

Cheryl Blundon
Secretary to the Board
Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL
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January 9, 2014

Dear Ms. Blundon:

We, the undersigned, are writing pursuant to Section 84 of the Public Utilities Act ("the Act") to make a complaint that the service being provided by Newfoundland and Labrador Hydro (NLH) is "inadequate or unobtainable".

Under Section 37 of the Act a public utility must "provide services and facilities which are reasonably safe and adequate and just and reasonable." We believe NLH has failed to meet its statutory responsibility.

Under Sub-Section 84(2) of the Act, once a complaint is made by five persons, the Board may conduct an investigation and may conduct public hearings as part of that process.

We respectfully submit that there is a prima facie case for both an investigation and public hearings.

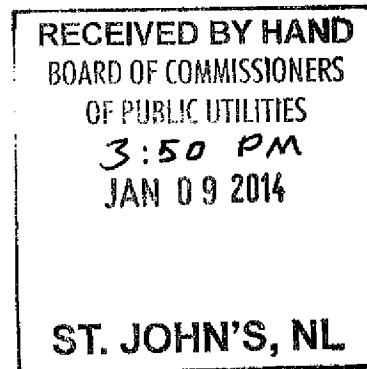
We acknowledge that the Board has commenced an investigation into these matters.

However, we believe such an investigation would be seriously deficient if it were conducted without the openness and transparency available through a Public Hearing where senior NLH management personnel should be required to give evidence, under oath, subject to cross examination.

Thousands of people affected by these events have suffered and have experienced both personal and financial loss. They must be permitted to be hear the evidence themselves and engage in the process.

In addition, because of the province-wide extent of the outage, the number of people affected and the number of failed generating assets, the parties hereto make this complaint on the understanding that they will be exempt from being personally liable for the costs to undertake such hearing and investigation as referred to in Sub-Section 84(3) of the Act.

During the past several days, by the Government's own admission, up to 220,000 power customers have been denied power or have been subject to "rolling black-outs". People have



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suffered, schools and post-secondary institutions have been closed, the operations of vital industries such as the Come By Chance Refinery have been shut or curtailed.

Confidence in the Province's power utility has been badly shaken.

The impact on so many people's lives, especially seniors and those without a secondary source of heating, has been of a magnitude that the people affected must be permitted to publicly participate and hear NLH's explanation, under oath, as to why so many power generating assets, including the gas turbines at Stephenville and Hardwoods (close to St. John's) and the three thermal units at Holyrood, were unready and unable to deliver essential electrical power to the people of this Province.

The questions which need to be addressed include, but may not be limited to the following:

1. Why were the aforementioned key assets not in a state of readiness to cope with an emergency situation which developed early in January 2014? Are there structural deficiencies in the asset management process and how can they be corrected on an expedited and urgent basis?

2. Has the Holyrood thermal plant been properly maintained?

3. Will the Holyrood plant be required as an essential permanent backup when Muskrat Falls is commissioned, to ensure reliability of the system, particularly for Eastern Newfoundland? Has Government given sufficient weight to the question of reliability and sufficiently compensated for the risks associated with a long distance transmission line from Muskrat Falls to the Avalon Peninsula, given the adverse maritime climate, the sub-sea crossing under the iceberg-scoured Strait of Belle Isle and the high wind and extreme icing conditions prevalent on high ground in southern Labrador, on top of the Long Range Mountains and across the Isthmus of Avalon?

4. Is a third transmission line from Bay d'Espoir to the Avalon required and would such a line have mitigated or eliminated the recent outages? Would the third line have allowed customers on the Avalon better access in time of crisis to the majority of on Island generation facilities which are located off the Avalon? On the issue of the third line, we would like to seek clarification as to why recent comments by Nalcor seem at odds with the recommendation by Nalcor's planning department, as contained within Exhibit 114 submitted to the PUB as part of the Muskrat Falls review. This document clearly communicated that the third line from Bay d'Espoir would improve the firm capacity of the island. The following quote comes from Exhibit 114:

4.7 Energy Efficiency Benefits

The new 230 kV circuit significantly increases the transmission capacity east of Bay d'Espoir to (sic) and allows for improved efficiency in the operation of generators at Holyrood. This results in reduced fuel consumption and, in turn, may reduce the potential for spill at hydroelectric facilities in a continued isolated Operation generation expansion scenario.

Why was this project delayed in the capital budget of NLH?

5. Exhibit 106, submitted by Nalcor to the PUB as part of the Muskrat Falls hearings, claimed that emergency energy from Nova Scotia would be required and available in the event that the Labrador Interconnected Link were out of service for long periods. Despite this requirement there has been, to the knowledge of the undersigned, no firm contract between Emera and Nalcor for the provision of such emergency power. What action has been taken to arrange for such emergency power supply from sources on the Mainland?

6. Nalcor Exhibit 106 indicates that as of 2011 they had not adopted a higher reliability return period for the Labrador Interconnected Link proposed by MHI. Instead they indicate as follows:

...Nalcor, in the interest of minimizing overall cost to the customer, has opted to apply load rotation and other means to minimize the impact to customers should an event occur. (Nalcor Exhibit 106, page 33, with underling supplied.)

Has NLH adopted the reliability standards recommended by MHI or will they rely upon rotating outages, combined with emergency power from other sources, for power supplied from Muskrat Falls?

7. Have the other generation assets and transmission and ancillary facilities been properly maintained?

8. When was Hydro aware of potential problems for this winter and what steps could have been undertaken in the short term to alleviate what has now occurred?

9. What measures should be undertaken to ensure that an adequate and reliable supply of power is made available?

10. If energy sharing is necessary how can it be accomplished in a more equitable and transparent manner? Would improvements in the transmission system allow for improved sharing of energy shortfalls by consumers throughout the Province?

11. How can energy conservation and greater efficiency in the use of energy contribute to reduce the likelihood of power outages?

We would emphasize that after the scheduled completion of Muskrat Falls in 2017 or 2018 (or later), the question of power availability, reliability and security of supply of our on-island electrical system is inseparable from the various reliability and operational risks associated with the operation of Muskrat Falls (especially the 1,100 km Labrador in-feed transmission line) as described above.

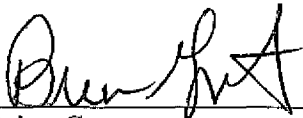
In order to conduct a proper review of the reliability of our electrical supply system, the Board should have the ability to examine whether Nalcor's Energy Access Agreement with Emera

(which grants Emera certain rights with respect to our on-island generation capacity) may limit NLH's ability to act in a supply crisis situation.

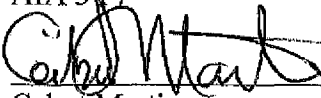
Accordingly, we also respectfully suggest that the Board request from the Province special authority under the Public Inquiries Act to broaden its investigation and public hearings to include these latter two points.

In any event, based on the facts on the public record and the questions that have been raised, we believe that the Board must conduct an investigation and hold public hearings on these matters and, where appropriate, use its authority to order NLH to take the necessary short and long-term steps to ensure the reliability of our power supply in the future.

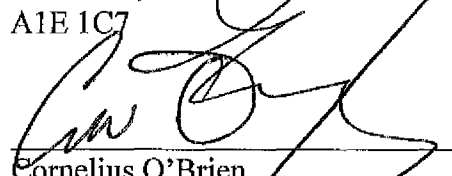
Yours truly,



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