

Q. (Reference Schedule B, Replacement Transformers)

- a) **How many replacement transformers were purchased in each of 2024, 2025 and 2026 and what is the number for 2027?**
- b) **What is NP's current inventory of distribution transformers?**
- c) **The proposed budget for 2027 of \$5,573,000 is 12.5% higher than the 2026F figure of \$4,954,000. What is the basis for the large percentage increase?**

- A.** a) Newfoundland Power forecasts annual expenditures under the *Replacement Transformers* program using a three-year historical average of actual program expenditures. Table 1 provides the number of transformers purchased in 2024 and 2025 as well as the forecast purchases for 2026 and 2027.¹

Table 1 Transformers Purchased	
Year	Quantity
2024	1,923
2025	1,675
2026F	1,418
2027F	1,264 ²

- b) Newfoundland Power's inventory of distribution transformers as of June 2026 is 2,372.³
- c) The *Replacement Transformers* program budget is developed using a three-year historical average of actual program expenditures. The program provides for the purchase of distribution transformers used to replace units that have deteriorated or failed in service. The proposed increase from \$4.954 million in 2026 to \$5.573 million in 2027 reflects the application of this methodology. In developing the 2027 forecast, 2023 expenditures were no longer included in the three-year averaging period. Distribution transformer material costs increased significantly over this period, resulting in higher program expenditures in 2024 and 2025 and, consequently, a higher forecast for 2027.⁴

¹ Newfoundland Power maintains its inventory of transformers in aggregate and does not identify separate inventories for new and replacement transformers.

² Represents the estimated number of transformers to be purchased in 2027 based on forecasts of anticipated work requirements. Actual purchases may vary from the estimate based on operational requirements and circumstances experienced during the year.

³ Newfoundland Power's inventory of distribution transformers is used to support both new customer connections and the replacement of units that have failed in service.

⁴ As stated in Newfoundland Power's *2025 Capital Budget Application*, the change to a three-year average was necessitated by higher than average material costs. Distribution transformer costs increased 37% from 2020 to 2024 and were expected to increase further in 2025. See the *2025 Capital Budget Application*, Schedule B, page 33.