

1 Q. **Reference: Application**

2 With respect to projects and programs with costs less than \$750,000:

3 a) Can Hydro proceed with any project that costs less than \$750,000 without first gaining
4 Board approval, with the costs of such projects and programs passed-through to
5 customers whether or not the project is shown to be prudent? How will the prudence of
6 such projects be audited? Will Board approval be required in order for such spending to
7 be included in rate base?

8 b) How is the \$750,000 threshold applied; e.g., to individual projects, projects that are a
9 component of a larger program, projects that might be a component of a larger project;
10 e.g., replacement of a faulty breaker at a substation that is undergoing refurbishment?

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13 A. a) Section 41(3) of the *Public Utilities Act*¹ directs that a public utility shall not proceed with the
14 construction, purchase or lease of improvements or additions to its property without the
15 prior approval of the Board of Commissioners of Public Utilities (“Board”) where the cost of
16 the construction or purchase is in excess of the amount prescribed in the regulations; or the
17 cost of the lease over the expected life of the lease is in excess of the amount prescribed in
18 the regulations. The inverse of that section then is that if the costs of the construction or
19 purchase are less than the prescribed amount, the utility can proceed without prior
20 approval of the Board. That provision does not speak to whether those costs can be
21 recovered from customers; whether or not costs can be recovered is determined by the
22 Board when the utility submits its rate base for approval. Although the utility does not need
23 prior approval of the expenditure, the Board retains all oversight and the ability to make
24 inquiries to determine whether the expenditures should be approved and added to the rate
25 base as it has with expenditures that require pre-approval.

¹ *Public Utilities Act*, RSNL 1990, c P-47.

- 1 **b)** Newfoundland and Labrador Hydro believes that the threshold applies to individual
- 2 projects or general programs that may consist of several projects that are also less than the
- 3 threshold.