

The company's position is that the Board should stay with the 4% reduction, and not adopt the 10% as suggested by the Board's financial consultants. Mr. Evans testified that the company's capital budgeting has become more precise in the last couple of years, primarily due to increased use of personal computers and closer budget monitoring.

**The Board approves the capital budget in the amount of \$36,773,000 for 1999. The proposed 1999 construction projects, capital purchases in excess of \$50,000 and lease over \$5,000 are also approved. The Board accepts the position of the company that a 4% discount is reasonable and will not require any further discounting of the capital budget.**

**The Board also notes the increasing level of expenditures in the area of information systems and requires that NP provide the Board with a report on the company's information technology strategy for the period 1999-2002. This report should also identify the planned expenditures in this area, the expected productivity gains, and the cost savings and any other benefits to the company resulting from these expenditures. The report should be submitted to the Board with the year 2000 capital budget.**

#### **RATE BASE**

P.U. 7 (1996-97) fixed and determined the rate base for the years ending December 31, 1991 to December 31, 1995 inclusive. It also accepted the forecasted average rate base for the year ending December 31, 1996 at \$472,631,000, for the year ending December 31, 1997 at \$476,103,000 and as adjusted in P.U. 7 (1996-97). This order will fix and determine the rate base for 1996 and 1997 and approve the forecast rate base for 1998 and 1999.

**Appendix C - Information Technology Capital Budget for 1999 and 2000 and  
Capital Expenditure Outlook for 2001 and 2002  
(000s)**

	1999	2000	2001	2002
<b>Applications</b>				
Year 2000	\$ 327	\$ -	\$ -	\$ -
Application Enhancements	972	974	1,000	1,000
Application Environment	545	543	700	700
Workflow Technology	-	250	100	100
Corporate Reporting	-	478	150	150
Internet	53	79	100	250
Handheld Metering Reading	-	-	500	-
FASBE Replacement	-	-	-	750
<b>Total Applications</b>	<b>\$1,897</b>	<b>\$2,324</b>	<b>\$2,550</b>	<b>\$2,950</b>
<b>Infrastructure</b>				
Personal Computers	\$1,245	\$ 936	\$1,000	\$1,000
Network Infrastructure Upgrade	231	201	200	200
Infrastructure Environment	-	175	200	200
Disaster Recovery	445	208	100	100
Shared Servers Infrastructure	170	303	800	300
<b>Total Infrastructure</b>	<b>\$2,091</b>	<b>\$1,823</b>	<b>\$2,300</b>	<b>\$1,800</b>
<b>Total</b>	<b>\$3,988</b>	<b>\$4,147</b>	<b>\$4,850</b>	<b>\$4,750</b>
	3.9	3.7	4.1	5.5

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