Q. What is the plan with regard to the replacement of all assets, broken down by major category?

A. The Company does not have an integrated plan with regard to the replacement of all assets. The Company's general views on this matter can be found in the Prefiled Evidence of Hughes and Perry at pp. 5 *et seq*.

As a general observation, asset replacement will be subject to ongoing asset performance relative to service requirements in all major categories. In addition, results of maintenance inspections will be a significant driver of asset replacement on a year-to-year basis. Especially for electrical system assets, public and employee safety as well as environmental factors will also influence the timing of plant replacement.

The following synopsis provides an overview of the primary forces affecting asset replacement by major category:

Distribution: In Distribution, Company programs during the last several years have addressed most individual feeders exhibiting reliability statistics well below Company average. In future, it is expected that plant replacement will address smaller sections of deteriorated feeders as determined by reliability statistics and maintenance inspections.

Substation: In Substations, protection and control devices will require replacement with more technologically capable devices. These devices will provide superior system monitoring and, where appropriate, remote control. Replacement of plant based on inspections and experience will also be driving factors, especially for older plant.

Transmission: In Transmission, as in Distribution, future expenditures in the nature of replacement will be focused on deteriorated plant and reliability improvements.

Generation: Newfoundland Power's hydro plants are on average 57 years of age and provide cost effective energy. Over the past number of years, significant replacement of civil works (i.e., penstocks and surge tanks) has occurred. In the near future, it is anticipated the focus will be more on the control mechanisms associated with these plants. On the thermal side, Newfoundland Power generation is primarily in the nature of emergency back-up with a secondary system support role. Fixed diesel generation is not currently contemplated to be replaced at the end of its useful life with similar fixed generation. Mobile generation necessary for emergency purposes however will require replacement, and will also be relied upon in future to a greater extent.

Information Systems/Telecommunications: Much of the replacement of assets in the Information Systems category will be as a result of technological and functional obsolescence, which is difficult to predict. Over the past few years, Newfoundland Power has chosen not to replace many Telecommunications assets, and expects to continue to contract out services wherever feasible.