

2003 Capital Expenditure Status Report

Q. Why didn't NP seek the approval of the Board under section 41 of the *Public Utilities Act* prior to expending \$190,000 on the "takeover of the Argentia distribution system from the Argentia Management Authority" (Item 16) [Item 15, 1st Revision].

A. The Extensions project approved by the Board as part of Newfoundland Power's 2003 capital budget included capital expenditures necessary to construct both primary and secondary lines to connect new customers to the electrical distribution system. The noted variance resulted from the construction of a distribution line extension to serve 14 general service customers previously served by the Argentia Management Authority. While the portion of the project cost associated with the connection of new customers is calculated on the basis of historical data, variances in actual expenditures from forecast are not uncommon. The Company typically does not seek supplementary approval for such variances from forecast.