

1     **Q.     Volume I, Tab K, Rate Base**

2             Please provide a listing of all capital expenditures, including those from the  
3             Allowance For Unforeseen Items, that are included in the Average Rate Base  
4             numbers for 2011 and for 2012 but that have not yet been specifically approved by  
5             the Board for inclusion in these rate base numbers, including the status of any  
6             information requested by the Board in order to deal with these matters.

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9     **A.**     The Average Rate Base has not been fixed and determined by the Board for the  
10            years 2011 and 2012. A project is not formally approved as being included in rate  
11            base until rate base is fixed and determined in accordance with section 78 of the  
12            Public Utilities Act.

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14            There are three capital expenditure items arising from unforeseen events that have  
15            not been specifically approved by the Board in any proceeding. In this connection,  
16            Hydro observes that, strictly speaking, the practice before the Board is not to seek  
17            approval, *per se*, of an unforeseen capital item. Applications to the Board are,  
18            however, sometimes made in association with an unforeseen item in the event that  
19            an unforeseen capital expenditure causes the allowance for such items to be  
20            partially or completely depleted—in such a case an application may seek the  
21            replenishment of that capital category. Also, there are reporting requirements set  
22            out in the Board’s Capital Guidelines as to unforeseen items. However, to Hydro’s  
23            knowledge, aside from the implicit approval of the unforeseen item expenditure  
24            that may arise in an application to replenish the allowance for unforeseen items, or  
25            perhaps from the tacit approval of the Board that can be inferred when a utility’s  
26            reports and explanations are accepted by the Board, no specific approval is typically  
27            granted by the Board for an unforeseen expenditure.

1           There are two 2011 unforeseen item projects about which no specific approval has  
2           been ascertained: (1) Increase generating capacity – Charlottetown (\$1,481,500);  
3           and (2) Ice Storm – Baie Verte Peninsula (\$519,300). There was one 2012 project  
4           that falls into this category: Black Tickle Plant Rehabilitation (\$1,374,400). There is  
5           one report outstanding on these matters, it concerns the Black Tickle Plant  
6           Rehabilitation.