

1 **Q. Maybe the Company can put on a sheet of paper for us the nature of the claim and**
2 **where it is, so we can see on paper exactly what can be anticipated here.**

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4 A. Effective July 1, 2002, limited coverage is provided on the Company's transmission and
5 distribution lines under the Company's new All Risk Property Insurance Policy. This
6 coverage is provided on an all perils basis with a per occurrence limit of \$500,000 with a
7 \$200,000 deductible.

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9 The physical loss and damages caused to Newfoundland Power's transmission and
10 distribution lines from the August 13 and 16, 2002 lightning storms will result in a claim
11 under the All Risk Property Insurance Policy.

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13 The status of the pending insurance claim is as follows:

- 14 • The insurer was promptly notified of the two occurrences and estimated damages.
15 On September 12, 2002 the insurer's representatives in the Province initiated an
16 initial investigation, including an inspection of a sampling of the damaged
17 transformers.
 - 18 • Property rehabilitation work is still in progress. The actual claims cannot be
19 finalized and submitted to the insurer for consideration until all work is completed
20 and total costs are known.
 - 21 • The insurer's representatives will be returning on December 9, 2002 to continue
22 the adjusting process.
 - 23 • Actual insurance proceeds will depend on a number of factors. However, based
24 on the current estimated cost of capital and operating damages of approximately
25 \$1,000,000, proceeds from insurance should be in the range of \$500,000 to
26 \$600,000. Factors affecting the final settlement amount include:
 - 27 ○ The insurer's acceptance of all costs as claimed.
 - 28 ○ The portion of the total costs attributable to each occurrence in relation to
29 the per occurrence deductible and coverage limit.
 - 30 • The timeframe for reaching a final settlement of these claims is difficult to
31 predict. Circumstances around the two incidents and associated claims processing
32 could potentially lengthen the process. Circumstances include:
 - 33 ○ The second lightning storm affected the same geographical areas and
34 occurred only days after the first storm, before all damages from the first
35 storm were identified and / or repaired. It may therefore take some time,
36 effort and discussion to separate and substantiate the costs associated with
37 each of the two occurrences.
 - 38 ○ The length of time required by the insurer to review and potentially
39 challenge the costs.
 - 40 ○ The potential for a portion of the claim to be disputed by the insurer, and
41 for any such dispute to be resolved between the parties.
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- 1 Past experience indicates that relatively complex insurance claims can take anywhere
- 2 from 1 ½ to 5 years to resolve.
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- 4 Insurance proceeds related to capital work carried out as a result of these two lightning
- 5 storms will have the effect of reducing the Company's average rate base in the year such
- 6 insurance proceeds are received.