

In reference to Schedule “B”, page 17 of 82 – major electrical equipment repairs at a project cost of \$150,000:

Q. Please provide other areas of unanticipated costs in this capital budget and the total amount of unanticipated project costs in this budget.

A. The budget for Major Electrical Equipment Repairs is based on an assessment of historical expenditures to replace or rehabilitate electrical equipment occasioned by deterioration or catastrophic failure. The Company routinely experiences such expenditures each year. Historical expenditures for 2000 and 2001 were \$128,000 and \$137,000 respectively. The forecast expenditure for 2002 is significantly higher at \$638,000 due to problems with two of the Company’s generators (Rattling Brook and Seal Cove).

The Company’s 2003 Capital Budget contains an Allowance For Unforeseen Items of \$750,000 which forms part of the General Property expenditure category. This is the only budget item that is specifically intended to cover any unforeseen or unanticipated capital expenditure.