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April 29, 2020

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Via Email

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

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

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro - Application for Approval of Capital Projects
Necessary for the Continued Operation of the Holyrood TGS**

These are the comments of the Island Industrial Customer (IIC) Group on the above Application, filed with the Board on April 7, 2020.

Firstly, the IIC Group wishes to state that it does not object to the four capital projects submitted for approval by this Application, and that the IIC Group supports an expedited process for their approval. The IIC Group's comments are directed towards (i) the monitoring and management of these four projects, in order to maximize the probability that they will be successfully completed in a timely fashion prior to the 2020-2021 winter season, and (ii) the management and planning of the future role of the Holyrood TGS as a source of power generation for the Island system.

Unfortunately, due to delays in completion of the Muskrat Falls Project, and the apparent deficiency of Maritime Link imports as a firm and dependable alternate support to the Island Interconnected System (per CA-NLH-009), there appears to be little option but to ensure continued reliable operation of the Holyrood TGS through to at least March 2022 (and as we will comment on below, it appears increasingly likely beyond that date). Most urgently, the reliability of the Holyrood TGS must be assured for the upcoming 2020-2021 winter season.

The Covid-19 public health emergency, and the continuing economic and workplace disruption that apparently is to be expected even when current distancing strictures can be somewhat relaxed, will continue to present an extremely challenging environment for Hydro's timely completion of these four 2020 capital projects. Notably, it would appear from Hydro's response to PUB-NLH-002 that risk of delay in delivery of PPE, in heavy demand throughout the world, creates a substantial risk to timely completion. Hydro has acknowledged, per PUB-NLH-004, that restrictions and protocols to address the Covid-19 risk are resulting in reduced productivity of Hydro's workforce, and it is reasonably to be anticipated that this will extend to the productivity of third party contractors working on these four 2020 capital projects.

In this context of acknowledged risks to timely completion, the IIC Group, by IC-NLH-007, has inquired of Hydro of the possibility of monthly progress updates on each of these projects. In response, Hydro has stated that progress updates provided by Hydro's 2021 Capital Budget

Application to be filed on or before August 1, 2021, and by the scheduled October 10, 2020, November 10, 2020 and December 10, 2020 Winter Readiness Planning Reports, should be sufficient to monitor due progress.

With respect, the IIC Group submit that more stringent monitoring is called for given the Covid-19 risks to completion, in particular as it appears that Hydro has apparently (per the responses to IC-NLH-006 and PUB-NLH-001) not developed any mitigation plans to address the non-completion of one or more of these capital projects. Notably, by its response to PUB-NLH-003, Hydro has highlighted the risk of potentially catastrophic impact, to Unit 2 generation availability during the upcoming winter season and to the safety of Hydro personnel, if the Unit 2 Turbine Valve Overhaul is not completed. Presumably, non-completion of one or more of the other projects also raises substantial increased risks of disruption of supply during the upcoming winter season.

In this context, the IIC Group submit that it would not be prudent to allow monitoring of progress on these projects to “go dark” during what will be two separate and likely critical time periods for their completion: the initial 2 months following a Board approval of the projects, which we would anticipate would include most of May, all of June, and into July, a time period when, for example, any delays arising from non-delivery of PPE might be expected to become manifest; and the period after filing of the 2021 Capital Budget in or about August 1, 2020 until the first Winter Readiness Planning Report on October 10, 2020. It is submitted that the October 10, 2020, November 10, 2020 and December 10, 2020 updates would likely be too late to address significant slippage in the completion schedule, or to allow for the development and implementation of a robust mitigation plan if it appears one or more of the projects may not be completed prior to the winter season.

Moreover, it has been reported that it has been modelled by provincial health officials that late fall 2020 (November) may represent the peak of Covid-19 cases in this Province, and that indeed there could perhaps be a second wave of Covid-19 starting in late fall 2020. It is reasonable to expect that these circumstances, should they come to pass, and the resumption of stricter distancing measures they could trigger, would not be conducive to workforce productivity on these projects.

In the foregoing context, leaving any schedule slippage to be made up or otherwise mitigated “just in time” in November and December (as has not uncommonly been the case with past Hydro winter readiness projects) would be even more risky than in past years. In the foregoing context, we submit monthly progress update reports, starting from early June 2020, would be prudent.

With respect to the management and planning of the future role of the Holyrood TGS as a source of power generation for the Island system, beyond the upcoming winter season, the IIC Group acknowledge that Hydro’s filing of its Near Term Generation Adequacy/Reliability Report (which Hydro has confirmed by IC-NLH-005 that it still expects to file on May 15, 2020), and the 2020 process before the Board that will follow that filing, is the most appropriate forum to address those issues. In these comments, we would simply note that there is reason to be

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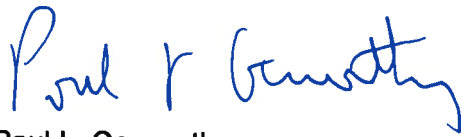
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skeptical, absent dramatic departures from past performance and experience¹, that the Muskrat Falls Project Assets will be performing the function of “a firm and dependable source on the Avalon Peninsula...to maintain the reliability of the transmission network”², so as to allow for the decommissioning of the Holyrood TGS as baseload generation, by March 2022 (which decommissioning timeline continues to be the premise of Hydro’s current Application). The unlikelihood of (or at least the substantial risk to) March 2022 decommissioning should form the context for considering the future management and planning of the Holyrood TGS.

We trust these comments will be found to be in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC

Enclosures

ec: Shirley Walsh, Senior Legal Counsel- Regulatory, Newfoundland & Labrador Hydro
NLH Regulatory
Dennis M. Browne, Q.C., Consumer Advocate
Stephen Fitzgerald, Consumer Advocate
Sara Fitzgerald, Consumer Advocate
Bernice Bailey, Consumer Advocate
Gerard Hayes, Newfoundland Power
Kelly Hopkins, Newfoundland Power
NP Regulatory, Newfoundland Power

¹ As most recently detailed in Liberty’s Ninth Quarterly Monitoring Report, filed on February 27, 2020; it is to be noted that Liberty’s observations in this Report do not reflect the further invidious impacts of Covid-19.

² As posited by footnote 3 to Hydro’s response to CA-NLH-009.