

1 **Q. (Reference Application Schedule B, page ii) It is stated “In Newfoundland**
 2 **Power’s view, trends for individual programs can be reasonably observed in**
 3 **total program costs over time. The Program Trend sections therefore provide**
 4 **graphs of five-year historical, current budget year, and five-year forecast**
 5 **expenditures for each program.”**

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 7 **a) Please explain the pros and cons of using Newfoundland Power’s**
 8 **proposed method of trending versus that included in the Provisional**
 9 **Capital Budget Guidelines.**

10 **b) Does trending in the manner proposed by Newfoundland Power**
 11 **transcribe errors made in the past to the future?**

12 **c) Does trending in the manner proposed by Newfoundland Power mask**
 13 **transfers of money from one component of a program to another?**

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 15 **A. a)** The Provisional Guidelines require trending data for programs over \$1 million in
 16 the Access, Mandatory, Renewal and General Plant investment classifications.
 17 The trending requirement involves providing the number of assets installed,
 18 upgraded or replaced each year under a program and associated unit costs.

19
 20 Many of Newfoundland Power’s programs involve corrective and preventative
 21 maintenance of a wide range of electrical system assets. Unit-based information
 22 has not historically been tracked for these programs. The cost of replacing or
 23 repairing individual assets under these programs can vary significantly. For
 24 example, work completed under the *Substation Replacements Due to In-Service*
 25 *Failures* program can range from minor corrective maintenance, to the
 26 replacement of substation power transformers.

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 28 Given the nature of Newfoundland Power’s programs, providing total program
 29 expenditures over time was assessed to be a reasonable means through which to
 30 show program trends at an aggregate level. In the Company’s view, this
 31 approach meets the spirit and intent of the Provisional Guidelines. Options to
 32 provide more granular trending data, including associated pros and cons, will be
 33 considered as part of the Company’s ongoing asset management review. For
 34 more information on this review, see the response to Request for Information
 35 PUB-NP-018.

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 37 **b)** No, this approach does not transcribe errors made in the past to the future. The
 38 budgets for programs proposed in the *2023 Capital Budget Application* are
 39 calculated on the basis of five-year historical averages. The historical averages
 40 use actual expenditures incurred under each program. If there were errors
 41 made in the previous year’s forecasting of costs, as suggested in the question,
 42 those errors would not be included in the historical actual cost used to forecast
 43 future budget estimates and would not be shown in the trending data provided.

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 45 **c)** No, this approach does not mask transfers of money from one component of a
 46 program to another. The scope of the programs proposed in the *2023 Capital*
 47 *Budget Application* are defined by asset class and the nature of the work to be

1 completed. For example, the replacement of deteriorated meters and the
2 replacement of meters in accordance with the requirements of the *Electricity and*
3 *Gas Inspection Act (Canada)* is completed under the *Replacement Meters*
4 program. The purchase and installation of meters to connect new customers to
5 the electrical system is completed under the *New Meters* program. The
6 organization of programs in this manner provides reasonable transparency in the
7 drivers of the expenditures under each program.