

1 Q. (Hydro Reply Evidence dated August 7, 2015, Section 10, Black Start) Please provide
2 an analysis as to whether the diesel black start facility should be included in Hydro's
3 rate base having regard to the used and useful criterion set out in the preamble to
4 PR-CA-NLH-2.

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7 A. Hydro does not acknowledge that the "used and useful" criterion set out in the
8 preamble to PR-CA-NLH-002 is appropriate. As noted in Hydro's response to PR-CA-
9 NLH-002, this definition contains unquantified references to "significant operating
10 levels" on a "consistent" and "sustainable" basis. Hydro understands the "used and
11 useful" concept to more generally require that an asset currently provide or be
12 capable of providing a utility service to customers. Further as noted in Bonbright,
13 *Principles of Public Utility Rates*, at page 257 "a flexible 'used and useful' concept
14 decided on a case-by-case basis has emerged".

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16 With that clarification, Hydro confirms all components of the black start facility
17 should be included in Hydro's rate base as the system has been in service, having
18 proven its original function and provided the additional function of system support
19 several times since it has been in service. This facility has been interconnected and
20 available since April 4, 2014. If an event occurred that required a re-start of
21 Holyrood using this facility, Hydro would have proceeded with using the facility at
22 any date after April 4, 2014, and based on the subsequent successful test, the
23 system would have functioned as designed. The facility was tested and successfully
24 proven to re-start Holyrood on July 25, 2014. The facility was unable to be tested
25 until after the 2014 heating season was over, because the test required that one
26 thermal unit be turned off for the testing. Full commissioning of the black start

1 capability occurred on July 25, 2014. The facility was also available for service to
2 the system as back up and for system demand purposes, starting October 17, 2014.
3 While the facility has not been required to be utilized to re-start Holyrood since it
4 has been in service, the facility has been used several times since winter 2014 for
5 system demand purposes, benefiting customers on the Island Interconnected
6 system, and has been available to re-start Holyrood as required. Therefore, the
7 facility is fully used and useful for the customers served by the Island
8 Interconnected system.