

**Q. 2004 CAPITAL EXPENDITURES REPORT**

**PUB 49**

**Since the demand metering and the alarms were not included in the original application, why would NP not have applied to the Board, with appropriate justification, in a supplementary application to include these expenditures in its 2004 capital expenditures?**

A. On May 4, 2004, following Newfoundland and Labrador Hydro's ("Hydro") 2003 General Rate Application, the Board issued Order No. P.U. 14 (2004), which among other things ordered Hydro to file, on or before July 31, 2004, an application for a demand-energy wholesale rate to be implemented for Newfoundland Power on January 1, 2005.

To prepare for the implementation of the demand-energy rate as ordered, it was necessary for Newfoundland Power to consult with Hydro and immediately initiate preparations for demand metering in the Company's generating plants. Some urgency was necessary to accommodate the Board-ordered change in the wholesale rate structure in a timely manner.

While the 2004 variance in relation to demand metering has been reported under the Hydro Plants - Facility Rehabilitation project, the expenditures will also affect, and ultimately be partly accounted for, in respect of thermal plants.

The order of magnitude of the estimated expenditures to year-end was disclosed to the Board in the Company's 2004 Capital Expenditure Status Report in an effort by the Company to ensure completeness in its 2004 capital forecast. To date, expenditures on this matter are less than \$20,000.

While the Company has not yet sought the Board's specific approval by way of a separate application, it will to assess the matter with a view to seeking any appropriate approvals.

Information relating to the variance associated with the installation of fire and intruder alarms at the Company's hydro plants is contained in the response to Request for Information PUB 41.1 NP.