

1 Q. Article 8.5 of the Restated Joint Use Services Agreement (see Attachment A to PUB-  
2 NP-4) states:

3  
4 **“The Parties shall complete, prior to September 30, 2015, a review of pricing and**  
5 **service delivery under this Agreement for the period subsequent to September 31,**  
6 **2015. As a result of such review, this Agreement may be continued for the**  
7 **remaining five (5) years of the term, either on the terms and conditions of this**  
8 **Agreement or as revised by mutual agreement. If the Parties fail to agree as to the**  
9 **terms and conditions for the period subsequent to December 31, 2015 on or before**  
10 **September 30, 2015, this Agreement may be terminated as of December 31, 2015**  
11 **upon delivery of written notice by either Party to the other on or before October 31,**  
12 **2015.”**

13  
14 Please reconcile this language (which effectively gives either party the right to  
15 terminate the Agreement for any reason as at December 31, 2015) with the  
16 statement at p.4 of the Additional Evidence of Newfoundland Power Inc. of August  
17 26, 2011 which states:

18  
19 **“The extension of single party installation and removal of the Joint Use Support**  
20 **Structures through 2020 assures material additional financial benefits to**  
21 **Newfoundland Power and its customers under the new Joint Use regime.” (italics in**  
22 **original)**

23  
24 A. Article 8.5 of the Restated Joint Use Services Agreement contemplates a review of  
25 pricing and service delivery under the said agreement for the period subsequent to  
26 December 31, 2015, and not September as indicated in the question.

27  
28 There are three essential outcomes that could result from the agreed review of pricing for  
29 installation and removal of Joint Use Support Structures subsequent to December 31,  
30 2015.

31  
32 One outcome is that Newfoundland Power and Bell Aliant agree to continue pricing as  
33 agreed for the period up to December 31, 2015. This outcome is reflected in Exhibit 10  
34 which indicates benefits in terms of levelized annual revenue requirement for the period  
35 2011 through 2020 of approximately \$1.4 million per year with an associated net present  
36 value of approximately \$10.1 million.

37  
38 A second outcome is an agreed change in pricing which would increase or decrease  
39 benefits to Newfoundland Power and its customers. Exhibit 11 shows the impact of a  
40 variation of +/- 25% in the benefits associated with Newfoundland Power’s installation  
41 and removal of all Joint Use Support Structures as a result of the 2015 review of pricing.  
42 A change in the benefits of +/- 25% results in benefits in terms of levelized annual  
43 revenue requirement for the period 2011 through 2020 in a range of approximately \$1.3  
44 million to \$1.6 million per year with an associated net present value in a range of  
45 approximately \$8.9 million to \$11.4 million.

1 The third outcome, which Newfoundland Power believes to be relatively unlikely, is that  
 2 the parties fail to agree terms and conditions beyond December 31, 2015 and the Restated  
 3 Joint Use Services Agreement is terminated.<sup>1</sup> If this were to occur, the benefits in terms  
 4 of levelized annual revenue requirements for the period 2011 through 2020 would be  
 5 approximately \$730,000 per year, with a net present value of approximately \$5.1 million.  
 6

7 Table 1 summarizes the impact on the benefits to Newfoundland Power and its customers  
 8 of the three essential outcomes that could result from the agreed review of pricing for  
 9 installation and removal of Joint Use Support Structures subsequent to December 31,  
 10 2015.  
 11  
 12

**Table 1**  
**2015 Pricing Review Outcomes**  
**Benefits Summary**  
**(in \$millions)**

	<b>Annual Revenue Requirement</b>	<b>Net Present Value of Surplus</b>
Status Quo	1.4	10.1
± 25% Change	1.3 to 1.6	8.9 to 11.4
Termination	0.7	5.1

13  
 14  
 15 Financial benefits to Newfoundland Power and its customers in a range of approximately  
 16 \$730,000 per year (with a \$5.1 million net present value) to \$1.6 million per year (with a  
 17 \$11.4 million net present value) are *assured* by the terms of the Restated Joint Use  
 18 Services Agreement, irrespective of the outcome of the 2015 review of pricing and  
 19 service delivery.  
 20

21 This range of benefits is approximately 1.8 times to 4 times the annual customer benefits  
 22 forecast at the time of Newfoundland Power's purchase of Bell Aliant's Joint Use  
 23 Support Structures in 2001 which was approved by Order No. P.U. 17(2001-2002).

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<sup>1</sup> Newfoundland Power considers this to be relative unlikely (as opposed to, say, repricing) because Bell Aliant will still be obligated to install and remove Joint Use Support Structures under the 2011 Joint Use Agreement through 2020.