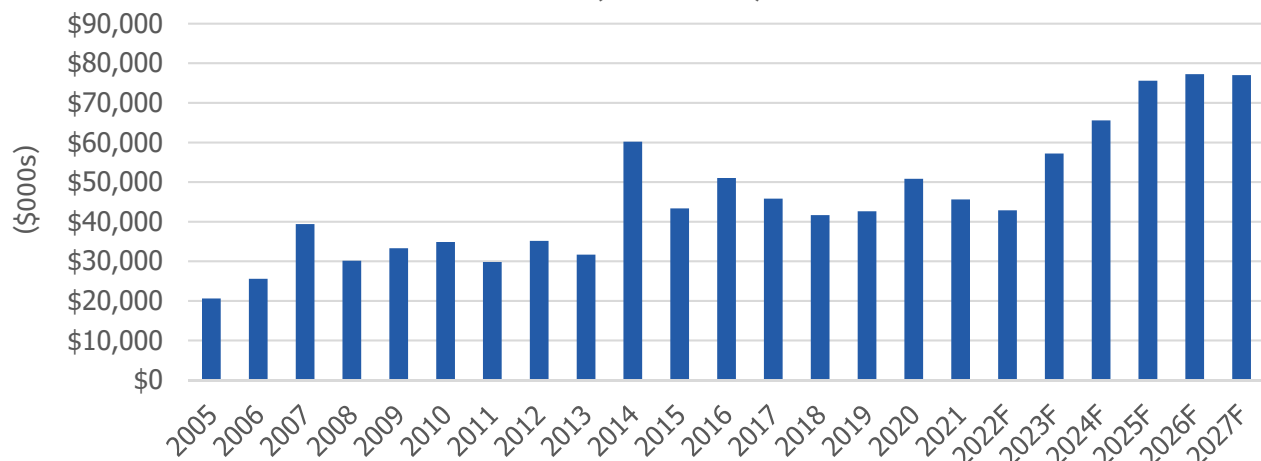


- 1 **Q.** (Reference NLH-NP-009(c), CA-NP-089 and CA-NP-093) It is stated (NLH-NP-  
 2 **009(c))** "Newfoundland Power estimates that its annual capital expenditures  
 3 **over the next five years would be reduced by approximately \$26 million**  
 4 **annually if the replacement and refurbishment of electrical system assets**  
 5 **remained consistent with historical investment levels."**
- 6 **a) Will expenditures for the renewal classification increase by roughly \$34**  
 7 **million (79%), from \$43 million in 2022 to \$77 million in 2025 (Section**  
 8 **3.2 of Capital Plan)?**
- 9 **b) Please reproduce the graph in CA-NP-093 showing the renewal category**  
 10 **only.**
- 11 **c) What is the justification for this cost increase?**
- 12 **d) Is the identification of aging equipment a relatively new experience?**  
 13 **When did Newfoundland Power first determine that its assets are aging?**
- 14 **e) What role will the asset management review play in the determination**  
 15 **of costs in the renewal classification going forward?**
- 16 **f) Has Newfoundland Power undertaken any actions to offset these**  
 17 **expenditures and maintain current levels of capital spending?**
- 18 **g) Will the asset management review proposed by Newfoundland Power be**  
 19 **a similar exercise to that performed by Liberty in 2014?**
- 20 **h) Will customers be consulted and take part in the asset management**  
 21 **review?**
- 22 **i) What is the expected cost of the asset management review and in what**  
 23 **year is it expected to inform costs in the renewal classification?**
- 24
- 25 **A.** a) Newfoundland Power's *2023-2027 Capital Plan* forecasts that expenditures for  
 26 the Renewal classification will increase from approximately \$43 million in 2022 to  
 27 approximately \$76 million in 2025. This represents an increase of approximately  
 28 \$33 million.
- 29
- 30 b) Figure 1 shows forecast capital expenditures for the Renewal classification only.  
 31

**Figure 1**  
**Renewal Classification Capital Expenditures**  
**(2005-2027F)**



- 1 c) Newfoundland Power's planned refurbishment and replacement of electrical  
2 system assets is explained in *Section 2.4 Asset Condition Outlook* of its  
3 *2023-2027 Capital Plan*.

4  
5 As described in that section, a significant portion of Newfoundland Power's  
6 electrical system assets were constructed in the 1960s and 1970s following  
7 provincial electrification efforts in rural areas. A high quantity of assets that have  
8 been in service for between 50 and 60 years are aging beyond their expected  
9 useful service lives, resulting in a forecast increase in requirements to refurbish  
10 and replace electrical system assets going forward.

