

1 **Q. What risks for customers, from a cost or service perspective, were identified arising**  
2 **from the sale of the Joint Use Structures to Bell Aliant? Please provide a full**  
3 **explanation.**

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5 A. The primary risks to Newfoundland Power's customers identified as arising from the sale  
6 of the Joint-Use Support Structures to Bell Aliant were (i) the potential for increased  
7 costs associated with future Joint-Use Support Structure management and (ii) the  
8 potential for degradation of service associated with future Joint-Use Support Structure  
9 management.

10  
11 From a cost perspective, the key consideration was that Bell Aliant bear 40% of the costs  
12 associated with Joint-Use Support Structures. This includes the costs of planning,  
13 construction and maintenance of the Support Structures. This 40% ratio is consistent  
14 with current Canadian public utility practice.<sup>1</sup> The 2011 Joint Use Agreement (the "2011  
15 JUA") expressly provides for sharing of costs on this basis.

16  
17 From a service perspective, the key consideration was that the new Joint-Use regime be  
18 consistent with the maintenance of Newfoundland Power's current customer service  
19 levels.<sup>2</sup> This matter was explicitly addressed in the 2011 JUA by (i) incorporating  
20 Newfoundland Power's construction, inspection and maintenance practices explicitly in  
21 the 2011 JUA<sup>3</sup>, and (ii) by creating provisions which create an explicit economic  
22 incentive for Bell Aliant to fulfill those standards and enabling Newfoundland Power to  
23 perform necessary work not performed by Bell Aliant at Bell Aliant's expense and risk.<sup>4</sup>

24  
25 The evidence shows that Bell Aliant's assumption of 40% of the costs of Joint Use  
26 Support Structure as agreed with Newfoundland Power results in (i) a *positive* levelized  
27 revenue requirement impact (indicating a financial benefit to customers) of  
28 approximately \$123,000 per year, or (ii) a cumulative net present value benefit of  
29 approximately \$0.5 million over the 5-year period when compared with a 2011 renewal  
30 of the 2001 Joint Use Facilities Partnership Agreement.<sup>5</sup> In addition, the evidence shows  
31 the terms negotiated in the 2011 JUA provide reasonable assurance that no degradation of  
32 service will occur due to future management of Joint-Use Support Structures when  
33 compared to the management of Joint-Use Support Structures in the period 2001 through  
34 2010.

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<sup>1</sup> See Prefiled Evidence, Page 5, line 1 to Page 6, line 5; Exhibit 2.

<sup>2</sup> The principal concern here was in the standards used in construction, inspection and maintenance, concluding the response to damaged Support Structures. Damage to Joint-Use Support Structures which causes electrical service interruption is relatively infrequent. Support Structure damage, including damage from major storm events, accounts for less than 1% of Newfoundland Power's electrical service interruptions on an annual basis. Adherence to appropriate standards for construction, inspection of maintenance of Joint-Use Support Structures will help ensure that service levels do not degrade as a result of Joint-Use Support Structure failure.

<sup>3</sup> Construction practices have been incorporated in Joint-Use agreements since at least the 1980s. The incorporation of inspection and maintenance practices, however, is unique in such arrangements in Canada (See: Prefiled Evidence, Page 10, footnote 27).

<sup>4</sup> Article 11.03 of the 2011 JUA specifically provides for expedited notification of default and Article 11.02 permits the party not in default to perform the work at 200% of fully distributed cost and the defaulting party's liability risk.

<sup>5</sup> See Prefiled Evidence, Page 11, line 14 to Page 12, line 10; Exhibit 8.