

1 Q. Reference: Front End Engineering Design, Volume I, Page D-231

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3 Is it Hydro's view that Section 41 of the *Public Utilities Act* requires that advance
4 approval of the Board be obtained before Hydro can conduct detailed engineering
5 for capital work? If so, please provide a detailed explanation of the basis for this
6 view.

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9 A. Section 41 of the Public Utilities Act states that "a public utility shall submit an
10 annual capital budget of proposed improvements or additions to its property to the
11 Board for its approval not later than December 15 in each year for the next calendar
12 year." It also states that "the budget shall contain an estimate of future required
13 expenditures on improvements or additions to the property of the public utility that
14 will not be completed in the next calendar year" and that "a public utility shall not
15 proceed with the construction, purchase or lease of improvements or additions to
16 its property where:

17 (a) the cost of the construction or purchase is in excess of \$50,000; or

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19 (b) the cost of the lease is in excess of \$5,000 in a year of the lease without the prior
20 approval of the board."

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22 As the Phase 1 engineering costs are a portion of the total construction costs of
23 improvements or additions to capital property, Board approval is required for this
24 expenditure. It is Hydro's view that approval should be sought from the Board for
25 these costs with the Capital Budget submission for the year in which the costs are
26 to be incurred.