Q. In a graph and a corresponding table, show the percentage change in the number of Newfoundland Power's customers and the percentage change in the Rate Base, for the years 1992 to 2002.

A. Table 1 and Graph 1 depicts the percentage change in both customers and Rate Base for the period 1992 to 2002.

For 2001 and 2002, Newfoundland Power's capital expenditures, and in turn, average rate base increased as a result of the purchase of joint use support structures from Aliant Telecom Inc. ("Aliant"). This extraordinary transaction was approved by the Board in Order No. P.U. 17 (2001-2002).

Graph 1 provides the percentage change in customers versus the percentage change in average rate base on two bases: (1) including the impact of the extraordinary additional capital expenditures related to the purchase of joint use support structures from Aliant, and (2) excluding the impact of extraordinary additional capital expenditures related to the purchase of joint use support structures from Aliant.

Excluding the impact of the extraordinary additional capital expenditures related to the purchase of joint use support structures from Aliant provides a more comparable year over year presentation of the percentage change in average rate base. All costs, including capital costs, of the Aliant support structures are more than fully recovered from increased third party rentals.

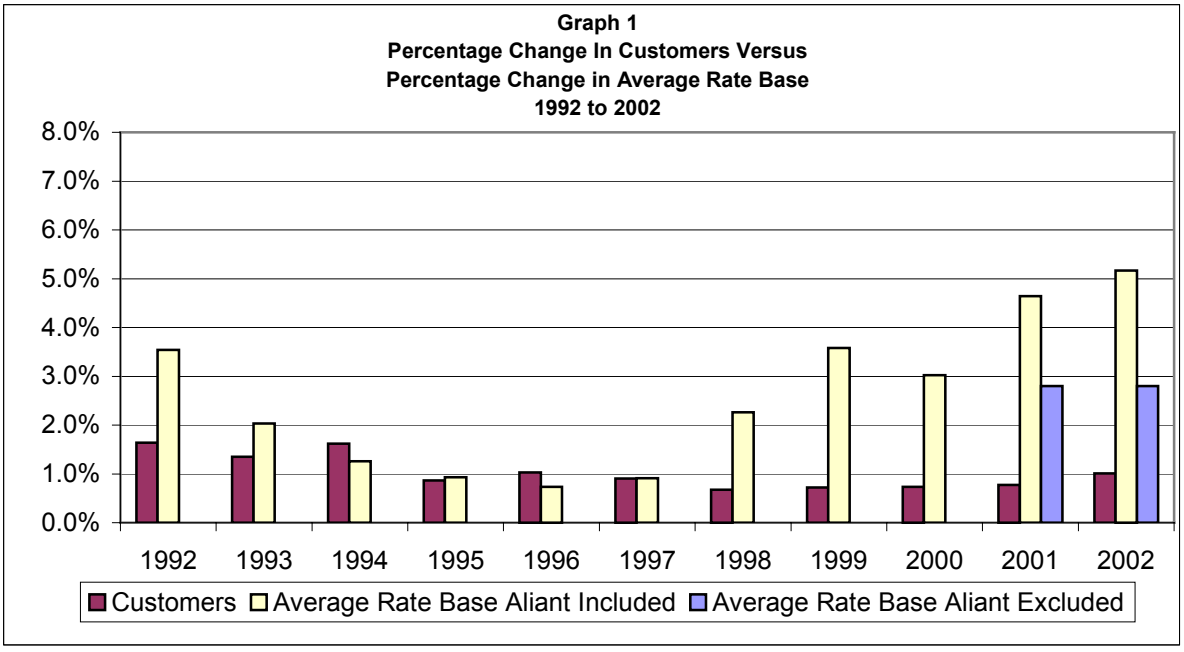

Table 1
Customer Growth Vs. Average Rate Base per Customer
1991 to 2002

Year	Year End Customers	% Growth	Average Rate Base Aliant Included	Average Rate Base Aliant Excluded	% Growth Average Rate Base Aliant Included	% Growth Average Rate Base Aliant Excluded
1991	195,730	NA	435,006	-	NA	-
1992	198,936	1.6%	450,417	-	3.5%	-
1993	201,628	1.4%	459,560	-	2.0%	-
1994	204,900	1.6%	465,334	-	1.3%	-
1995	206,674	0.9%	469,676	-	0.9%	-
1996	208,796	1.0%	473,122	-	0.7%	-
1997	210,686	0.9%	477,419	-	0.9%	-
1998	212,110	0.7%	488,204	-	2.3%	-
1999	213,641	0.7%	505,688	-	3.6%	-
2000	215,210	0.7%	520,979	-	3.0%	-
2001	216,879	0.8%	545,162	535,435	4.6%	2.8%
2002	219,072	1.0%	573,337	550,408	5.2%	2.8%

To put the numbers in context the average growth in customers in 1990 was 2.0 per cent and the average growth in rate base was 10.3 per cent.

In 1997 the Company realized that reliability had to be improved and the capital program had to be adjusted. Mr. D.G. Brown, the Board's engineering expert, clearly indicated in his 1998 report to the Board that the Company should seek to improve its reliability performance. Mr. Brown concluded that, "It is important that the utility maintain and in fact seek to improve its performance in this regard."

In addition, safety and environmental concerns were arising. Many of the Company's surge tanks and penstocks needed to be replaced.

As a result capital expenditures have increased since 1997 to:

- address specific electrical system reliability concerns, whether they be equipment (insulator replacement program) or individual feeders;
- address safety issues such as replacing failing surge tanks;
- improve the efficiency and reliability of generation (e.g. runners, penstocks, gas turbines); and,

- focus on improving customer service, productivity, safety, environment, or replacing obsolete technology.

Please refer to the answer to CA 85(b) filed as part of the Company's 2003 capital budget for a complete discussion on why the Company undertook to improve reliability and the costs associated with doing so.

Going forward Newfoundland Power's service territory is expected to continue to experience an overall population decline over the 2000-2020 period, (see Exhibit BVP-3, page 3). The Company continues to have an obligation to provide an appropriate level of service to all customers. This level of service as measured by reliability statistics remains below the Atlantic and National average.

The Company's customers are migrating to more urban centres within the province (as demonstrated in Exhibit BVP-3, pages 6-8). This migration requires the Company to invest in additional plant in the more urban centres while continuing to maintain its electrical plant in rural areas. The installation of new services, combined with the replacement of deteriorated equipment, is causing rate base to increase.

To maintain a safe and reliable system, deteriorated equipment must be replaced. The fact that electrical assets have an average useful life of approximately 30 years means that, with the effects of inflation, the replacement cost of a 30 year old deteriorated asset will be significantly greater than the original cost. This will also have increasing impact on rate base.

Newfoundland Power's approach to asset management is to balance the maximization of asset lives with the proactive replacement of deteriorated or inefficient plant. The Company will continue to ensure that any plant additions or replacements are undertaken at the lowest possible cost consistent with reliable service.