Q. **B-2, Upgrade Gas Turbine Plant Life Extension, 2010 - $1,304,500, 2011 - $1,323,600, Beyond - $3,366,600**

In Table 3, Alternatives, p. 14, of the report provided in Tab 1, Volume II, NLH provides the Capital Cost Estimate of each of the alternatives. Please reconcile these figures with those provided in response to the Request For Information CA-NLH-4, page 9.1 of the Stantec report, regarding the application from NLH for approval for the refurbishment of the gas turbine at Stephenville.

A. Table 3, Alternatives, at page 14 of the report contains the capital cost of each option. Page 9.1 of the Stantec report shows a table (also found on page E15 of Appendix E filed with the report in the 2010 Capital Budget Application) with the Cumulative Present Worth (CPW) of all alternatives, and includes amounts related to all of the assumptions stated on page E8 of Appendix E. A detailed reconciliation is not readily available, but the increases from the capital cost to the CPW are primarily related to fuel costs, operating and maintenance costs and the refurbish versus replace costs assumed in each sub-case, as specified on page E8. See table below. When reviewing this table the reader should be aware that Alternative 4 is not a viable option. When developing a list of alternatives, the consultant suggested this alternative if only one of the two principal operating modes of operation should be required in future. This gas turbine plant is capable of providing both voltage support (when operating as a synchronous condenser) and energy (when operating as a generator) to the Island Interconnected System. Although this plant spends the great majority of its operating time in synchronous condensing mode, it is one of Hydro's generating plants and an important asset. If Alternative 4 should be selected, 50 MW of generating capacity would be removed from Hydro's generating asset base, which would advance the requirement for construction of the next

source of generation. Given the requirement for this plant to operate both as a generator and synchronous condenser into the future, Alternative 4 is not considered to be a viable option.

| Alternative | Description | Capital Cost Estimate ($000) | CPW | | CPW minus Cap. Cost | |
|---|---|---|---|---|---|---|
| | | | Sub-Case 1 | Sub-Case 1 | Sub-Case 1 | Sub-Case 1 |
| 1A | Refurbish existing equipment – Hardwoods. Includes optional gas turbine rental allowance. | 7,814 | 16,011 | 29,895 | 8,197 | 22,081 |
| 1B | Refurbish existing equipment – Hardwoods. | 4,507 | 11,468 | 26,931 | 6,961 | 22,424 |
| 1 | New gas turbine engines and power turbines. Refurbish balance of equipment. | 26,420 | 33,089 | 36,222 | 6,669 | 9,802 |
| 2 | New alternator/exciter. Refurbish balance of equipment. | 7,163 | 16,249 | 28,574 | 9,086 | 21,411 |
| 3 | New gas turbine facility, including fuel forwarding module, controls and electrical auxiliary equipment. Dismantle existing gas turbines and use as spares. | 36,900 | 38,146 | 38,146 | 38,146 | 38,146 |
| 4 | Replace Hardwoods with new dynamic Volts-Amperes reactive (VAR) compensator. | 10,000 [1] | 8,996 | 8,996 | -1,004 | -1,004 |

[1] Ball park estimate, as more detailed study required.