11  
12 Increases in Renewal investments in the distribution asset class include the  
13 continuation of longstanding corrective and preventative maintenance programs,  
14 as well as an increase in distribution feeder refurbishment projects. Renewal  
15 investments in the transmission and substation asset classes reflect increases in  
16 the amount of work to be completed under the *Transmission Line Rebuild*  
17 *Strategy* and *Substation Refurbishment and Modernization Plan* over the forecast  
18 period. Renewal investments in the generation asset class reflect both an  
19 increase in refurbishment projects for hydro plants and the planned replacement  
20 of the Wesleyville and Greenhill gas turbines with a new mobile unit. For  
21 additional information, see *Section 3.3 Planned Expenditures by Asset Class* of  
22 the Company's *2023-2027 Capital Plan*.

- 23  
24 d) No, the identification of aging equipment is not a new experience. For example,  
25 the age of Newfoundland Power's transmission lines was identified as a primary  
26 driver of the Company's *Transmission Line Rebuild Strategy* filed as part of the  
27 *2006 Capital Budget Application*. The *Transmission Line Rebuild Strategy*  
28 outlined a plan to rebuild its oldest and most deteriorated transmission lines.<sup>1</sup>

29  
30 Newfoundland Power's annual capital budget applications include the capital  
31 expenditures necessary to provide safe and reliable service to customers at the  
32 lowest possible cost. This includes expenditures associated with the replacement  
33 and refurbishment of existing assets. These expenditures are necessary to  
34 replace electrical system assets that are deteriorated, deficient or fail in service,  
35 or to refurbish assets to extend their useful service lives.

36  
37 The proportion of expenditures associated with the replacement and  
38 refurbishment of existing assets reflects the age and condition of the Company's  
39 electrical system. Forecast increases in expenditures to replace and refurbish  
40 existing assets reflect the fact that a larger proportion of assets are expected to  
41 reach the end of their expected useful service lives in the coming years, as  
42 described in part c).

- 43  
44 e) Newfoundland Power is currently developing a framework to guide its asset  
45 management review. The Company's asset management strategies and capital  
46 investments in the Renewal classification will be included as part of that review.

---

<sup>1</sup> See the *2006 Capital Budget Application*, report *3.1 Transmission Line Rebuild Strategy*.

- 1 f) Newfoundland Power's investment priorities and its five-year capital plan reflect  
2 increasing capital expenditures that are expected to be necessary to meet its  
3 statutory obligations under the *Public Utilities Act* and *Electrical Power Control*  
4 *Act, 1994*.

5  
6 The Company manages its annual capital expenditures through a comprehensive  
7 capital planning process. The process commences each year with an update of  
8 the Company's five-year capital plan for the latest forecasts of customer and  
9 system load growth, anticipated operational requirements and electrical system  
10 condition. The annual update of Newfoundland Power's capital plan to reflect  
11 this information can result in planned expenditures being modified, advanced to  
12 an earlier year, deferred to future years, or removed entirely from the planning  
13 period.<sup>2</sup> All planned capital expenditures will be subjected to further review prior  
14 to being proposed for Board approval.

- 15  
16 g) The review conducted by Liberty in 2014 resulted from a Board investigation into  
17 supply outages that resulted in widespread customer outages. Liberty's review  
18 included consideration of Newfoundland Power's asset management practices, as  
19 well as other issues such as its operational response to customer outages.

20  
21 Newfoundland Power's asset management review will include topics similar to  
22 those addressed by Liberty in 2014. However, the Company notes that its  
23 review is not the result of a service quality issue comparable to that experienced  
24 in 2014. Rather, the review is designed to ensure Newfoundland Power's asset  
25 management practices remain adequate in light of its aging assets and evolving  
26 industry trends.

- 27  
28 h) Newfoundland Power is currently developing a framework to guide its asset  
29 management review. As the framework has not been developed, the Company  
30 cannot confirm whether it will include consultations with customers.

- 31  
32 i) Newfoundland Power has not yet developed the framework to guide its asset  
33 management review and is therefore unable to provide information on costs  
34 associated with the review or in what year the results may inform costs in the  
35 Renewal classification.

36  
37 The Company notes that its asset management review is a long-term initiative.  
38 The framework for conducting the review will be completed in 2022 and the  
39 results of the review are expected to be available in 2024. The timelines  
40 associated with implementing any resulting recommendations will depend on the  
41 recommendations identified and may require a phased approach over several  
42 years.

---

<sup>2</sup> See the *2023 Capital Budget Application, 2023 Capital Budget Overview, Section 2.2 Capital Planning at Newfoundland Power*.