

**General**

**Q. Ref: Reply to PUB-7 NP. Does NP utilize any financial indices, such as cash flow from operations, existing depreciation rates, or other measures to determine what is an acceptable level of capital expenditure in a given year?**

A. Newfoundland Power does not utilize any specific financial indices to determine what is an acceptable level of capital expenditure in a given year. The principal determinant of the level of capital expenditure in a given year is the Company's obligation to provide safe, reliable electrical service to customers at the lowest reasonable cost. This is the principal consideration influencing the capital budgeting process described in detail in the Company's response to NLH-1 NP.

However, the Company manages its business in order to achieve a balance between maintaining the stability of customer rates, continuing to provide safe, reliable electric service and ensuring the continued financial integrity of the Company. All of these goals are considered in determining the level of capital expenditures in a given year. Ultimately, consideration of what is an appropriate level of capital expenditures in a given year must balance all of these considerations.