler
(709) 737-5855
dmyler@newfoundlandpower.com

Newfoundland & Labrador Hydro

Donna Smith
(709) 737-1966
dsmith@nlh.nl.ca

APPENDIX 2

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Newfoundland Hydro and Newfoundland Power Shared Equipment Rates and Guidelines

Introduction

Equipment is shared between Newfoundland Power and Newfoundland Hydro and charge-out rates have been developed to facilitate the invoicing process for this equipment between the two companies. This document will serve as a guideline in the preparation and processing of these invoices and will be reviewed/updated on an annual basis. Newfoundland Hydro and Newfoundland Power have designated contacts, as identified in Appendix 1, who will be responsible for the maintenance of charge-out rates for each Company. It is recognized that this will be a working document and will be updated as additional equipment is shared between the two organizations.

Equipment Rates

Daily rates (based on an eight hour day) have been developed and include capital and operating costs. Appendix 3 includes a listing of examples of equipment that may be shared from each Company and the applicable charge-out rates. The utilization factors used in the rate calculation may change if there is a significant difference in the equipment usage (i.e., significant usage by the organization borrowing the equipment would result in a higher utilization rate and a reduced billing rate.) This will have to be reviewed on a five year basis with adjustments made as necessary. If there is a requirement to share equipment not listed in this agreement, charge-out rates will be based upon the accounting philosophy used for the examples listed for both utilities.

Labour Rates

It is recognized that the owners employees may be required to operate the shared equipment. Also, employees from either utility may have to provide switching services for the other utility. Therefore, labour rates have been developed to cover these costs. These rates include the base rate, payroll overheads, pension costs, and overheads. Newfoundland Hydro's rate is 161% of base wage. Newfoundland Power's rate is 166% of base wage.

Fuel Costs

It is agreed that fuel costs will be the responsibility of the Company borrowing the equipment and they will receive and return the vehicle with a full tank of fuel. For some of the larger equipment (e.g., mobile gas turbine), the operator who accompanies the rental may arrange for fuel delivery. In this case, the costs will be directly billed to the borrowing Company.

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Travel Costs

Any travel costs and other miscellaneous costs that are incurred while operating shared equipment will be charged as they are incurred and will be supported by invoices.

Administration Overhead

An administration overhead will be included on each invoice to cover the various administrative costs associated with the provision and invoicing of the shared equipment. Newfoundland Hydro and Newfoundland Power have agreed to a rate of 10% (maximum \$1000).

Invoicing Procedures

Each job will be billed on an individual basis. All invoices will be forwarded and received by the sharing coordinators of both utilities, who will then forward the invoices to their accounting departments for payment.

APPENDIX 3
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Equipment Listing
Newfoundland Power Shared Equipment with Newfoundland Hydro

REVISED : 22-Jun-06

Item	Description	Home Location	Original Cost	Useful Life	Depreciation Rate	CCA Rate	Annual Fixed Charge rate	O&M as a % of Plant (Excl Fuel)	Annual Cost			Utilization As a % of a Year	Operating Daily Rate	Standby Daily Rate	Hourly Rate ¹²
									Capital	O&M	Total				
1	Mobile Gas Turbine, 7.5 MW 25 / 12.5 / 4.16 kV	Grand Bay	\$598,875	28	3.55%	4%	12.1%	8.7% (1)	\$72,464	\$52,102	\$124,566	10% (4)	\$3,413	\$1,985	
2	Mobile Diesel #3 2.5 MW	Grand Bay	\$1,922,641	28	3.55%	4%	12.1%	1.8% (1)	\$232,640	\$34,608	\$267,247	10% (4)	\$7,322	\$6,374	
3	Leased Diesel 1.5 MW	Trepassey	\$750,000				12.1%	1.8%	\$10,000	\$13,500	\$23,500	10% (4)	\$644	\$274	
4	Mobile Transformer, 25 MVA 138 / 66 kV - 25 / 12.5 kV P335	EMC (Topsail Rd)	\$635,383	36	2.75%	4%	10.8%	2.4% (2)	\$68,621	\$15,249	\$83,871	50% (6)	\$472	\$386	
5	Mobile Transformer, 50 MVA 138 / 66 kV - 25 / 12.5 kV P435	EMC (Topsail Rd)	\$1,902,719	36	2.75%	4%	10.8%	2.4% (2)	\$205,494	\$45,665	\$251,159	50% (6)	\$1,376	\$1,126	
6	Mobile Transformer, 10 MVA 66 kV - 25 / 12.5 / 4.16 kV P135	EMC (Topsail Rd)	\$423,365	36	2.75%	4%	10.8%	2.4% (2)	\$45,723	\$10,161	\$55,884	50% (6)	\$306	\$251	
7	Portable Power Cables 250 - 750 MCM, 12.5 - 25 kV	EMC (Topsail Rd)	\$45,700	36	2.75%	4%	10.8%	2.4% (2)	\$4,936	\$1,097	\$6,032	50% (6)	\$33		\$4
8	Line or Boom Truck c/w Derricks	Area Offices	\$160,000	9	8.34%	30%	14.0%	7.3% (3)	\$22,400	\$11,680	\$34,080	57% (5)	\$164		\$21
9	T/E Tension Stringer	Area Offices	\$19,869	15	6.67%	30%	12.2%	7.3% (3)	\$2,424	\$1,450	\$3,874	20% (9)	\$53		\$7
10	Mobile Vacuum Pump	EMC (Topsail Rd)	\$25,219	25	4.00%	20%	9.1%	7.3% (3)	\$2,295	\$1,841	\$4,136	10% (10)	\$114		\$14
11	Insulator Washer	Area Offices	\$46,955	25	4.00%	20%	9.1%	7.3% (3)	\$4,273	\$3,428	\$7,701	10% (11)	\$211		\$26

