

HAND DELIVERED

December 2, 2011

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies & Gentlemen:

**Re: 2012 Hydro Capital Budget Application – Phase III Schedule**

Newfoundland Power has considered, and wishes to comment on, Hydro's letter of November 30<sup>th</sup>, 2011 concerning Phase III of its 2012 Capital Budget Application (the "Application").

***The Project***

Phase III is comprised of the *Upgrade Transmission Line Corridor – Bay D'Espoir to Western Avalon* project (the "Project"). It involves construction of 188 kilometres of 230 kV transmission line between Hydro's Bay D'Espoir hydroelectric plant and Western Avalon substation. The proposed expenditure associated with the Project is \$209.4 million.

This proposed expenditure exceeds the *combined* annual capital expenditures of Hydro and Newfoundland Power. Indeed, the Project represents the largest single capital expenditure the Board has ever been asked to approve under the *Public Utilities Act*. Considering the nature of the Project and the magnitude of the proposed expenditure, it is reasonable to anticipate that a technical conference and/or a hearing would be required.

***Process to Date***

The Project was identified in the Application filed on August 3<sup>rd</sup>, 2011. Hydro's 45-page report justifying the Project was filed on September 22<sup>nd</sup>, 2011, nearly two months after the filing of the Application. On September 26<sup>th</sup>, 2011, the Board established a schedule to consider the Project.

A total of 83 Requests for Information ("RFIs") with respect to the Project were submitted to Hydro by October 14<sup>th</sup>, in accordance with the established schedule. Replies to RFIs were due on October 24<sup>th</sup>, but have not been submitted.



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***Phase III Schedule***

The Capital Budget Guidelines provide for a four-month schedule annually, from filing of an application to issuance of an order. By including the Project in the Application, Hydro implied that it would be able to justify the Project within that timeframe.

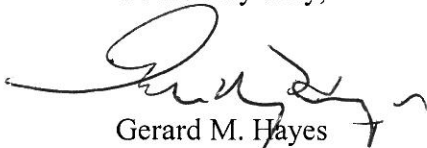
Hydro has suggested commencing responses to the first round of RFIs in March or April of 2012, reflecting a delay of approximately 5 months from the established schedule. In the absence of timely responses to the outstanding RFIs, however, it is difficult for the Board and the parties to assess the requirements for further process or evidence, or a reasonable timeframe for such. For this reason, Newfoundland Power proposes that responses to the outstanding RFIs should be scheduled as soon as is reasonably possible.

In its letter of November 30<sup>th</sup>, Hydro submits that Phase III of the Application should be coordinated with other matters on the regulatory schedule, in part to ensure that "other matters that are before the Board or that will come before the Board" will not be unduly affected.

It is not disputed that improved coordination of the regulatory schedule is desirable. However, there have already been significant delays and scheduling difficulties associated with this and other matters now before the Board. In Newfoundland Power's view, further delaying matters already in progress will not facilitate efficient regulatory process in an overall sense. Rather, it will place further strain on a 2012 regulatory schedule which, as Hydro has indicated, already promises to be a challenging one.

We trust this is in order. However, if you have questions regarding the foregoing, please contact the undersigned.

Yours very truly,



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Senior Counsel

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Newfoundland & Labrador Hydro

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