

June 21, 2022

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

Attention: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Long-Term Supply for Southern Labrador – Phase 1 – Response to Correspondence from the Board of Commissioners of Public Utilities Dated May 16, 2022 and May 19, 2022.

On April 7, 2022, the Board of Commissioners of Public Utilities (“Board”) provided correspondence to Newfoundland and Labrador Hydro (“Hydro”) with respect to Hydro’s application for the approval of construction of Phase 1 of Hydro’s long-term supply plan for southern Labrador (“Application”).¹ In its correspondence, the Board requested that Hydro provide additional information and analysis to supplement the information on the record and that Hydro should engage an independent expert to assist in the analysis of the options and approach for the provision of service in southern Labrador.² Hydro responded to this correspondence on April 26, 2022, setting out a detailed response to the Board with respect to the areas the Board identified as gaps or requiring further analysis. Hydro requested that the Board review this summary and reconsider its request for additional analysis and additional third-party expert reports in favour of an approach that allows for a real-time exchange of information, such as a technical conference or hearing.³ The Board’s correspondence on May 16, 2022 advised that it had reviewed Hydro’s information, but continued to be of the opinion that the information on the record continues to be insufficient to allow for proper consideration of the application. The Board stated that it did not feel that a technical conference or hearing would be of assistance to clarify or challenge the application proposals, and remained of the view that an external expert was necessary to provide independent review and address the identified information gaps.⁴

The Board also referenced correspondence it had received from the Town of Charlottetown in support of Hydro’s application.⁵ The Board’s further correspondence to Hydro, dated May 19, 2022, asked that Hydro confirm whether it had completed all reasonable work to reinforce the mobile generating units in Charlottetown, and to advise whether there are additional steps to be taken considering the Board’s

¹ “Long-Term Supply for Southern Labrador – Phase 1,” Newfoundland and Labrador Hydro, July 16, 2021.

² “Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application Approval of the Construction of Phase 1 of Hydro’s Long-term Supply Plan for Southern Labrador - To NLH - Further Information Required Before Schedule is Resumed,” Board of Commissioners of Public Utilities, April 7, 2022.

³ “Long-Term Supply for Southern Labrador – Phase 1 – Correspondence Regarding Requirement for Further Information,” Newfoundland and Labrador Hydro, April 26, 2022.

⁴ “Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application Approval of the Construction of Phase 1 of Hydro’s Long-term Supply Plan for Southern Labrador – Response to Hydro’s Letter dated April 26, 2022,” Board of Commissioners of Public Utilities, May 16, 2022.

⁵ Correspondence from the Town of Charlottetown dated April 11, 2022.

continued determination that more information is required before the matter can proceed. The Board requested that Hydro provide an update on the efforts to maintain safe, reliable service to the Town of Charlottetown and Pinsent's Arm while the application continues to be under review, as well as the of the additional information/expert guidance requested by the Board. The Board also requested the impact on the timeline for the implementation of a long-term solution for Charlottetown.⁶

The Board's May 16, 2022 correspondence noted that if Hydro felt it would be helpful for Board staff to provide further information with respect to the information gaps identified, Hydro could contact Board legal counsel to arrange a meeting.

Hydro's Response

Expert Report

Hydro is reviewing, in detail, the feedback provided by the Board in its April 7 and May 16, 2022 correspondence in order to prepare a scope of work for use in retaining an expert to address the Board's concerns. Hydro's objective is to provide the Board with a comprehensive response while remaining cognizant of the amount of time expended on this additional third-party analysis and the impact on Hydro's ability to provide safe, reliable, long-term service as soon as reasonably possible. As such, Hydro intends to avail of the Board's offer to meet with Board staff to discuss the information gaps and Hydro's intended scope of work for an expert, to ensure that the next steps are ones that will fully address any remaining concerns. Once the scope of work has been finalized and an expert retained, Hydro will be able to comment on the expected timelines for completion of that additional review and analysis as well as the implications for the timeline of the proposed long-term solution for the region.

Town of Charlottetown

As Hydro noted in its April 26, 2022 correspondence, Hydro has completed all work that can reasonably be undertaken to reinforce the mobile generating units that have been acting as the interim solution for electrical service in Charlottetown since 2019. Although Hydro will continue with any necessary inspections and regular maintenance, including winterization of the units in advance of any winter season for which they are providing service, a long-term supply solution must be decided upon and implemented to address the remaining concerns associated with the continued use of mobile generation in Charlottetown.

In light of the additional delay in implementation of a long-term solution in the area and the resulting impact on Charlottetown and Pinsent's Arm, Hydro further evaluated whether there were options that would be reasonable in light of the requirement for an extended temporary solution. To this end, Hydro is investigating the possibility of purchasing additional mobile generation. This genset could be used in Charlottetown to further support reliable operation and could then be used for other purposes once the long-term solution for southern Labrador is implemented. Mobile generation is not the ideal solution for medium- or long-term utility power supply, due to safety concerns, such as limited physical space and arc-flash hazards; environmental concerns, such as low fuel efficiency and higher probability of fuel spills; and reliability concerns, such as limited protection and control as well as lack of condition monitoring. The climate characteristics of the region add additional complexities for mobile generation in Charlottetown. However, with ongoing monitoring to mitigate as much as possible the known concerns, the incremental redundancy provided by additional mobile generation could assist with Hydro's ongoing commitment to provide safe, reliable service to the town. If Hydro determines that

⁶ "Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application Approval of the Construction of Phase 1 of Hydro's Long-term Supply Plan for Southern Labrador - Follow up to Board's Letter Dated May 16, 2022," Board of Commissioners of Public Utilities, May 19, 2022.

purchasing additional mobile generation is an appropriate step to take, Hydro will file a supplemental application setting out the full details and justification for the Board's consideration.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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SAW/sk

Encl.

ecc:

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