

Pre-filed Evidence

Ludlow/Delaney

Q. Which of the these two statements most accurately describes NP's capital expenditure policy:

- 1. Expenditures associated with unanticipated capital work made necessary by conditions caused by the environment, including weather, will, wherever possible, displace existing budgets in order to ensure that the overall capital budget remains unchanged.**
- 2. Expenditures associated with unanticipated capital work made necessary by conditions caused by the environment, including weather, are in addition to the approved budget.**

(Ludlow/Delaney, p. 14, lines 1-8)

A. Neither statement accurately describes Newfoundland Power's capital expenditure policy.

Newfoundland Power's policy with respect to capital work is to complete all capital projects for which it has received approval within the year for which approval was granted by the Public Utilities Board.

However, as stated on page 3, lines 1 – 5 and page 14, lines 4 – 8 of the pre-filed evidence (1st Revision) of Mr. Ludlow and Mr. Delaney.

“Annual capital expenditures are routinely reviewed to ensure that the circumstances and projections on which the capital plans were based have not changed. Should circumstances change, expenditures that are no longer required are cancelled or deferred and, when necessary, supplementary regulatory approval is sought for unforeseen requirements.”

And

“Should an emergency arise which poses a threat to safety or to Company operations, the Company must channel its resources to these areas and make the necessary adjustments to its capital plans. In any given year, the nature of the Newfoundland environment and the weather may also compel the Company to re-examine and refocus its capital plans.”