Q. **Re: Holyrood: Upgrade Unit 2 Stack Breeching (Tab 7)**

With respect to the Board's statement in P.U. No. 38 (2010) at p. 10, "Hydro has not shown, however, that the 'long term' solution is appropriate in the circumstances. Hydro has not shown that insulation problems have a reasonable or any potential to cause the worst case scenario of a forced outage." Where, specifically, in the materials filed in support of this present Application does Hydro show that insulation problems have a reasonable or any potential to cause the worst case scenario of a forced outage?

A. With respect to the Board's statement in P.U. No. 38 (2010) at p. 10, Hydro believes it has shown that its proposed 'long-term' solution is appropriate in the circumstances. A number of alternatives were considered when the cost benefit analysis was performed and the proposed solution was determined to be the least cost option based on a nine year analysis period ending in 2020, the projected decommissioning date for Holyrood as a thermal generating station.

In the question above it states; "Hydro has not shown that insulation problems have a reasonable or any potential to cause the worst case scenario of a forced outage." Of the alternatives considered in the proposal, the only one that would present a scenario whereby deteriorated insulation would lead to a worst case scenario of a forced outage is the alternative of continuing with the status quo. Under this scenario, the largest concern for causing a forced outage relates to the poor condition of the support structures. If Hydro continued with the status quo, it is believed that poor supports will be the first cause of breeching failure with a high possibility of causing a forced outage sometime during the early years of the nine year CBA study period. When that happens, it is anticipated that the collapse of the

breeching system would necessitate a full rebuild including provision of a new insulation system. If the condition of the supports was discounted in causing a forced outage under the status quo option, Hydro expects that the steel breeching shell would fail sometime later within the nine year CBA study period because of no improvements to the present day condition of the insulation system and its continued deterioration. Hydro believes that the present condition of the insulation system, along with continued deterioration in the next several years, will result in widespread and accelerated corrosion that will have a large potential to cause a failure that could result in a forced outage.

In the question above it also asks; "Where, specifically, in the materials filed in support of this present Application does Hydro show that insulation problems have a reasonable or any potential to cause the worst case scenario of a forced outage?" The materials filed in support of the present Application does not specifically show this. However, as stated in the paragraph above, Hydro believes that the present condition of the insulation system, with continued deterioration in the next several years, will result in widespread and accelerated corrosion that has a large potential to cause a failure that could result in a forced outage.