

1 Q. Hydro has filed this Application pursuant to section 41 of the *Public Utilities Act*, which describes  
2 the utility's responsibilities to obtain the approval of the Board of capital projects in excess of  
3 \$50,000. However, according to page 2, paragraph 7 of this Application, Hydro is also requesting  
4 the Board make an Order approving a charge to St. Mary's River Energy LLP ("SMRE") which  
5 includes an operations and maintenance factor of 7% of the capital cost to cover future  
6 maintenance requirements.

7 i. Please explain why Hydro is requesting Board approval for the operations and  
8 maintenance component of the charge to SMRE.

9 ii. Please provide the rationale for the Board to approve this charge pursuant to section 41  
10 of the *Act*, and whether this is the appropriate section of the legislation.

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13 A. i. Operations and maintenance costs for common assets which require a contribution by a party  
14 requesting service are estimated based on an operations and maintenance factor which is  
15 applied to the capital cost of the project and recovered through a one-time charge.<sup>1</sup> The 7%  
16 operations and maintenance factor that is reflected in the charges to Saint Mary's River Energy  
17 LLP ("SMRE") in Schedule 2 of Newfoundland and Labrador Hydro's ("Hydro") application is  
18 consistent with that which is applied to detailed construction estimates<sup>2</sup> by Hydro in accordance  
19 with the approved Contribution in Aid of Construction policy. Hydro included approval of the  
20 operations and maintenance factor of 7% of the capital cost to cover future maintenance  
21 requirements in an effort to be fully transparent as to the amount being charged to SMRE.

22 ii. Section 41(5) of the *Public Utilities Act* provides that "A public utility that intends to demand  
23 from its customers a contribution towards the cost of improvements or additions to its property  
24 shall not demand the contribution without the prior approval of the board." As the 7%

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<sup>1</sup> Operations and maintenance costs related to specifically assigned assets are recovered through ongoing rates paid by the customer to which the assets are specifically assigned.

<sup>2</sup> In accordance with Newfoundland Power's 2020 costing manual; the operations and maintenance factor used by Newfoundland Power for 2020 is 7.4%.

1 operations and maintenance estimate is an integral part of the contribution being sought from  
2 SMRE to ensure Hydro has sufficient funding for the future maintenance of the assets, Hydro did  
3 not feel it appropriate to exclude this amount from the approval sought from the Board.