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May 2, 2014

Via Electronic Mail & 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 Madam:

Re: Hydro Application Pursuant to Section 41(3) of the Act for Approval of Capital Project for the Procurement and Install of 100 MW (Nominal) Combustion Turbine

At this time 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 April 29th, 2014 regarding the above Application.

The Island Industrial Customers Group are not oblivious to the fact that the within Application is intended to address a very time-sensitive situation which has significant implications for both the industrial and residential customers of this Province. As noted by the Board in its correspondence on April 29th, 2014,

"The normal regulatory process for reviewing such applications would include requests for information, evidence, submissions and possibly a public hearing. In the context of the timeframe set out by Hydro it appears that the only option may be to grant approval for Hydro to proceed with the project as proposed and subsequently establish a separate process to allow the parties the full opportunity to review the issues of cost and cost recovery."

As such, the Island Industrial Customers Group may have no choice but to accept that, in these circumstances, Hydro's proposed solution cannot reasonably be subjected to the full prior scrutiny that it otherwise merits, without placing service reliability for Hydro's customers at potential risk.

The Island Industrial Customers Group are deeply concerned, however, regarding the limited opportunity the parties have had to review Hydro's filing and the supplementary documentation provided to justify the substantial cost of the 100 MW (nominal) Turbine, the prudence of same in light of Muskrat Falls and the likelihood that it will be installed and supplying the power required by the end of 2014. 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:

- i) It appears that through this Application Hydro may be approved to incur an extraordinary expense for a long term solution to a problem which may be alleviated upon completion of the Island Infeed (in 2017). In this regard; strict scrutiny, including R.F.I.'s and full submission, may identify that other sources of supply (possibly coupled with a less expensive, lower capacity turbine) would now be the more appropriate, least cost, reliable source of supply; and
- ii) The manner in which Hydro is approaching the reliability of the Avalon supply system, including whether the necessary transmission lines will be available prior to commissioning of the subject 100 MW (nominal) Turbine and whether the extraordinary cost would be justified if a) the Turbine will not, with relative certainty, be operational by year end or b) necessary ancillary transmission will not be available to transmit power from the Turbine by that time.

By raising the above issues, the Island Industrial Customers Group are not suggesting that the necessary expedited Board approval should be denied, preventing Hydro from proceeding with the procurement and installation of the 100 MW Combustion Turbine. There may be, at this late date, no reasonable opportunity to consider lower cost alternatives available before the implementation of Hydro's proposed solution.

The Island Industrial Customers Group submit, however, 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 should be recovered from Hydro's customers.

The Island Industrial Customers submit that the separate process should include the opportunity to file Request for Information (R.F.I.'s), and should not be abbreviated in respect to such other proceedings as may be indicated following Hydro's responses to those R.F.I.'s.

We trust you find the foregoing satisfactory.

Yours very truly,

POOLE ALTHOUSE



Dean A. Porter

DAP/lp

Encls.

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cc: Mr. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
Mr. Thomas J. Johnson, Consumer Advocate
Mr. Paul Coxworthy, Stewart McKelvey
Mr. Thomas J. O'Reilly, Q.C., Vale Newfoundland and Labrador Limited
Mr. Gerard M. Hayes – Newfoundland Power Inc.
Ms. Sheryl Nisenbaum, Praxair Canada Inc.
Mr. Danny Dumaresque
Mr. Fred Winsor, Sierra Club Atlantic