

1 **Q. (Reference CA-NP-156)**

2 **Regarding the 2025 budget for the Replacement Transformers program.**

3 **a) In Table 2, the Three-Year Average Adjusted Costs (\$2024) is increased by**
 4 **11% for Material Cost, which, as stated in PUB-NP-008, that 11% is based**
 5 **on "the forecast average cost of a distribution transformer in 2025."**

6 **However, that cost is further increased by \$80,000 for GDP inflation in**
 7 **2025. Why increase the amount by GDP inflation when the cost of**
 8 **transformers has already been escalated by the expected price increase in**
 9 **2025?**

10 **b) In Table 2, there is provision for \$1,343,000 expenditure for Additional**
 11 **Inventory. (i) What is the current inventory? (ii) Has NP ever experienced**
 12 **an exhaustion of replacement transformer inventory, and if so, what were**
 13 **the circumstances?**

14
 15 A. a) The 11% increase in material cost was applied to the three-year average adjusted
 16 cost in 2024 dollars to reflect the known increase in the forecast average cost of a
 17 distribution transformer in 2025. However, these costs are subject to additional
 18 economic price adjustments throughout 2025. As such, the Company applied GDP
 19 inflation to determine a reasonable estimate for the *Replacement Transformers*
 20 program and *New Transformers* program in the *2025 Capital Budget Application*.¹

21
 22 b) (i) Newfoundland Power maintains its inventory of transformers in aggregate and
 23 does not identify separate inventories for new transformers and replacement
 24 transformers. As such, minimum acceptable inventory levels are considered based
 25 on the Company's overall transformer inventory. When a transformer is drawn
 26 from inventory for use, it is assigned as either a replacement transformer or a
 27 new transformer based on the specific work being completed.

28
 29 Newfoundland Power's transformer inventory was 1,710 transformers across 114
 30 stock keeping units at August 30, 2024.²

31
 32 (ii) Newfoundland Power is not aware of any instance where its transformer inventory
 33 has been exhausted. See the response to Request for Information CA-NP-161 for
 34 additional information on distribution transformer inventory levels.

¹ Based on the GDP forecast in the Conference Board of Canada's data release in February 2024.

² A stock keeping unit is a tracking number assigned to unique inventory types. For example, stock keeping unit 4405026 is a 25 kVA pole mounted 7,200V to 120/240V transformer, 238 of which Newfoundland Power had in stock at August 30, 2024.