

1 **Reference: 2023-2027 Capital Plan**

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3 **Q. Page 6, Newfoundland Power states that the asset management review is**
4 **expected to be completed in two years. Please provide an update on the**
5 **status and progress of the asset management review.**

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7 A. Newfoundland Power's asset management practices were comprehensively reviewed by
8 the Board's consultant, The Liberty Consulting Group ("Liberty"), in 2014. Liberty found
9 that Newfoundland Power's asset management practices conform to good utility
10 practices.¹ Liberty also found that the Company's maintenance and capital programs
11 have been effective in providing reliable service to customers and have appropriately
12 recognized the age of the Company's assets.²

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14 As described in Newfoundland Power's *2023-2027 Capital Plan*, a significant portion of
15 the Company's electrical system was constructed in the 1960s and 1970s following
16 provincial electrification efforts in rural areas.³ A high quantity of assets with expected
17 useful service lives of between 50 and 60 years, such as conductor and wooden support
18 structures, are now aging beyond their expected useful service lives. The Company's
19 future investment priorities reflect expected increases in requirements to refurbish and
20 replace these electrical system assets.

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22 At the same time, Newfoundland Power recognizes the evolution of industry trends and
23 best practices. Information technologies have become more advanced, and tools that
24 utilize advanced data analytics to produce quantifiable values for asset condition and risk
25 of failure are now available. Industry standards, such as the ISO 55000 series, have
26 also been developed to guide asset management within organizations.

27
28 Newfoundland Power is undertaking a review of its asset management practices to
29 ensure its practices continue to be adequate, given the age of its electrical system, and
30 remain consistent with industry best practices. The Company is currently developing a
31 framework for the asset management review. The framework will provide detailed
32 information on the scope, stages and timelines for the review.

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34 The review is expected to require two years to complete. This timeline is driven, in part,
35 by the upcoming obsolescence of Newfoundland Power's core asset management
36 technology. This technology has been in service for approximately two decades and is
37 expected to reach end of life in 2026.⁴ Through this review, the Company is aiming to
38 ensure the next generation of its asset management technology can effectively meet
39 future requirements.

¹ See Liberty's *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power Inc.*, December 17, 2014, page ES-1.

² Ibid., ES-2.

³ See the *2023 Capital Budget Application 2023-2027 Capital Plan, Section 2.4 Asset Condition Outlook*.

⁴ Newfoundland Power was notified by the vendor of its asset management technology that the software will no longer be supported as of December 31, 2026.

1 While the development of a framework to guide the review is ongoing, Newfoundland
2 Power expects the framework will include a review of its organizational approach to
3 asset management, as well as its strategies and practices, information technologies and
4 data requirements. Overall, the review is intended to ensure the Company continues to
5 manage its electrical system assets in a manner that results in the delivery of reliable
6 service to customers at the lowest possible cost.

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8 Newfoundland Power notes that its asset management review is a long-term initiative.
9 The framework for conducting the review will be completed in 2022 and the results of
10 the review are expected to be available in 2024. The timelines associated with
11 implementing any resulting recommendations will depend on the recommendations
12 identified and may required a phased approach over several years.