



November 28, 2013

Ms. G. Cheryl Blundon  
Board of Commissioners of Public Utilities  
120 Torbay Road, P.O. Box 12040  
St. John's, NL A1A 5B2

Ladies & Gentlemen:

**Re: Newfoundland and Labrador Hydro – Application for approval of a capital project for the installation of diesel units at Holyrood for the purposes of blackstarting the generating units, and for the deferral of lease costs.**

This letter is in reply to the Board's letter of November 25, 2013 which requested comments upon Hydro's application filed on November 22, 2013.

The Consumer Advocate also acknowledges receipt on November 25, 2013 of documentation relating to this issue that the Board had on file. This documentation was enclosed with the Board's letter of November 25, 2013. So time-sensitive is the application that the Board has shortened the timeframe for parties to provide comment.

The Consumer Advocate observes that Hydro's application seeks an Order approving pursuant to Subsection 41(3) of the *Act*, the capital expenditure of \$1,124,100 as set out in the Application and in the project description and justification documents that accompanied the application. Hydro also requests that the Board approve the deferral of the lease costs of the diesel units until future disposition of the Board.

The Consumer Advocate respectfully recommends that the Board grant the requested order on an expedited basis.

That said, the Consumer Advocate is compelled to register his concern that as noted by the Board's letter of October 17, 2013 to Hydro, that Hydro did not advise the Board that Holyrood did not have a black start capability as of January 18, 2012 (which was first learned by the Board a year later in January of 2013) and that the Board was not advised as and when it became apparent to Hydro that Newfoundland Power's mobile units could not provide black start capability.

In the Board's letter of October 17, 2013 to Hydro it produces on page 2 a passage that contains Hydro's acknowledgement (in its 2011 Capital Budget application process) that it was "*prudent to secure another source of black start capability prior to the 2010/2011 winter.*"

We are now practically into the winter season and the existing Holyrood Gas Turbine is unavailable to provide blackstart capability and there are concerns with use of the Hardwoods Gas Turbine as a reliable



short term alternative. Hydro states that current estimates suggest that it will take 11 weeks to install the proposed 16 MW Diesel Plant from the date of the Board's approval. Accordingly, while prudence as Hydro recognized in its 2011 Capital Budget process required the securing of another source of blackstart capability prior to the winter season, that prudence standard is not being met in this instance.

The Consumer Advocate notes that Hydro has acknowledged in its November 18, 2013 letter to the board that communications with regard to black start at Holyrood and the loss in capability have not met the Board's expectations. It is noted as well that Hydro has proposed that in future Hydro will report within 48 hours, as part of its incident reporting system, any changes to plant generating capacity as a result of condition assessments or equipment failure that will require capital investment or an extended time to correct. The Consumer Advocate would certainly encourage any and all such steps that serve to improve communications with the regulator in relation to such critical matters.

Yours very truly,

O'DEA, EARLE

A handwritten signature in black ink, appearing to read 'T. Johnson', written over the typed name 'THOMAS JOHNSON'.

THOMAS JOHNSON

TJ/cel

Encl.

cc: Newfoundland and Labrador Hydro  
Attention: Geoffrey P. Young

Newfoundland Power  
Attention: Gerard Hayes,

Island Industrial Customers Group  
Attention: Mr. Paul Coxworthy (Stewart McKelvey)

Vale Newfoundland and Labrador Limited  
Attention: Mr. Thomas O'Reilly, Q.C. (Cox & Palmer)