

1 **Q. How does Newfoundland Power Inc. integrate its capital program with its other**  
2 **costs? For example, a distribution automation capital project may result in reduced**  
3 **operating and maintenance costs. How much money will be eliminated from**  
4 **Newfoundland Power Inc.'s other budgets as a result of its proposed 2007 capital**  
5 **program?**

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7 A. The example given for distribution automation demonstrates how a capital expenditure in  
8 technology improvement can support overall operating cost management.  
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10 Newfoundland Power manages its business with a view to controlling overall costs,  
11 which includes those capital and operating expenditures necessary to provide service.  
12 Cost management at Newfoundland Power is about initiatives of varying degrees of  
13 significance creatively implemented over time with a view to reducing overall cost to  
14 customers.  
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16 Many initiatives undertaken by Company will have a tendency to reduce cost, however,  
17 Newfoundland Power does not track the contribution of each and every initiative.  
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19 The year-to-year mix of capital and operating costs recovered in customers' rates will  
20 tend to fluctuate over time. A key focus of Newfoundland Power is how its management  
21 of the overall costs affect the rates customers pay.  
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23 For more information on Newfoundland Power's recent operating cost experience and  
24 the interrelationships of Newfoundland Power's capital and operating expenditures,  
25 please refer to the response to CA-44.0 NP.