

**Distribution**

**Q. Why are expenditures related to storm damage to distribution and electrical equipment (B-44, Reconstruction) that are “high priority projects that normally cannot be deferred to the next budget year” not considered to be budgeted under the provision for Unforeseen Allowances?**

A. Based on historical experience, the Company is able to predict with reasonable certainty the capital expenditure requirements associated with routine deterioration that will be identified through inspections, and minor storm damage that will occur, on an annual basis. Such deterioration or damage will often need to be repaired expeditiously in order to maintain electrical service to customers. The Reconstruction budget item is intended to provide for the numerous, smaller repairs associated with such routinely identified deterioration or damage.

On the other hand, the Allowance For Unforeseen Items budget item is intended to provide for significant unforeseen or unanticipated capital expenditures in excess of \$50,000 that have not been budgeted for under any other category of the capital budget.