

- 1 **Q. (Reference Application, 2025 Capital Budget Overview, page 6, footnote 9) It**
 2 **is stated “*Liberty concluded that: “Newfoundland Power’s planning and***
 3 ***design of its system, its asset management practices, its system operations,***
 4 ***its outage management and emergency practices and its customer***
 5 ***communications processes all conform to good utility practices.”***
 6 **a) Did Liberty consider costs in its review?**
 7 **b) Did Liberty assess trade-offs between cost and performance in an effort to**
 8 **quantify optimum performance level?**
 9 **c) Given that Liberty determined that NP’s asset management practices were**
 10 **consistent with good utility practices, why is NP undertaking a review of**
 11 **its asset management practices?**
 12 **d) Is a review of NP’s planning and operating practices overdue given that**
 13 **the Liberty findings are now 10 years old and were undertaken prior to**
 14 **government net-zero emissions and electrification efforts?**
 15 **e) When does NP plan to undertake its next review of its planning and**
 16 **operating practices?**
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- 18 **A.** a) The Liberty Consulting Group (“Liberty”) considered costs in its review. The capital,
 19 maintenance and operational expenses related to transmission, distribution and
 20 substations are detailed in Liberty’s *Executive Summary of Report on Island*
 21 *Interconnected System to Interconnection with Muskrat Falls addressing*
 22 *Newfoundland Power Inc.*, dated December 17, 2024 (the “Liberty Report”) in
 23 *Section III: Asset Management.*
 24
- 25 b) Liberty considered both reliability performance and costs in its review. For example,
 26 conclusion 3.8 on page 51 of the Liberty Report states:
 27
- 28 *“Annual capital strategies include measures (Transmission Rebuild Strategy,*
 29 *Rebuild Distribution Lines Projects, Distribution Reliability Initiative, and*
 30 *Substation Refurbishment and Modernization Strategy) well targeted to the*
 31 *needs of its equipment. Asset management strategies have promoted improved*
 32 *system reliability since 1998, while keeping annual capital T&D expenditures*
 33 *under control.”*
 34
- 35 In Newfoundland Power’s view, Liberty’s conclusion is consistent with the Board’s
 36 finding that fully justified capital expenditures contribute to the delivery of least-cost
 37 service to customers.¹
 38
- 39 c) The context within which the Company manages its assets is changing, therefore the
 40 Company is completing an asset management review at this time. A large portion of
 41 Newfoundland Power’s assets were constructed during the same period in order to
 42 provide the province with access to electricity and are now approaching end of life.
 43 At the same time, the Company is experiencing a demographic transition within its

¹ In Order No. P.U. 7 (2002-2003), the Board stated: *“From a regulatory perspective, efficient operations, fully justified capital expenditures and a low-cost capital structure all combine to minimize revenue requirement, and hence provide least cost electricity to ratepayers.”*

- 1 workforce, upcoming obsolescence of its asset management technology, and an
2 evolving regulatory landscape.
3
- 4 d) See part c).
5
- 6 e) Newfoundland Power continually assesses its asset management system on an
7 ongoing basis in alignment with the International Organization for Standardization
8 ("ISO") 55000 standards on asset management. These standards provide guidance
9 on sound industry practice for asset management. A core component of the ISO
10 standard is continuous improvement. This involves an ongoing process of analyzing
11 the performance of both the assets and the asset management system, identifying
12 opportunities and making incremental changes.²

² See The Institute of Asset Management, *Asset Management – an anatomy*. Available at:
<https://theiam.org/knowledge-library/asset-management-an-anatomy/>