

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

**Q. Please provide similar unanticipated total costs in the budgets from 1995 to the present. Also provide a comparative table showing how these unanticipated costs were used and how year over year for the same period.**

A. The budget for the Company’s Allowance For Unforeseen Items was \$315,000 in 1995, \$600,000 in 1996 and has been set at \$750,000 since 1997.

The Company utilizes the Allowance For Unforeseen Items for the replacement of facilities and equipment damaged due to major storms or equipment failure. The purpose of the account is to permit the Company to act expeditiously to deal with events affecting the electrical system in advance of seeking the approval of the Board.

In each year, the Company reports to the Board on variances in its capital budget. For major unanticipated electrical system events, specific Board approval may be sought for expenditures, part of which may already have been made under the authorization provided by the Allowance for Unforeseen Items. A recent example of this was the April-May 2002 Burin transformer failures. The Company immediately undertook equipment repairs in order to restore service. In July 2002 after a full assessment of the matter, supplemental approval of capital expenditures by the Board was sought by the Company. The report on this incident can be found in the Response to PUB-10.2 at Attachment A.

For less significant expenditures resulting from unanticipated events, the Company may simply report to the Board a variance in an existing account. A recent example of this would be the severe lightning storms experienced by the Company in August and September. These lightning storms damaged approximately 300 transformers at a cost of approximately \$400,000. These events will cause Newfoundland Power’s 2002 transformer budget to be exceeded.

Newfoundland Power does not keep records on the basis of capital costs that were not anticipated as opposed to those capital costs that were. However, in each year the nature of electrical systems will result in capital expenditures unanticipated at the time of budget.