APPENDIX 3
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Equipment Listing
Newfoundland Power Shared Equipment with Newfoundland Hydro

REVISED : 22-Jun-06

Item	Description	Home Location	Original Cost	Useful Life	Depreciation Rate	CCA Rate	Annual Fixed Charge rate	O&M as a % of Plant (Excl Fuel)	Annual Cost			Utilization As a % of a Year	Operating Daily Rate	Standby Daily Rate	Hourly Rate ¹²	
									Capital	O&M	Total					
12	Thermoscan Equipment	Area Offices	\$72,259	25	4.00%	20%	9.1%	7.3%	(3)	\$6,576	\$5,275	\$11,850	30% (11)	\$108		\$14

O&M Rates Less Fuel

- (1) 5 year average based on actual
- (2) Based on 1998 Total Substation O&M
- (3) Based on vehicle detail

See Sheet for O&M Rates for Detail

Utilization Rates

- (4) 10% -- Used mainly for emergency purposes.
- (5) 57% -- Based on 5 days a week * 52 weeks * 80% utilization / 365 days
- (6) 50% -- Based on schedule in service for 1999. - Lorne Thompson
- (7) 20% -- Average Estimate From Superintendent of Regional Operations where plant located.
- (8) 10% -- Based on testing 3 trucks a day. We Have about 90 trucks.
- (9) 20% -- Estimated From Supt. of Regional Operations - Don Norman
- (10) 10% -- Estimated From Energy Supply - Lorne Thompson
- (11) 10% -- There was a 1% estimated From Supt. of Regional Operations - Don Norman (Use 10% as a minimum)
- (12) Hourly rate based on 8 hours per day. Daily rate should max at 8 hours.

Equipment Listing
Newfoundland & Labrador Hydro Shared Equipment with Newfoundland Power

APPENDIX 3
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REVISED : 22-Jun-06

ITEM	DESCRIPTION	Home Location	Capital Cost	Useful Life	Annual Depreciation Costs	Interest Expense	Operating Costs	Total Annual Operating Costs	Average Annual Usage Hours	CHARGE RATE HOURLY	CHARGE RATE DAILY(8 HRS)
13	Transformer Mobile (P235), 15 MVA 138 kV/25 kV - 12.5 kV c/w 138 kV Switch, 25 kV OCB	Bishop's Falls	110,157	21	5,246	6,177	2,000	13,423	720	18.64	149.14
14	Transformer, Portable 1.5 MVA 25 kV - 12.5 kV/4160 V. Mounted on a Truck Pallett	Bishop's Falls	150,338	40	3,758	9,529	500	13,787	720	19.15	153.19
15	Transformer Oil Degasifier, Mobile c/w Vacuum Hoses and Power Cables Fleet aNo. 8661	Bishop's Falls	67,238	10	6,724	3,524	2,000	12,248	200	61.24	489.90
16	GT 3000, c/w 47ft. Boom Insulated Buckets and Winch, Equipment #7974 & Boom # 6069	Bishop's Falls <small>(Other units at SVL & WHB)</small>	308,257 82,490	10	39,075	20,478	10,000	69,553	250	278.21	2225.70
17	Terra Veh. c/w Hiab Boom and Back Hoe, Equipment #7735 & Boom # 6072	Bishop's Falls <small>(Other units at SVL & WHB)</small>	102,106 28,210	10	13,032	6,830	8,000	27,861	500	55.72	445.78
18	Go Track 1600 c/w 46 ft. Boom Insulated Bucket and Winch #7846 & Boom # 6075	Bishop's Falls <small>(Other units at SVL & WHB)</small>	329,830 Boom Inclu	17	19,402	17,972	10,000	47,374	500	94.75	757.98
19	Go Track #7649 1000 Crew Cab c/w Back Hoe # 9615	Bishop's Falls <small>(Other units at SVL & WHB)</small>	93,865 39,071	10	13,294	6,967	8,000	28,261	500	56.52	452.17
20	Go Track 1000 Dump Equipment #7676	Bishop's Falls <small>(More units at SPL, BDE & SVL)</small>	107,632	10	10,763	5,641	6,000	22,404	500	44.81	358.46
21	Sprayer, High Pressure, Hot Line	Stephenville	15,455	5	3,091	831	200	4,122	200	20.61	164.88
22	Portable Oil Purifier (Delevac)	Bay D'Espoir Plant	36,641	5	7,328	1,970	2,000	11,298	200	56.49	451.93
23	Powered Work Cages (2) for Working on Surge Tanks at BDE	Bay D'Espoir Plant	58,128	10	5,813	3,046	2,000	10,859	400	27.15	217.18
24	Portable Oil Skimmer	Bay D'Espoir Plant	7,064	5	1,413	380	636	2,429	400	6.07	48.57

