

1 Q. Would it be appropriate to reduce the level of capital expenditure included in  
2 the 2007 forecast rate base to reflect Hydro's historical under spending of its  
3 Capital Budget? If the answer is no, please provide reasons why not. (IC-139  
4 NLH)

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7 A. Hydro does not believe it is appropriate to reduce the level of expenditure  
8 included in the 2007 forecast rate base. While historically, Hydro's capital  
9 spending has at times been below that forecast, in 2006 Hydro has taken  
10 steps to mitigate this issue. Hydro anticipates continual improvement in its  
11 ability to accurately forecast capital related spending. Initiatives include:  
12 • specific, performance-related objectives regarding capital spending for  
13 personnel responsible for capital budgets;  
14 • closer monitoring of capital spending trends; and  
15 • more emphasis on multi-year plans for equipment with long delivery  
16 times, e.g. transformers and diesel generators.