



Cabot Place, 1100 – 100 New Gower Street, P.O. Box 5038
St. John's NL A1C 5V3 Canada tel: 709.722.4270 fax: 709.722.4565 stewartmckelvey.com

November 28, 2013

Paul L. Coxworthy
Direct Dial: 709.570.8830
pcoxworthy@stewartmckelvey.com

Via Electronic Mail and Courier

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: Hydro Application – Approval of a capital project for the installation of diesel units
for the purpose blackstarting Holyrood generating units, and for deferral of lease
costs**

We write on behalf of the Island Industrial Customers Group (Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited, and Teck Resources Limited), in response to the Board's correspondence dated November 25, 2013 regarding the above Application.

The Island Industrial Customers Group understand that Hydro's Application is intended to address what has become a very time-sensitive situation. It appears from the table at page 12 of the Holyrood Blackstart Analysis (the version filed with the Application) that in the best case scenario, "Project Availability" will not be achieved until 11 weeks after Board approval. This apparently means that Hydro may not have in place, until well into the peak winter season, Holyrood black start capability meeting the "reasonably safe and adequate" standard referred to in the Board's correspondence dated October 17, 2013 to Hydro. The Island Industrial Customers Group has no choice but to accept that, in these circumstances, Hydro's proposed solution cannot be reasonably subjected to the full prior scrutiny that it otherwise merits, without placing service reliability for Hydro's customers at potential risk.

However, the Island Industrial Customers Group are concerned, based on the brief opportunity they have had to review Hydro's filing and the supplementary documentation provided under cover of the Board's November 25, 2013 correspondence, about the circumstances that have led to the present need for an expedited solution to the black start problem. Without attempting to enumerate all the issues that might be identified by the opportunity for full scrutiny of those circumstances, it appears that, at minimum, the following issues deserve further consideration:

1. As noted in the Board's correspondence dated October 17, 2013 to Hydro, as far back (at least) as the 2011 Capital Budget Application, Hydro had identified reliability concerns with its black start capability at Holyrood. However, no "reasonably safe and adequate" steps have been proposed by Hydro to address this situation until the present Application, 3 years later. The Island Industrial Customers submit that further scrutiny is required as to whether a reasonably safe and adequate solution could have been

implemented, at a lower cost, if Hydro had addressed this known concern with timely planning and reasonable diligence.

2. At page 7-8 of the Holyrood Black Start Analysis (the version filed with the Board and enclosed with the Board's November 25, 2013 correspondence), Hydro identifies a "Variable Frequency Drives (VFD)" option which, it appears, could reduce the time period over which the diesel units need to be leased. It is reasonable to scrutinize whether Hydro could have implemented this VFD option in time for the 2013-2014 winter season if it had been considered on a timely basis, i.e. at the very latest by February 2013, when the consequences of inadequate black start capability at Holyrood were inescapable. It is also reasonable to consider whether the future implementation of a VFD solution, to reduce the diesel unit leasing period, would still be a lower cost option.
3. Hydro has identified that the present project is an interim measure until the planned 60 MW Combustion Turbine is installed at the Holyrood site in late 2015. It is reasonable to consider whether it would be a lower cost solution to expedite the Board's consideration of the 60 MW Combustion Turbine project, and if it is approved, to accelerate that project's in-operation date.

By raising the above issues, the Island Industrial Customers Group is not suggesting that the necessary expedited Board approval should not now be given to allow Hydro to proceed with the diesel unit solution proposed by Hydro. There is, at this late date, no reasonable opportunity to consider lower cost alternatives before the implementation of Hydro's proposed solution.

However, by the same token, Hydro's proceeding with its proposed solution should not be conditional on the Board confirming, in the context of this abbreviated Application process, that there will be no "undue impact on Hydro's return" (as Hydro puts it in paragraph 10 of the Application). The Island Industrial Customers Group submit that the issues enumerated above, and any other issues that may be identified by further due scrutiny, should be addressed in a separate process to determine to what extent the capital costs and deferred lease costs of the diesel unit solution should be recovered from Hydro's customers. There is precedent for such questions to be raised in the Board's review of the Fuel Oil Heat Tracing project in the 2012 Hydro Capital Budget Application (Phase II). The Island Industrial Customers submit that the separate process should include the opportunity to file Requests for Information (RFIs), and should not be abbreviated in respect of such other proceedings as may be indicated following Hydro's responses to those RFIs.

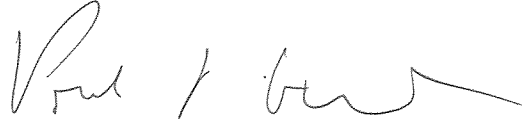
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We trust these submissions will be found to be in order.

Yours truly,

Stewart McKelvey

A handwritten signature in black ink, appearing to read "Paul L. Coxworthy". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul L. Coxworthy

PLC/kmcd

- c. Mr. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
- Mr. Thomas J. Johnson, Consumer Advocate
- Mr. Gerard Hayes, Newfoundland Power
- Mr. Dean A. Porter, Poole Althouse
- Mr. Thomas O'Reilly, Q.C., Vale Newfoundland and Labrador Limited