

1    Q.    **2015 Capital Plan**

2            With reference to the almost \$2.5 million dollars of 2015 capital expenditure  
3            proposed for the 127 MW Cat Arm generation plant (for replacement of ABB Exciter  
4            Unit 2, replacement of station service breakers, and refurbishment of the access  
5            road), explain why and how, after full commissioning of the Post-Isolated Island  
6            System, this generation plant will continue to be an essential component of the  
7            Provincial electrical grid to supply power within the Province to Island customers?

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10    A.    The 127 MW Cat Arm hydroelectric plant is an essential component of the current  
11            Island electrical grid. Notwithstanding its role after full commissioning of the Post-  
12            Isolated Island System, it must be maintained to provide dependable, reliable  
13            service in the period up to the full commissioning of the Post-Isolated Island  
14            System.

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16            From a capacity point-of-view, Hydro is spending in excess of \$100 million in 2014  
17            to construct 120 MW of additional capacity in the form of a new combustion  
18            turbine at Holyrood. This additional capacity assumes that the 127 MW at Cat Arm  
19            is in service. If Cat Arm is not maintained to provide reliable service, then additional  
20            capacity will be required, at considerable expense, to replace it.

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22            From an energy point of view, the energy produced by Cat Arm will displace  
23            approximately \$100 million of fuel at Holyrood each year until the interconnection  
24            to Labrador is in service. For 2015, 2016 and 2017, that would mean \$300 million of  
25            fuel would have to be burned at Holyrood to replace the energy generated at Cat  
26            Arm, if Cat Arm was not in service.



1        It is expected that, after full commissioning of the Post-Isolated Island System, this  
2        generation plant will continue to be an essential component of the Provincial  
3        electrical grid to supply power within the Province to Island customers. However,  
4        irrespective of the Post-Isolated Island System, the almost \$2.5 million of 2015  
5        capital expenditure proposed for the 127 MW Cat Arm generation plant is required  
6        in the interim to maintain least cost, reliable service and is justified on that basis.