

1 **Q. Schedule B: Replacements Due to In-Service Failures (Pooled), pages 12-13**

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3 **Please provide additional details of the engineering assessment of historical**  
4 **expenditures that is performed and used as the basis for the budget.**

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6 A. The budget for the Substations Replacements Due to In-Service Failures project is based  
7 on historical expenditures and adjusted for current inventory requirements for spare  
8 equipment, as determined by an engineering assessment.<sup>1</sup> During the preparation of the  
9 2018 Capital Budget Application, an engineering assessment of inventory levels for spare  
10 equipment determined that no adjustment was required at this time.<sup>2</sup> As a result, the  
11 estimates included in the 5-year forecast for the Replacements Due to In-Service Failures  
12 project, included as Table 1 on page 12 of 90, is based solely on the historical average of  
13 the inflation-adjusted costs for the period 2013 to 2017F.

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<sup>1</sup> An adequate pool of spare equipment is necessary to enable the Company to quickly respond to in-service failures. The size of the pool is based on past experience and engineering judgement, as well as a consideration of the impact that the loss of a particular apparatus would have on the electrical system. The engineering assessment might identify low inventory levels of a particular type of substation equipment that requires the Company to purchase more than the usual amount of that equipment through the Substations Replacements Due to In-Service Failures project.

<sup>2</sup> Recent expenditure levels in the Substations Replacements Due to In-Service Failures project has allowed the Company to manage its inventory of spare substation equipment such that reasonable levels of customer service and reliability are maintained.