

1 Q. **Deferral of 2015, 2016 and 2017 Supply Costs Application**

2 Please provide any cost estimates prepared in support of the decision to employ N-  
3 1 and added spinning reserve.

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6 A. As indicated in its response to NP-NLH-028 of the October 2017 Application -

7 *Recovery of the 2015 and 2016 Balances*, Hydro did not prepare specific cost

8 estimates or a cost benefit analysis in support of the decision to employ N-1 and

9 added spinning reserve.<sup>1</sup> Hydro believes that its practice to deploy its system

10 resources to withstand: (1) any single transmission contingency without violating

11 any operating limit and impacting customer service, and (2) the loss of largest

12 generating unit contingency without violating the reserve criterion is aligned with

13 good utility practices.<sup>2</sup>

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15 Hydro dispatches its resources in order of least cost with due consideration to

16 regional supply constraints. With load growth, the decline in unit availability at the

17 Holyrood Generating Station and outages at other generating stations in recent

18 years, Hydro has had to rely on its standby generation to meet these reliability

19 criteria.

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<sup>1</sup> The standby fuel costs in Hydro's budgets following the review of its reliability criterion are reflective of these practices with assumptions around future standby generator use.

<sup>2</sup> Good Utility Practice means those practices, methods or acts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America) that at a particular time, in the exercise of reasonable judgment, would have been expected to accomplish the desired result in a manner consistent with regulations, reliability, safety, environmental protection, economy and expedition as applied and practiced in the utility industry with respect to power generation, delivery, purchase and sale. Good Utility Practice is not intended to be the optimum practice, method or act to the exclusion of others, but rather to be acceptable practices, methods, or acts generally accepted in such electric utility industry.