

1 Q. Based on discussions with Nalcor and documents received to date, MHI understands
2 that only \$ 2.5 M has been allocated for HVDC equipment replacement /
3 refurbishment over the 50 year life of the project. Please describe the components
4 of this figure, and the rationale for its determination.

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7 A. The annual operating cost estimate for the Labrador – Island Transmission Link
8 includes an annual sustaining capital provision or allowance of approximately \$1.5
9 million (2010 CDN \$) to facilitate ongoing and regular system maintenance and
10 refurbishment of the HVdc specialty equipment (e.g. converter station, switchyard,
11 controls, etc.). This provision is directly for hardware replacement and excludes any
12 technical support envisioned to be provided by Nalcor or under any master service
13 agreement type arrangements with OEMs, which are covered as separate line items
14 in the annual operating cost estimate. Also excluded is any sustaining capital
15 associated with the overland transmission system or submarine cables.

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17 This annual sustaining capital provision of \$1.5 million represents an allowance only
18 (i.e. estimate to cover the cost of known scope but with undefined requirements)
19 that will be validated during the system and facilities studies planned to be
20 undertaken during detailed design. For the purposes of Decision Gate 2, the basis
21 for this allowance is assumed to be 0.25% of the estimated capital cost of the HVdc
22 specialty equipment.