

1 **Q. What would be the consequences of a delay in the application until the number and**
2 **location of the poles to be transferred has been clearly determined?**

4 **A. A. Response**

6 This Application seeks Board approval of Newfoundland Power's proposed sale of 40%
7 of its Joint Use Support Structures to Bell Aliant. The terms of the proposed sale were
8 agreed between Newfoundland Power and Bell Aliant in the context of a revised Joint
9 Use regime, and were the result of extended negotiations through the last half of 2010.
10 This Joint Use regime was intended to replace the Joint Use arrangements in effect from
11 2001 through 2010. The new regime provides both financial and operational certainty for
12 the Company regarding the Joint Use of Support Structures commencing January 1, 2011.

14 A delay in the application until the number and location of the poles has been clearly
15 determined will introduce a degree of financial and operational uncertainty for
16 Newfoundland Power in respect of Joint Use of Support Structures.

18 **B. Consequences of Delay**

20 The Purchase Agreement and 2011 JUA agreed between Newfoundland Power and Bell
21 Aliant together provide an orderly transition from the Joint Use regime which existed
22 from 2001 through 2010, in which Newfoundland Power owned, constructed and
23 maintained all Joint Use Support Structures, to a new Joint Use regime whereby
24 Newfoundland Power and Bell Aliant both own, construct and maintain Joint Use
25 Support Structures.

27 The primary cost associated with Joint Use is the cost of ownership of Joint Use Support
28 Structures. The Purchase Agreement provides that by mid-2011, Bell Aliant will have
29 assumed the cost of ownership of 40% of Joint Use Support Structures existing as at
30 December 31, 2010. This is achieved upon payment of \$45.7 million as provided for in
31 the Purchase Agreement. This amount is calculated based on the net book value of
32 Newfoundland Power's Joint Use Support Structures and is reasonably estimable from
33 the Company's accounting records. The agreed receipt of this payment by mid-2011
34 provides financial certainty to Newfoundland Power.

36 The Purchase Agreement provides that by year-end 2011, Bell Aliant will have assumed
37 the operational responsibilities associated with ownership of 40% of Joint Use Support
38 Structures, as contained in the 2011 JUA. This arrangement permits the completion of
39 the pole count survey and the confirmation of specific Joint Use Support Structure
40 attributes which will facilitate the orderly transition of operating and maintenance
41 responsibilities.

43 As indicated in Evidence and the Responses to Requests for Information PUB-NP-1,
44 PUB-NP-2, PUB-NP-3 and PUB-NP-4, the negotiated arrangements also ensure

Requests for Information

1 maintenance of current customer service levels for Newfoundland Power's customers and
2 rights of access for owners of third party attachments to Joint Use Support Structures.¹

3 These arrangements provide a significant degree of operational certainty for
4 Newfoundland Power, its customers and third parties.

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6 If Board approval of the sale of 40% of the Joint Use Support Structures is not received
7 by June 30, 2011, the Purchase Agreement is subject to termination by either
8 Newfoundland Power or Bell Aliant. Should the Purchase Agreement be terminated,
9 both it and the 2011 JUA become null and void. In this situation, the Company would
10 have no comprehensive regime for Joint Use of Support Structures from January 1, 2011.

¹ Among the features which impact customer service levels are the inclusion of Newfoundland Power's operational practices for Support Structure inspections and maintenance and emergency response as part of the 2011 JUA. This is unique among Canadian multi-owner Joint Use arrangements. Among the features which impact owners of third party attachments to Joint Use Support Structures is the calculation of rental rates upon the basis of existing contractual arrangements through 2011 as part of the Purchase Agreement.