

In reference to Schedule “B”, page 60 of 82 – Allowance for Unforeseen Items, project cost of \$750,000:

Q. Please justify the statement, “This project provides funds for timely service and (sic) restoration”.

A. 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 specific approval of the Board. It would not be practical in these situations for the Company to delay making capital expenditures, which may be in excess of \$50,000, to restore service while awaiting Board approval.

A recent example of this was the transformer failures that occurred at the Salt Pond Substation on the Burin Peninsula in April and May of 2002. The Company undertook immediate repairs to its equipment to restore service. In July 2002, after a full assessment of the matter, the Company sought supplemental Board approval of these capital expenditures.