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HAND DELIVERED

October 7, 2016

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Re: Newfoundland and Labrador Hydro 2017 Capital Budget Application

Introductory

By correspondence dated September 1, 2016, the Board set today as the deadline for written submissions from intervenors on the above-captioned application (the "Application").

These are Newfoundland Power's submissions. They concern expenditures in relation to Newfoundland and Labrador Hydro's ("Hydro") Stephenville and Hardwoods gas turbines.

2017/2018 Expenditures

The Application proposes estimated 2017 capital expenditures of \$1,707,800 and 2018 capital expenditures of \$787,100 for life extension projects and capital spares for the Hardwoods and Stephenville gas turbine facilities. As these expenditures appear necessary to maintain operational reliability, Newfoundland Power supports their inclusion in the order approving Hydro's 2017 capital expenditures.

However, Newfoundland Power submits the Board should go further than simply approving the proposed expenditures in respect of these gas turbines.

Comprehensive Assessment of Gas Turbine Options

In Board Order No. P.U. 22 (2016), the Board noted that "the long term strategy for Hardwoods and Stephenville will be addressed as part of the Phase II review process". In the same order, the Board ordered that "consideration in relation to the reliability of Hardwoods and Stephenville" be addressed by Hydro in a report to be filed by November 30, 2016.

Subsequent to Order No. P.U. 22 (2016), Liberty Consulting filed its final report on Hydro Supply Adequacy. Liberty cited "Continuing problems with Hydro's existing thermal generating units and the delay in the in-service date for Muskrat Falls increase the risk of outages until the interconnection." Also Liberty stated that it "expects that new supply will be needed before Muskrat Falls is in service, to mitigate near-term supply issues, and after Muskrat Falls is in service, to mitigate the impact of extended

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outages of the Labrador-Island Link (LIL).” With respect to the Hardwoods and Stephenville gas turbines, Liberty concluded the “failure of both units during each of the last three winters gives a strong basis for concern that the chances this capacity will be there when needed are not good. Any capacity assessment that assumes a good chance of both units starting when needed must be considered questionable in our opinion.”

In the Board’s Phase One Report on its Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System (the “Investigation”), similar concerns were expressed with respect to the reliability of the Hardwoods and Stephenville gas turbines in preparation for Phase Two of the Investigation.

In its response to Request for Information NP-NLH-001, Hydro indicated that it is continuing to reassess the long term strategy for these gas turbines in preparation for the Phase Two assessment.

Newfoundland Power submits that the Stephenville and Hardwoods gas turbines are critical to ensuring reliability of the electrical system in both the short and long term. The reliability of both units has been recognized as a serious issue on 2 occasions over the past few months. This, in Newfoundland Power’s view, justifies accelerating Hydro’s reporting on its reassessment of the long term strategy for these units.

For these reasons, in addition to approving Hydro’s proposed 2017 gas turbine expenditures, the Board should order Hydro to complete a comprehensive analysis of short and long term options related to the Hardwoods and Stephenville gas turbines as part of the report on the turbines ordered to be filed by November 30, 2016. The analysis should, at a minimum, consider the options of repowering and replacing the existing Hardwoods and Stephenville gas turbines with modern, reliable gas turbine technology.

Concluding

If you have any questions, please feel free to contact the undersigned at your convenience.

Yours very truly,



Peter Alteen, QC
Vice President,
Regulation & Planning

c. Tracey Pennell
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey Stirling Scales

Larry Bartlett
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