

**Distribution**

**Q. Given that the “cost of major equipment replacement or rehabilitation occasioned by deterioration or catastrophic failure” is “unanticipated” (B-16, Major Electrical Equipment Repairs), why wouldn’t it be considered budgeted under the provision for “Unforeseen Allowance”.**

**A.** The Major Electrical Equipment Repairs category is intended to provide for the unanticipated cost associated with the replacement or rehabilitation of specific types of major equipment, such as transformers, generators and turbines.

The Allowance For Unforeseen Items category, while similar in nature, is intended to provide for unforeseen or unanticipated capital expenditures in excess of \$50,000 that have not been budgeted for under any other category of the capital budget.

Both budget categories are intended to provide for significant unforeseen capital expenditures, allowing the Company to act expeditiously to replace or repair facilities and equipment in order to maintain or restore electrical service to customers without obtaining the Board’s specific prior approval.