

May 30, 2016

The 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 Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: An Application by Newfoundland and Labrador Hydro (Hydro) pursuant to Subsection 41(3) of the Act for the approval of the Replacement of the lower reheater boiler tubes on Units 1 and 2, and additional reliability improvements at the Holyrood Thermal Generating Station - Reply

Following is Hydro's reply to the parties' submissions with regard to the above noted application.

1.0 Application Background

On March 29, 2016, Hydro filed an Application proposing to replace tubing in the lower sections of the boiler reheaters in Units 1 and 2 at the Holyrood Thermal Generating Station (Holyrood TGS). Secondary to the tube replacements, Hydro also proposed additional reliability improvements for the Holyrood TGS. This includes replacing end of life equipment, including valve and piping replacements, No. 2 air compressor replacement, pump motor starter replacements, and heat exchanger replacements, as well as condition assessments of boiler and feedwater equipment.

2.0 Intervenor Submissions

Newfoundland Power, in its letter dated May 16, 2016, submitted that the Board should approve the capital expenditures relating to the projects specifically identified in Hydro's Application but further submitted that the Board should require Hydro to report on, and justify any expenditures and projects undertaken, within the \$1.8 million contingency in Hydro's annual capital expenditures variance report. Newfoundland Power also submitted that the Board should require that Hydro report the detailed results of all studies or reviews relating to the de-rating of the Holyrood Plant once concluded.¹

The Consumer Advocate, in his letter of May 18, 2016, stated that he shares the concerns expressed by Newfoundland Power in its May 16, 2016 submission on this issue as the prospect of de-rating the Holyrood Plant is a new development on the Island Interconnected System. He also agreed with Newfoundland Power that as part of the Board's order on the Application, Hydro should be required to report the detailed results of all studies or reviews relating to the de-rating of the

¹ Letter from Newfoundland Power Inc. dated May 16, 2016.

Holyrood Plant once concluded. The Consumer Advocate also submitted that Hydro should report on the impact of the extent of the de-rating on winter readiness from a reliability perspective.²

3.0 Hydro's Response

Hydro notes that neither Newfoundland Power nor the Consumer Advocate opposes the approval of the Application.

With respect to the comments made by the Intervenors, Hydro states as follows:

- As stated on at item 10 on page 14 in the Report that accompanied Hydro's Application, Hydro will use project contingency for unforeseen component replacements of similar scope that are required to mitigate unplanned outages during the 2016/2017 winter operating season. As confirmed in PUB-NLH-005, in the year-end Capital Expenditures Variance Report Hydro will report on any additional unforeseen component replacements that it makes arising from this project.
- Hydro will report to the Board on any derating of Holyrood Units that is established following the completion of this project.

In summary, Hydro states that the capital works for which Hydro has sought approval in the present Application are necessary to ensure that Hydro can continue to provide service which is safe and adequate and just and reasonable as required by Section 37 of the Act. Hydro respectfully requests that the Board approve Hydro's application, as submitted.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Tracey L. Pennell
Legal Counsel

TLP/bds

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Sheryl Nisenbaum – Praxair Canada Inc.

Thomas Johnson – Consumer Advocate
Thomas J. O'Reilly, Q.C. – Cox & Palmer

² Letter from the Consumer Advocate dated May 18, 2016.