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September 20, 2016

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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: Newfoundland and Labrador Hydro Supplementary Capital Expenditure
Application – Combustor Inspection and Overhaul of the Holyrood Combustion
Turbine**

We write further to the Board's notice of yesterday, September 19, 2016 that the deadline for comments in relation to the above Application is today, Tuesday, September 20, 2016. The Island Industrial Customers Group appreciate that there is a need to consider this Application on an expedited basis, to ensure that any capital project in relation to the Holyrood combustion turbine, necessary to ensure reliability of service to Hydro's customers, is completed prior to the upcoming winter readiness period.

The Island Industrial Customers Group are satisfied, based on the evidence Hydro has advanced by this Application, that it is prudent to proceed with the proposed inspection and overhaul of the 100 MW combustion turbine in this fall 2016.

In taking this position, the Island Industrial Customers Group, however, reserve their opportunity, in such future process as the Board may establish in relation to the Energy Cost Variance Deferral Account proposed in the Amended 2013 General Rate Application or otherwise, to inquire on and make submissions regarding whether the amount of actual usage of the Holyrood 100 MW combustion turbine, over and above forecast usage, was consistent with least cost, reliable service to Hydro's customers.

We would make the following comments with respect to the responses filed by Hydro to Requests for Information from Newfoundland Power and the Board.

In attachment 1 to the response to NP-NLH-002, at page 3 of 5, System Operating Instruction, there appears the following statement:

The ECC will take appropriate action to maintain a minimum spinning reserve level equal to 70 MW.

In response to NP-NLH-004, Hydro makes the following statement:

Hydro maintains spinning reserve of 170 MW on the island system in order to cover the single worst contingency of the loss of the largest generating unit.

It is not clear how these two statements can be reconciled, with respect to spinning reserve which is to be maintained. The Island Industrial Customers Group invite Hydro, in its reply, to address this point.

With reference to PUB-NLH-005 and PUB-NLH-006, it is not clear from Hydro's responses why this Application was not filed until August 31, 2016. Hydro's evidence is that the potential for needing to advance the inspection and overhaul to the Fall of 2016 was recognized by late 2015. Subsequent to this, in February 2016, Hydro filed its application for a standby fuel deferral account for fuel consumed by combustion turbines and diesel generators. The February 2016 application specifically contemplated the increased use of the 100 MW combustion turbine, over forecast usage.

Hydro, in response to the Board's query (PUB-NLH-006) as to when Hydro's management was first advised of the proposal to advance the inspection and overhaul, stated that the opinion of the original equipment manufacturer was sought regarding the possibility of going beyond the recommended 400 equivalent starts (ES). No date or time period was provided by Hydro as to when this request was made of the original equipment manufacturer. Subject to further explanation by Hydro, it would appear that there should have been more than sufficient time to obtain this opinion from the original equipment manufacturer in the spring of 2016, so as to have allowed this application to have been filed in late spring or early summer 2016. This would have allowed for more time for due regulatory scrutiny of the application, without the compressed time schedule resulting from the August 31, 2016 filing date, and would have better assured that all necessary inspection and overhaul work would be completed, in a time efficient and cost efficient manner, well before the winter readiness period. In this regard, the Island Industrial Customers Group note the original equipment manufacturer's opinion, stated in Hydro's response to PUB-NLH-006, that exceeding the 400 ES limit would be "a high risk", and also note that Hydro, at line 10, page 19 of the report filed in support of this Application, has acknowledged that the schedule of proposed work is aggressive.

If Hydro cannot provide a satisfactory explanation for not filing this application until August 31, 2016, then the Island Industrial Customers Group would submit that the Board should make comment on the lack of a satisfactory explanation, and if necessary provide further direction to Hydro with respect to bringing forward critical capital projects on a timely basis so that they can be duly scrutinized, and if approved implemented, well before the winter readiness period.

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We trust these comments 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 written in a cursive, slightly slanted style.

Paul L. Coxworthy

PLC/kmcd

- c. Tracey L. Pennell, Senior Counsel, Regulatory, Newfoundland and Labrador Hydro
- Gerard Hayes, Newfoundland Power
- Dean A. Porter, Poole, Althouse
- Sheryl Nisenbaum, Praxair Canada Inc.
- Thomas J. Johnson, Q.C., Consumer Advocate
- Thomas J. O'Reilly Q.C., Cox & Palmer
- Larry Bartlett, Teck Resources Limited