

1 Q. Reference: In Order No P.U. 29 (2014) for Hydro's 2014 Capital Budget
2 Supplemental Application – Sunnyside Replacement Equipment, the Board stated:
3 *"WHEREAS the Board is satisfied that the proposed 2014 and 2015 capital*
4 *expenditures should be approved but finds that, as the events and circumstances*
5 *surrounding the Sunnyside T1 transformer failure are currently under review as*
6 *part of the Board's ongoing Investigation and Hearing into the Supply Issues and*
7 *Power Outages on the Island Interconnected System, no determination will be*
8 *made at this time as to how the costs of the proposed work should be treated*
9 *from a regulatory perspective; and..."*

10 In light of this, please explain in detail why Hydro believes the Board should address
11 deferral and recovery of expenses associated with the increased capacity-related
12 supply costs in 2014 before Phase I of the ongoing Investigation has concluded.
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15 A. As Hydro notes at paragraph 14 of the application, the unanticipated capacity-
16 related supply costs incurred in 2014 of \$9,650,000 were necessary to provide
17 reasonably safe and adequate and just and reasonable service to its customers
18 during January-March 2014, as required by Section 37 of the *Public Utilities Act*,
19 RSNL 1990, Chapter P-47. From a timing perspective, it is important for Hydro to
20 have a determination from the Board on this matter prior to year-end so that these
21 costs can be removed from Hydro's 2014 expenses and be placed on Hydro's
22 balance sheet as a deferred asset. Hydro believes that the application provides the
23 Board with the relevant information regarding the unanticipated capacity-related
24 supply costs that Hydro prudently incurred that the Board requires to make its
25 determination in this matter.