

1 Q. **Reference: Upgrade Transformers, Volume I, Section D, Page D-277**

2 Paragraph V. A. 2. C. i. of the *Capital Budget Application Guidelines* (the  
3 “Guidelines”) defines Clustered Expenditures as those which would logically be  
4 undertaken together. The Guidelines require that clustered expenditures are to be  
5 divided between items that are “inter-dependent” and those which are “related”.  
6 With respect to the *Upgrade Transformers* project, the *Additions for Load Growth*  
7 project found at Volume I, Section C, page C-38, and the *Replace Diesel Units –*  
8 *Cartwright and Charlottetown* project found at Volume I, Section C, page C-43,  
9 please indicate whether these projects may be defined as “clustered expenditures”  
10 within the meaning of the Guidelines. If so, which items are “inter-dependent” and  
11 which are related only? If not, why not?  
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14 A. Considering the “*Upgrade Transformers*” and “*Replace Diesel Units – Cartwright*  
15 *and Charlottetown*” project, both have a portion of the project that is occurring at  
16 Cartwright. The diesel unit replacement project involves the replacement of the  
17 unit with a larger unit, simply due to a larger unit being the least cost long term  
18 alternative, not due to required demand. The transformer is being replaced to  
19 address a transformation constraint in Cartwright. The transformer did not have to  
20 be replaced to accommodate the diesel replacement, and the diesel is not being  
21 replaced with a larger unit to accommodate demand as a similarly sized unit would  
22 have been adequate to service the customers. The projects will have different work  
23 packages ongoing over the period of their construction. Hydro, therefore, does  
24 necessarily believe that these projects need to be “clustered”.  
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26 Considering the “*Upgrade Transformers*” and “*Additions for Load Growth*”, both  
27 have a portion within each project that is occurring at Postville. The diesel unit

project at Postville involves the installation of a larger generating unit to meet customer demand. The transformer upgrade is also required to meet customer demand. Hydro notes the transformer could be upgraded without the diesel being increased, and the diesel could also be upgraded without the transformer being upgraded. One project did not necessarily trigger the other but both are required to meet demand. The projects will have different work packages ongoing over the period of their construction and the timing of which was not required to be coincident. However, Hydro does acknowledge these could also have been submitted as “clustered” and if so, could have been “related”, but not “inter-dependent”.

Hydro will consider all circumstances where projects can be “clustered”.