

October 10, 2013

Ms. G. Cheryl Blundon
Director of Corporate Services and Board Secretary
Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

Ladies & Gentlemen:

**Re: Newfoundland and Labrador Hydro 2014 Capital Budget Application
Rate Base Issues**

Further to Ms. Blundon's correspondence of October 8, 2013, the Consumer Advocate wishes to thank the Board for the opportunity to comment and does so as follows:

1. Upgrade of Cat Arm Access Road

The inclusion of the expenditures in relation to the project must await the Board's confirmation that the inclusion in rate base would be consistent with generally accepted said public utility practice. This is as per the Board's Order P.U. 24 (2012).

2. Black Tickle Diesel Fire Restoration Project

The Consumer Advocate submits that it would be premature to include into rate base the expenditures associated with the use of the Allowance for Unforeseen Items for the Black Tickle Diesel Fire Restoration Project until the Board has established a process for dealing with the issue in the wake of its receipt of Hydro's April 1, 2013 report. This appears to have been the intention of the Board's letter of January 3, 2013. The Consumer Advocate acknowledges that on today's date Hydro filed its final report on the Black Tickle Diesel Plant Fire Restoration Project, but time has not permitted a review of same at the time of writing.

3. 2011 Capital Asset Purchases of \$2,001,920

Given that these costs were previously disallowed, they should not be included in rate base until such time that a process has been established whereby this matter can be determined with the

input of Hydro and the parties. The basis and rationale for the inclusion of these costs into rate base as sought by Hydro in the light of their previous disallowance is not clear on the basis of the Capital Budget Application.

We trust the foregoing is found to be in order. If you have any questions please do not hesitate to contact the undersigned.

Yours very truly,



THOMAS JOHNSON

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TJ/cel

encl.

cc: **Newfoundland and Labrador Hydro**
Mr. Geoffrey Young

Newfoundland Power Inc.
Mr. Gerard Hayes

Industrial Customers
Mr. Paul Coxworthy
Dean Porter

Vale Newfoundland and Labrador Limited
Ms. Leanne O'Leary, Cox & Palmer