

1 Q. (Re: Board Order No. P.U. 38(2013)) The Board's Order relating to the black start
2 project states (page 3, lines 15 to 18) "*Whereas the Board is satisfied that the*
3 *proposed capital expenditures should be approved but finds that the issues of*
4 *prudence and cost recovery in relation to the proposed expenditures should not be*
5 *addressed until there has been a full review with an opportunity for the parties to*
6 *issue requests for information and make submissions*". Please provide the definition
7 of "**prudence**" and a defense of why the costs of the diesel blackstart project have
8 been prudently incurred and why the Board should allow full cost recovery. Please
9 address this question in light of the statement in the April 10, 2014 report entitled
10 Supply and Install 100 MW (Nominal) of Combustion Turbine Generation that a
11 combustion turbine located at Holyrood provides (page 8) "*The ability to return the*
12 *leased black start diesels at Holyrood*".

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15 A. An expenditure is prudent if it is the least cost option for the safe and reliable
16 supply of electricity.

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18 The prudence of the expenditures for the blackstart facilities at the Holyrood
19 Thermal Generating Station (HTGS) site are outlined in Hydro's application in 2013
20 for the approval for the installation of the facility. These facilities were identified in
21 that application as the least cost option to quickly establish blackstart capability at
22 the HTGS. Hydro's application recommended the lease option as the least cost
23 solution as it expected that the facilities would only be in use until the planned new
24 combustion turbine required to meet the identified generating capacity deficit in
25 2015 was in place at Holyrood.

1 Hydro's plans for the new combustion turbine included the provision of the HTGS
2 blackstart capability since the failure and discontinued availability of the original 10
3 MW HTGS blackstart combustion turbine and the siting assessment for the new
4 combustion turbine was completed in 2012. Therefore, the return of the leased
5 blackstart diesels in mid-year 2015 is consistent with Hydro's application for the
6 blackstart facility and the provision of least cost reliable blackstart capability at the
7 HTGS site.