

1 Q. Further to the response to PUB-NLH-005(g), please confirm whether Hydro has proposed a true-
2 up of CIAC amounts to reflect actual costs in previous CIAC applications. If confirmed, explain
3 the basis for proposing the use of actual costs rather than estimated costs in previous CIAC
4 applications and why it would not be applicable to this application.

5

6

7 A. Newfoundland and Labrador Hydro (“Hydro”) has reviewed its Contribution in Aid of
8 Construction (“CIAC”) applications filed with the Board of Commissioners of Public Utilities
9 (“Board”) since 2006. For Domestic and General service customers, Hydro has generally not
10 proposed a true-up of CIAC amounts to reflect actual costs. Hydro is aware of one exception
11 over this period, discussed herein.

12 In 2010, Hydro filed a CIAC application for a three-phase distribution line extension to the
13 College of the North Atlantic campus located at Labrador City. Therein, Hydro proposed to
14 refund the customer in the event that actual costs were materially lower than estimated costs:

15 “Because Hydro is proposing to use its own engineering estimates instead of
16 average construction costs, Hydro is proposing to refund to the customer any
17 overpayment the customer makes, to be determined as the amount by which
18 the estimate exceeds the actual construction costs, which costs shall be
19 determined once Hydro receives final acceptance of payment amounts from all
20 contractors and adds those costs to any internal costs that Hydro may incur.”

21 In Request for Information PUB-NLH-005 of that proceeding, the Board inquired:

22 “What is Hydro’s proposal to address the situation should the actual cost of
23 construction exceeds the estimate? Will the additional costs be recovered from
24 the customer?”

25 Hydro’s response is provided below:

26 “To date, there has not been a case where costs additional to the estimate have
27 been incurred in the context of a detailed engineering estimate. It is Hydro’s
28 policy that where actual costs exceed the estimate, the customer will not be
29 required to pay the additional costs. In the case of the average cost per meter
30 method, this may occur from time to time.”

1 Hydro's application for approval of the CIAC was approved in Board Order No. P.U. 9(2010).

2 In instances where capital works are required to serve Specifically Assigned customers served at
3 transmission or sub-transmission voltages, it is Hydro's policy to propose CIAC equal to the full
4 actual costs of construction. As the customer in question is not a Specifically Assigned
5 customer, this does not apply to this CIAC application.

6 Consistent with past practice in relation to CIAC applications for Domestic and General service
7 customers, Hydro is not proposing to request additional contributions in the event actual costs
8 exceed the estimated costs. In the event that actual costs are materially lower than estimated
9 costs, Hydro would consider the appropriateness of a refund to the customer in the amount of
10 estimated costs less actual costs.