

1 **Q. (page 54, Operating Risks) When a major storm has hit the Province in the past**  
2 **leading to widespread outages, has NP typically issued a filing with the Board for**  
3 **recovery of such costs? If so, what process is generally followed when filing for cost**  
4 **recovery?**

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6 A. In the past, when a major storm has hit the Province leading to widespread outages,  
7 Newfoundland Power has not typically filed an Application with the Board for recovery  
8 of operating costs.

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10 Capital expenditures relating to a major storm may be included in the Allowance for  
11 Unforeseen Items capital project, depending on the nature, scope and magnitude of the  
12 damage.<sup>1</sup> In cases where the damages are significant enough, the Company may submit a  
13 supplementary capital budget application to approve the expenditure or replenish the  
14 Allowance for Unforeseen Items capital project if necessary.<sup>2</sup> The Company has filed  
15 such applications in the past.<sup>3</sup>

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17 Newfoundland Power begins to recover the incremental capital costs related to severe  
18 weather events from customers once customer rates are reset. This typically follows a  
19 general rate application. Because recovery of these costs commences only when new  
20 customer rates are set, the shareholder effectively funds the capital costs until the new  
21 rates are established.

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<sup>1</sup> In the Company's annual capital budget application the Allowance for Unforeseen Items capital project is included to allow the Company to act expeditiously to respond to events affecting the electrical system in advance of seeking specific approval of the Board.

<sup>2</sup> The Allowance for Unforeseen Items capital project is described in the Board's Capital Budget Guidelines October 2007 at Section B 1, page 9 of 11. These guidelines also include direction on when supplemental approval of additional amounts is required and requirements for reporting to the Board.

<sup>3</sup> For example, Order No. P.U. 35 (2010) approved a supplementary amount of \$1,900,000 for capital expenditures incurred as a result of damage related to Hurricane Igor in September 2010.