

Ronald Penney
10 Inglis Place
St. John's, NL
A1A 4L7
Canada

David Vardy
204 Fowler's Road
Conception Bay South, NL
A1W 4J8
Canada

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Ms. Cheryl Blundon
Director of Corporate Services and Secretary to the Board
Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL
A1A 5B2

Dear Ms. Blundon:

We are pleased that the Public Utilities Board has commenced an investigation under section 82 of the Act into the power failures we have recently experienced.

Newfoundland and Labrador Hydro (NLH) has failed to meet its statutory responsibility to "provide services and facilities which are reasonably safe and adequate and just and reasonable." Key assets to cope with emergency situations were not in a state of readiness, including the gas turbines at Stephenville and Hardwoods (close to St. John's) and the three thermal units at Holyrood. The lack of spare parts, the untested fuel lines and other issues cited by NLH indicate structural deficiencies in its asset management process. As the Public Utilities Board commences its investigation into the failure of NLH to meet its legal obligations to supply power it should ask the following questions, with immediate priority to given to question one below.

1. Why were the aforementioned key assets not in a state of readiness to cope with the 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? If not, why not? Why did NLH not proceed with planned expenditures to maintain and upgrade this facility?

3. Will the Holyrood plant be required as a 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 icing conditions prevalent in Alpine conditions 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 withdrawn from the capital budget of NLH?

5. Exhibit 106, submitted by Nalcor to the PUB as part of the Muskrat Falls hearings, reveals that emergency energy from Nova Scotia would be required 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. Will system reliability improve with Muskrat Falls? Nalcor Exhibit 106 indicates that as of 2011 it had not adopted the higher transmission line standards 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 underlining supplied.)

Has NLH adopted the proposed reliability standard 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? Would time-of-day pricing improve the shape of the load profile?

Under section 84 the Board has the power to make orders against a public utility, but not without a public hearing or enquiry.

Based on the facts in the public record and the questions that have been raised we believe that the Board must conduct 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.

A hard copy of this letter will be delivered to the offices of the Board.

Ronald Penney

David Vardy

Ratepayers
Newfoundland and Labrador