

1 **Q. 2015 Capital Plan**

2 RFI IC-NLH-11 filed in Hydro's 2015 Capital Budget Application queried as follows:

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

10 Hydro was sought approval of \$4,062,500 of 2016 capital expenditure for
11 the 127 MW Cat Arm generation plant (for upgrade work, rehabilitation of
12 shoreline protection and replacement of station service breakers).

13 Please update Hydro's response to IC-NLH-9 filed with Hydro's Capital Budget
14 Application based on information now available to Hydro.

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17 **A.** Assuming that the question was meant to be: *Please update Hydro's response to **IC-***
18 **NLH-11** *filed with Hydro's Capital Budget Application based on information now*
19 *available to Hydro, the response will be the same as the response to IC-NLH-11.*
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21 The 127 MW Cat Arm hydroelectric plant is an essential component of the current
22 Island electrical grid. Notwithstanding its role after full commissioning of the Post-
23 Isolated Island System, it must be maintained to provide dependable, reliable
24 service in the period up to the full commissioning of the Post-Isolated Island
25 System.

1 From a capacity point-of-view, Hydro has recently spent in excess of \$120 million to
2 construct 123.5 MW of additional capacity in the form of a new combustion turbine
3 at Holyrood. This additional capacity assumes that the 127 MW at Cat Arm is in
4 service. If Cat Arm is not maintained to provide reliable service, then additional
5 capacity will be required, at considerable expense, to replace it.

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7 From an energy point of view, the energy produced by Cat Arm will displace
8 approximately \$90 million of fuel at Holyrood each year until the interconnection to
9 Labrador is in service. For 2016 and 2017, that would mean \$180 million of fuel
10 would have to be burned at Holyrood to replace the energy generated at Cat Arm, if
11 Cat Arm was not in service.

12
13 It is expected that, after full commissioning of the Post-Isolated Island System, this
14 generation plant will continue to be an essential component of the Provincial
15 electrical grid to supply power within the Province to Island customers. However,
16 irrespective of the Post-Isolated Island System, the almost \$4.1 million of 2016
17 capital expenditure proposed for the 127 MW Cat Arm generation plant is required
18 in the interim to maintain least cost, reliable service and is justified on that basis.