

1 Q. What weight does Hydro consider should be given by the Board to any
2 contingencies that would result in a change of the Cumulative Present Worth
3 amount calculated?
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7 A. There are a number of contingencies that may result in a change of the Cumulative
8 Present Worth (CPW) amount calculated. Hydro has performed sensitivities on
9 most of these contingencies as noted in Hydro's response to DG-PUB-NLH-004.

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11 This project is justified on the requirement for additional generation such that
12 Hydro can ensure its ability to meet system peak under P90 conditions, as stated on
13 page 7 of the application. The CPW is an indication of the cost of the project to
14 Hydro. It is Hydro's opinion that none of the contingencies discussed here would
15 increase the CPW sufficiently to change the decision to purchase the diesels, so
16 while consideration should be given to these contingencies, none should be given a
17 great weight.

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19 The possibility also exists that the CPW preference could either decrease or
20 increase as a result of some of these contingencies occurring.

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22 The list below details the contingencies considered by Hydro:

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24 1) Muskrat Falls and/or the Labrador Island Link are delayed or are in-service
25 sooner than expected.

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Even if the diesels are retained until 2021, the CPW will not change significantly.

1 Hydro is of the view that this contingency does not present a significant risk to
2 the overall cost of the project.

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4 2) As noted in the report, up to approximately \$200,000 may have to be spent on
5 stacks and environmental permitting and potential resulting mitigating issues.

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7 As noted in the sensitivities in Hydro's response to DG-PUB-NLH-004, if
8 \$200,000 was spent on environmental permitting issues, the CPW preference
9 would decrease by \$200,000.

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11 Hydro is of the view that this contingency does not present a significant risk to
12 the overall cost and benefit of the project.

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14 3) Changes in the US/Canadian dollar exchange rate could increase or decrease the
15 resale value of the diesels in 2020.

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17 As noted in the sensitivities in Hydro's response to DG-PUB-NLH-004, even if the
18 resale price decreased by 20%, the overall cost of the project would increase by
19 approximately \$600,000. However, an increase in the resale price could provide
20 equivalent benefits.

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22 Hydro is of the view that this contingency does not present a significant risk to
23 the overall cost of the project

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25 4) Fuel savings could increase or decrease over the next two years, depending on
26 changes in the price of fuel.

1 As noted in the sensitivities in Hydro's response to DG-PUB-NLH-004, even if the
2 fuel savings decreased by 25%, the overall cost of the project would increase by
3 approximately \$150,000. Hydro is of the view that this contingency does not
4 present a significant risk to the overall cost of the project.

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6 5) Very low hydrological conditions, as low as historical firm.

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8 This could change fuel savings as well, if, under low hydrological conditions, the
9 stand-by generation (gas turbines and diesels) had to be run for energy. As
10 there could be many different levels of operation, the actual possible change in
11 fuel savings was not calculated, but to take it to the extreme, in there were no
12 fuel savings at all, the CPW would increase by \$606,000. Hydro is of the view
13 that this contingency does not present a significant risk to the overall cost of the
14 project.