

October 27, 2022

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

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro – Application for Approval of Capital Expenditures Necessary to Address Supply in Charlottetown and Pinsent's Arm, Labrador – Newfoundland Power's Comments

A. Introductory

On October 7, 2022, Newfoundland and Labrador Hydro ("Hydro") filed the Application proposing capital expenditures of approximately \$1.3 million for the: (i) acquisition and repair of a Lower Churchill Project genset for use in L'Anse-au-Loup; (ii) relocation of Unit 2082 from L'Anse-au-Loup to Charlottetown; and (iii) winterization of Unit 2102 at Charlottetown. Hydro states that the project is required to meet peak demand and support the provision of reliable service for the residents of Charlottetown and Pinsent's Arm.

The costs incurred to provide service to Hydro's customers in southern Labrador, including those in Charlottetown and Pinsent's Arm, are largely borne by Newfoundland Power's customers through Hydro's rural deficit. Accordingly, Newfoundland Power has reviewed Hydro's Application.

By letter dated October 12, 2022 the Board set today's date as the deadline for comments on the Application. These are Newfoundland Power's comments.

B. The Application

Hydro provides electrical service to approximately 290 customers in the remote communities of Charlottetown and Pinsent's Arm, on the southern Labrador coast. Historically, service to these customers was provided by the Charlottetown Diesel Generating Station which was destroyed by fire in 2019. Since then, service has been provided by three mobile generating units located in Charlottetown. In July, 2022, another fire occurred that resulted in the total loss of one of the three mobile units. As a result, Hydro has installed a rented mobile unit and is in the process of connecting its spare unit (Unit 2044) in Charlottetown.

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Hydro has a firm capacity criteria that requires N-1 redundancy for its remote diesel systems.¹ This equates to sufficient generating capacity to meet peak demand even if the largest unit is unavailable. Hydro indicates that the continued use of mobile units to serve customers in Charlottetown and Pinsent's Arm is a substantial reliability risk.² To ensure reliable service until a permanent solution has been implemented, Hydro is proposing to increase the level of redundancy in Charlottetown to N-2.³ Hydro currently does not have plans to provide N-2 redundancy to other remote diesel systems. However, Hydro does allow for exceptions to its N-1 criteria under certain circumstances.⁴

Hydro's recommended alternative is: (i) to acquire and repair a mobile unit from the Lower Churchill Project for use in L'Anse-au-Loup; (ii) relocate a mobile unit from L'Anse-au-Loup to Charlottetown; and (iii) winterize a mobile unit in Charlottetown. In addition to the recommended alternative, Hydro analyzed three other alternatives including: (i) maintaining N-1 firm capacity criteria for Charlottetown; (ii) purchasing a new mobile unit; and (iii) renting a mobile unit. Hydro based its recommendation on a comparison of the alternatives based on technical viability, least cost, and implementation time frames.

Hydro states that it will incur additional operating and maintenance costs associated with increasing the level of redundancy in Charlottetown. However, these costs are expected to be offset by operational efficiencies.⁵

C. Submission

The evidence filed in support of the Application shows that the provision of reliable service to Hydro's customers in Charlottetown and Pinsent's Arm is diminished due to the 2019 fire that destroyed Hydro's Charlottetown Generating Station and the 2022 fire that destroyed one of the three mobile units operating in Charlottetown.

Hydro is required to provide service to customers in Charlottetown and Pinsent's Arm that is at the lowest possible cost consistent with reliable service in accordance with the *Electrical Power Control Act, 1994*. A long-term solution to supply these communities is currently under evaluation and will not be implemented for some time. As a result, a practical and cost-efficient near-term solution is required to mitigate these reliability concerns.

¹ Application Schedule 1 – Capital Expenditures Necessary to Address Supply in Charlottetown and Pinsent's Arm, Labrador, Page i, lines 8-9.

² Application, Paragraph 7.

³ Application, Paragraph 12.

⁴ Response to Request for Information NP-NLH-001

⁵ Response to Request for Information NP-NLH-005.

Hydro's alternatives to (i) continue with the status quo, and (ii) to purchase a new mobile unit do not address the near-term reliability issues in Charlottetown and Pinsent's Arm as a result of the long lead time for the procurement of a new mobile genset. Hydro's alternative to rent a mobile unit until a long-term solution is implemented is not least cost. In Newfoundland Power's submission, Hydro's recommended alternative is most appropriate given the circumstances.

D. Concluding

Based on the information provided, Newfoundland Power does not object to the Application. Newfoundland Power respectfully submits that Hydro keep the parties informed of any future reliability issues in Hydro's remote communities that may require a variance from its N-1 criteria.

We trust this is in order. If you have any questions, please contact the undersigned.

Yours truly,



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