

**Q. Can you undertake to check that out for us before Mr. Ludlow takes the stand to advise us in writing if there is an option to purchase out those fax machines and what the purchase out price would be as opposed to the price for leasing new machines?**

A. The Company's current lease for fax machines was entered into in 1998. The original term of the lease was three years, which expired in 2001.

The original lease provided Newfoundland Power with four options upon its expiration in 2001:

1. The extension of the lease term by one year, with lease payments being reduced to 70% of the original lease payments.
2. The extension of the lease term by two years, with the lease payments being reduced to 60% of the original lease payments.
3. Purchase of the equipment at fair market value, with such fair market value being no more than 30% of the original capital cost of the equipment.
4. Terminate the lease and return the equipment as per the original lease agreement.

In 2001 the Company chose to extend the lease term by two years and reduce the payments in accordance with option #2 above.

The lease extension will expire in 2003, and there are no further extension or purchase options contained in the original lease.

These fax machines are used to facilitate switching orders and other operations functions. At the expiration of the lease extension, these fax machines will be five years old and will not be reliable or dependable enough for the purposes required.