

Purchase Vehicles and Aerial Devices (Pooled), p. 72 of 96, \$2,352,000

Q. In evaluating whether equipment has reached the “end of its useful life” does NP use, or would NP consider it useful to use, a template listing the factors that are to be considered in making this determination?

A. In determining whether a vehicle has reached the “end of its useful life”, Newfoundland Power individually evaluates vehicles according to a number of criteria to ensure the replacement is the least cost option. Evaluation regarding end of useful service life is part of the Company’s overall approach to managing vehicle assets.

While in service, all vehicles are inspected regularly as required by government regulations, and are maintained according to manufacturers’ recommendations. Vehicle inspections and maintenance procedures are typically based on templates which identify technical criteria for safe and effective operating condition of particular vehicle types.

For example, heavy fleet vehicles equipped with aerial devices undergo comprehensive maintenance service every 16 months. This service includes hydraulic equipment inspection and maintenance such as examination of hydraulic hoses, sampling and analysis of hydraulic oil, replacement of hydraulic system filters, and testing of system pressure. Requirements for the 16 month maintenance service are identified in checklists which are specific to each manufacturer and model of aerial device, and typically contain over 100 points of service.

Vehicles reaching the threshold age or level of usage are considered for replacement. These vehicles are evaluated based on overall condition, maintenance history and immediate repair requirements to determine whether they have reached the end of their useful service lives. Information gathered through each vehicle’s inspection and maintenance during its service life forms the basis for this evaluation.

Individual evaluation of each vehicle also recognizes the variety of operating conditions and patterns of use to which each unit may be subject. For example, heavy fleet vehicles equipped with aerial devices operated in the St. John’s area typically exhibit relatively more wear of the aerial device components and less wear of the chassis, as compared to a similar vehicle operated in more rural areas.

The Company’s approach to determination of vehicle replacement is consistent with current Canadian utility practice and enables least cost replacement of vehicles.

Newfoundland Power frequently extends the useful service life of its vehicles materially beyond the threshold age or level of usage at which they are evaluated for replacement. In 2010, one heavy fleet vehicle and 30 passenger vehicles which have reached the threshold age or level of usage will not be replaced in that year.

Please refer to response to Request for Information CA-NP-27 for further information regarding the age and level of usage of Company vehicles proposed to be replaced 2010.