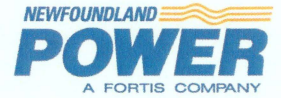


WHENEVER. WHEREVER.
We'll be there.



June 7, 2016

Board of Commissioners of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NF A1A 5B2

Attention: Cheryl Blundon
Board Secretary

Ladies & Gentlemen:

Re: An Application by Newfoundland and Labrador Hydro pursuant to Subsection 41(3) of the Public Utilities Act for the approval of the Gas Generator Engine Refurbishments at the Hardwoods Gas Turbine Plant and the Stephenville Gas Turbine Plant (the "Application").

Introduction

On May 19, 2016, Hydro filed the Application proposing capital expenditures of approximately \$3.0 million to refurbish (i) a gas generator engine (serial number 202205) in the Hardwoods Gas Turbine Plant ("Hardwoods") and (ii) a gas generator engine (serial number 202204) in the Stephenville Gas Turbine Plant ("Stephenville"). The two gas generator engines are currently out of service and cannot be operated. In support of the Application, Hydro filed a report titled *Gas Generator Engine Refurbishments - Hardwoods and Stephenville* (the "Hydro report").

By letter dated May 25, 2016, the Board set today as the deadline for comments on the Application. These are Newfoundland Power's comments.

Capacity and Reliability

The performance of Hardwoods and Stephenville has had a negative effect on reliability on the Island Interconnected System in recent years, and is therefore of immediate concern for Newfoundland Power and its customers. Reliability measures for both Hardwoods and Stephenville for the period 2011 to 2015 compare unfavourably to the Canadian Electricity Association average for Capability Factor, Utilization Forced Outage Probability, and Failure Rate (see Table 5 of the Hydro report).

Newfoundland Power Inc.

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The 100MW capacity provided by Hardwoods and Stephenville is necessary to provide peak and emergency power and voltage support on the Island Interconnected System. For this reason, Newfoundland Power submits the Board should approve the capital expenditures proposed in the Application to ensure Hardwoods and Stephenville are available to operate reliably in the 2016-2017 winter season.

Future Considerations

The Hydro report estimates that each engine will have “at least 10 years of service life remaining after engine refurbishment.”

The Hardwoods engine was last overhauled in 2010; the Stephenville engine in 2014. Hydro expected each engine to operate for at least 10 years following refurbishment. However, this expectation was not realized. Hydro has not been able to determine a single cause of the shorter than expected service life of the refurbished engines, but has suggested that increased operating hours at low loads and an increased number of starts and stops could be contributing factors to the reduction in service life (Request for Information NP-NLH-008).

At the time of its 2009 Capital Budget Application, Hydro considered repowering Hardwoods with new gas turbine engines and power turbines at an estimated cost of \$26 million (Request for Information NP-NLH-015), but determined that refurbishment was the preferred alternative at the time. From 2007 to 2015, Hydro incurred approximately \$27 million in capital expenditures on planned and unplanned projects to refurbish and repair Hardwoods and Stephenville (Request for Information NP-NLH-014).

Hydro has indicated that, given the recent changes in the Hardwoods and Stephenville operating regime to support system reliability, it plans to revisit its long term strategy for the facilities. Consideration for repowering both facilities will be included in the analysis (Request for Information NP-NLH-015).

Newfoundland Power supports timely consideration by Hydro of future plans for Hardwoods and Stephenville.

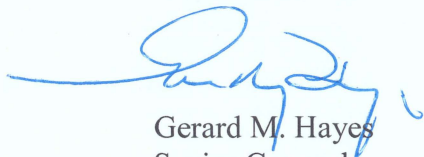
Concluding

Newfoundland Power submits that the capital expenditures outlined in the Application should be approved. Newfoundland Power further submits that the Board should require Hydro to provide an update regarding its reconsideration of the long term strategy for Hardwoods and Stephenville in its report on 2016 capital expenditures to be filed with the Board in March 2017.

Newfoundland Power Inc.

If you have any questions relating to the above, please feel free to contact us.

Yours very truly,



Gerard M. Hayes
Senior Counsel

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Newfoundland and Labrador Hydro

Paul Coxworthy
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