

1 **Q. (Reference 2.2 - Substation Power Transformer Strategy) On page 15 it is**
2 **stated "*Ensuring an adequate inventory of spare transformers is an important***
3 ***element of emergency response.*" Is this the appropriate time to be increasing**
4 **the inventory of spares given the very high transformer cost increases in**
5 **recent years?**

6
7 **A.** Maintaining an adequate inventory of spare power transformers is a critical component
8 of Newfoundland Power's emergency response strategy. Power transformer failures can
9 result in extended outages to large numbers of customers and require lengthy
10 procurement and manufacturing lead times to replace. These extended lead times
11 underscore the importance of maintaining a strategically sized spare inventory.
12

13 While the cost of procuring new transformers has increased significantly in recent years,
14 the potential customer, reliability, and safety impacts of not having a suitable spare
15 transformer available are high. Newfoundland Power regularly reviews its spare
16 transformer inventory to ensure it balances cost considerations with system reliability
17 and risk management. This includes evaluating transformer condition, fleet age, failure
18 history, and procurement lead time to determine whether adjustments to the spare
19 inventory are required. Given current market conditions, Newfoundland Power does not
20 expect transformer costs to decrease in the near term.
21

22 Newfoundland Power's approach is to maintain an adequate, but not excessive,
23 inventory of spare transformers. This ensures that the Company can respond to
24 unplanned failures in a timely manner while managing the cost impacts of high
25 transformer prices.