

1 Q. Application, Revision 2, page 4. Although there is currently use for only four bays, paragraph 17  
2 states

3 Additionally, maintaining the initial design plan for the regional diesel  
4 generating station with six engine bays will ensure sufficient footprint to  
5 accommodate future load growth and allow for N-2 redundancy if deemed  
6 necessary. While the provision of an extra engine bay to accommodate N-2  
7 redundancy has an incremental cost of approximately \$700,000, this is  
8 significantly less than the cost of expanding the building footprint in the event  
9 that an additional engine bay is required. This additional footprint could also be  
10 utilized for equipment to support the integration of renewable energy or  
11 storage technologies in the future.

12 Does Hydro intend to include the cost of the extra two bays in its rate base? Please explain.

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15 A. Yes, if approved, Newfoundland and Labrador Hydro (“Hydro”) intends to include the full project  
16 cost in its rate base. Hydro believes that it is prudent to plan and design for scenarios that have  
17 a reasonable probability of occurrence. Hydro has historically designed its diesel generating  
18 stations with additional engine bays to accommodate future load growth above and beyond that  
19 which is known or forecasted at the time of construction. For example, the Ramea Diesel  
20 Generating Station was constructed in 1997 with five engine bays and three units. While Hydro  
21 recognizes that the provision of an extra engine bay comes at an incremental cost, Hydro  
22 believes that this cost would be prudent, particularly as the cost to retroactively provide a sixth  
23 engine bay would be significantly greater than the incremental cost of doing so during original  
24 construction.