Q. (Reference 2022 Capital Expenditure Report, Appendix A, Purchase Vehicles and Aerial Devices, page 5 of 8) With respect to the 13% overage, it is stated "*This is attributed primarily to vendor pricing increases resulting from supply chain disruptions affecting the price of raw materials and parts and a manufacturer labour shortage*."

a) Was NP not aware of supply chain issues and vendor pricing increases when it prepared the budget estimate for this project?

b) How has this impacted costs included in the 2024 Capital Budget Application?

c) Please provide details as to the exact reasons for the 13% cost overrun and where in the supply chain these costs came into effect and how these costs have been remedied.

d) Please provide particulars as to how many heavy fleet vehicles ordered under the Purchase Vehicles and Aerial Devices project from 2021 have not been received and the reasons for this failure. Please provide details as to how this has been remedied in the current budget.

e) How many budgeted vehicles approved in 2020, 2021, and 2022 have not been supplied and are not available? Provide details of any ensuing costs resulting from this lack of deliveries.

f) Why does NP continue to purchase vehicles given supply chain issues and resulting escalating costs? Are these expenditures prudent?

A. a) No, Newfoundland Power was not aware of pricing increases at the time of preparing the budget estimate for the *Purchase Vehicles and Aerial Devices (2021 Project)* project. The budget estimates for the Company's *2021 Capital Budget Application* were completed in the first quarter of 2020. The budget estimate for this project was based on the most recent vendor pricing information available at the time. Following approval of the *2021 Capital Budget Application*, Newfoundland Power received updated vendor pricing for vehicles prior to ordering. Vendor pricing from automobile, truck and aerial device manufacturers increased primarily as a result of the price of raw material.[1] Vehicle fleets across the country were impacted by these price increases.

b) Budget estimates for Newfoundland Power's *2024 Capital Budget Application* were prepared with a 5% increase over prices from the previous year.

c) See parts a) and b) above.

d) All vehicles ordered under the *Purchase Vehicles and Aerial Devices (2021 Project)* project in 2021 have been received.

e) All budgeted vehicles ordered in 2020 and 2021 have been received.

For 2022, all budgeted light duty and passenger vehicles have been delivered. Of the six budgeted heavy/medium duty vehicles ordered in 2022 for delivery in 2023,

[1] One manufacturer of aerial devices indicated that the increase in the price of raw materials ranged from 11%, for small items, to 140% on aluminum.

one will be delivered by the end of 2023. The remaining heavy/medium duty vehicles are expected to be delivered in the first half of 2024. To date in 2023, beyond normal service and inspections, no additional maintenance costs have been incurred as a result of the delay in the delivery of the remaining heavy/medium duty vehicles.

f) Yes, expenditures associated with the purchase of vehicles and aerial devices are prudent. An adequate fleet of vehicles is necessary to complete capital projects and electrical system maintenance, and to ensure a prompt response to customer outages, customers' service requests and other operational requirements. Newfoundland Power applies evaluation criteria to determine whether a vehicle requires replacement.[2] The criteria require that an evaluation be completed when individual vehicles reach the age or usage criteria.

When these criteria are met, vehicles are inspected by a certified mechanic to assess their condition and any required repairs. The results of the inspection determine whether a vehicle can be economically maintained for additional service or whether it has reached the end of its useful service life. Only vehicles that are identified as being in poor condition and as having reached the end of their useful service lives are replaced.

Deferring the replacement of vehicles that have reached the end of their useful service lives could result in safety issues, as well as vehicles being out of service for extended periods of time, which would result in reduced response time to customer outages and other service requests. Deferring the replacement of these vehicles would also result in additional maintenance costs that would not practically extend a vehicle's useful service life.[3]

[2] Newfoundland Power's replacement criteria for vehicles were described in the Company's *2016 Capital Budget Application*, report *5.1 Vehicle Replacement Criteria*. This report also compared the criteria to those used by other Canadian electrical utilities. It shows the current approach of the Company is consistent with current Canadian utility practice and the least-cost delivery of service to customers.

[3] For example, heavy-duty vehicles can experience major engine failure that can cost between $30,000 to $40,000 to repair. That repair may not ultimately extend the service life of a vehicle due to heavy rust or other deficiencies. Replacement would still be required over the near term, thereby increasing overall costs to customers. See Newfoundland Power's *2024 Capital Budget Application*, *Schedule B,* page 133.