Equipment Listing
 Newfoundland & Labrador Hydro Shared Equipment with Newfoundland Power

APPENDIX 3
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REVISED : 22-Jun-06

ITEM	DESCRIPTION	Home Location	Capital Cost	Useful Life	Annual Depreciation Costs	Interest Expense	Operating Costs	Total Annual Operating Costs	Average Annual Usage Hours	CHARGE RATE HOURLY	CHARGE RATE DAILY(8 HRS)
25	Transformer Oil Reclamation Unit	Bishop's Falls	530,900	15	35,393	28,538	10,000	73,931	250	295.72	2365.79
26	GT 3000 (stetched machine) , c/w 100 ' boom (1200 lbs. Capacity)	Bishop's Falls	304,558 348,000	10	65,256	15,961	10,000	91,217	300	304.06	2432.46

APPENDIX 4
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**CLARIFICATION OF INTENT REGARDING
 PERSONAL INJURY AND PROPERTY DAMAGE**

Clarification of the intent of the MOU as to who pays for physical damages that occur to the borrowed equipment or for third party property damages or bodily injuries resulting from the operation of the borrowed equipment.

PHYSICAL DAMAGE TO BORROWED EQUIPMENT

Scenario	Who pays
1. Licensed equipment insured under an Auto policy while being transported by the Lender to & from the Borrower's designated site. (Understood that the intent is for such equipment to always be loaned w/ an operator.)	The Lender and/or the Lender's Auto insurance. (The Lender shall be responsible for the deductible or full amount of damage if self insured.)
2. Other equipment being transported by the Lender to and/or from the Borrower's designated site.	The Lender and/or the Lender's Property insurance. (The Lender shall be responsible for the deductible or full amount of damage if self insured.)
3. Other equipment being transported by the Borrower to & from the Borrower's site.	The Borrower and/or the Borrower's Property insurance (which covers property of others while in the Borrower's CCC.).
4. Equipment (w/ or w/o operator) that while on loan and during normal operation, fails or is damaged because of the failure of a component(s), as a result of normal wear and tear .	The Lender will pay the costs of repairing the actual damages (parts and labour). The Borrower will pay all travel and accommodation costs associated with the personnel dispatched to effect the repairs to the damaged equipment, from the time they leave their normal headquarters until they return. The labour costs for these personnel for the travel time from the headquarters to the jobsite and return will also be borne by the Borrower.
5. Major equipment, such as mobile generating units, portable transformers, etc. that is damaged by something other than normal wear and tear . (It is understood that generating units will always be supplied with operator.)	The Borrower and/or the Borrower's Property or B&M insurance.
6. "Fleet" equipment (w/ operator) (e.g. line trucks, tracked machines, ATVs, etc.) that while on loan is damaged during normal operation as a result of an accident.	The Lender is responsible for damages resulting from normal wear and tear and/or while under the direct control of the operator. The Borrower is responsible for all other damages.

BASIS OF SETTLEMENT

Where the Borrower is responsible for the damages to borrowed equipment, the Borrower shall be liable for the cost of the repairs using materials of the same kind and quality. Where the damaged property cannot be repaired, the Borrower shall replace it with property of like kind and quality.

Where property of like kind and quality cannot be obtained, the Borrower shall replace the damaged property with equivalent new property.

THIRD PARTY PROPERTY DAMAGE / BODILY INJURIES

Scenario	Who pays
1. 3 rd party property damage and/or bodily injury resulting from the Lender’s licensed vehicle while being driven by the Lender’s operator, that is insured under an auto Liability Policy.	<ul style="list-style-type: none"> • If there is no bodily injury - the Lender or the Lender’s Auto Liability insurance. (It is at the Lender’s discretion, based on the estimated value of the damages, whether or not the Lender makes a claim against their Auto Liability policy.) • If there is bodily injury regardless of whether there is or not property damage, the claim will be made against the Lender’s Auto Liability policy. (As deductibles are typically not applicable, there will be no direct cost to either the Lender or Borrower for such insurance claims.)
2. 3 rd party property damage and/or bodily injury resulting from the operation of: <ul style="list-style-type: none"> A) mounted or other equipment (supplied w/ operator) that is not insured under an Auto Liability policy; or B) any other equipment while on loan to the Borrower. 	<ul style="list-style-type: none"> A. For damages arising out of the operation of equipment supplied w/ operator: <ul style="list-style-type: none"> 1. as a result of operator negligence - the Lender and/or the Lender’s General Liability (CGL) insurance; or 2. as a result of the specific direction of the Borrower – the Borrower and/or the Borrower’s General Liability (CGL) insurance. B. The Borrower and/or the Borrower’s General Liability (CGL) insurance.