



*Newfoundland
& Labrador*

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF AN APPLICATION BY
NEWFOUNDLAND & LABRADOR HYDRO
FOR A
GENERAL RATE REVIEW

DECISION AND ORDER
OF THE BOARD

ORDER No. P.U. 7 (2002-2003)
JUNE 7, 2002

BEFORE:

Mr. Robert Noseworthy
Chair and Chief Executive Officer

Ms. Darlene Whalen, P.Eng.
Vice-Chair

Mr. Don Powell, C.A.
Commissioner

Mr. G. Fred Saunders
Commissioner

The Board will order that, for the purposes of establishing the revenue requirement, NLH reduce its approved capital budget by 7½%. This downward adjustment will reduce depreciation and interest expense as well as the forecast rate base for the 2002 test year.

iii) Contingency Fund

In previous capital budget applications NLH has requested approval, and the Board has ordered the inclusion, of a contingency fund in the amount of \$1,000,000. The Board's intention for the contingency fund was to allow NLH to deal with emergency funding requirements of a capital nature. The Board notes that NP has a similar provision in place called "*Allowance for Unforeseen Items*". For consistency the Board will refer to NLH's fund in the same manner.

The Board believes that it is necessary to implement certain conditions regarding the type of project expenditures that should be made from the contingency fund, which will now be referred to as "*Allowance for Unforeseen Items*". These conditions are outlined below:

- i. The cost of the project must be greater than \$50,000.
- ii. The project must be seen, both by NLH and subsequently by the Board, to be urgent. Circumstances must require that immediate action be taken, and it must be evident that any delay resulting from the time taken to file an application with the Board could have serious negative consequences for the company, its customers, or the public. These consequences may be financial, or for reasons of safety or reliability. ✓
- iii. A report must be filed with the Board detailing the circumstances of the need, the alternatives that have been considered, the financial effects of each of the alternatives, and reasons for the choice. Any reliability or safety issues should be reported in detail at this time. Also included must be a time line that indicates the date of the requirement for emergency action, the date of the decision of the company, the date upon which the action was begun, and the expected date of completion of the projects.
- iv. The reports on expenditures from the "*Allowance for Unforeseen Events*" for the year must be entered as part of the Application for Approval of the Capital Budget for the following year.
- v. The "*Allowance for Unforeseen Events*" will be considered by the Board annually at the time it considers the NLH capital budget and may be varied from year to year. Unused balances in the account will not carry forward.

The Board will approve an "*Allowance for Unforeseen Events*" of \$1,000,000 as part of the 2002 capital budget but will impose conditions on its use.