

DANNY DUMARESQUE
213 Portugal Cove Road
St. John's, NL A1B 2N5

E-mail: cbundon@pub.nl.ca

2015-04-29

Ms. Cheryl Blundon
Newfoundland and Labrador
Board of Commissioners of Public Utilities
120 Torbay Road
St. John's, NL A1A 5B2

Dear Ms. Blundon:

RE: The Board's Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System- Phase One-Final Submissions

Please find enclosed the original and twelve (12) copies my second submission regarding the above-noted matter. Paper copies will follow.

If you have any questions, please do not hesitate to contact me, via email danny.liberal@gmail.com or (709) 685-5719.

Sincerely yours,

Danny Dumaresque
Intervenor

Encl.

cc.

NEWFOUNDLAND AND LABRADOR HYDRO

Mr. Geoffrey P. Young, E-Mail: gyoung@nlh.nl.ca

NEWFOUNDLAND POWER INC.

Mr. Gerard Hayes, E-Mail: ghayes@newfoundlandpower.com

Ian Kelly, QC, E-Mail: ikelly@curtisdawe.com

CONSUMER ADVOCATE

Mr. Thomas Johnson, E-Mail: tjohnson@odeaearle.ca

Ms. Colleen Lacey, E-Mail: clacey@odeaearle.ca

ISLAND INDUSTRIAL CUSTOMER GROUP

Mr. Paul Coxworthy, E-Mail: pcoxworthy@stewartmckelvey.com

Mr. Dean Porter, E-Mail: dporter@pa-law.ca

PUBLIC UTILITIES BOARD

Ms. Cheryl Blundon, E-Mail: cblundon@pub.nl.ca

Ms. M. Greene, E-Mail: mgreene@pub.nl.ca

Mr. Fred Winsor, E-Mail: winsorf@nl.rogers.com

Mr. Tom O'Reilly, E-Mail: toreilly@coxandpalmer.com

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120 Torbay Road
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Dear Ms. Blundon:

**RE: The Board's Investigation and Hearing into Supply Issues and Power Outages on the
the Island Interconnected System- Phase One- Final Submissions.**

On March 4, 2015 approximately 200,000 people, businesses and institutions were told that there would be rolling blackouts and thousands were forced to take their children back home or return to pick them up from school where they had dropped them minutes before. This incident, like the crisis in early January, 2014 should not have happened and must not be allowed to happen in the future.

Over 14 months ago I was happy to be accepted as an Intervenor into the Board's Investigation of the 2014 power outages. I wanted to find out what went wrong, to inform the public on how the system works, to help hold the system accountable and suggest ways that it could be improved.

In April, Liberty Consulting filed a Report which laid the blame clearly at the door of NL Hydro. They said the Utility had failed in many ways but specifically, to do required maintenance, have critical spare parts and have its generating assets available on time for peak demand. In addition, they noted a fundamental lack of communication between NL Hydro and NL power and no strategy to inform the public of power emergencies.

In May, 2014 the Public Utilities Board issued its own report with essentially the same findings.

While a Report on the March 4' 2015 power outages is still not available we do know the following:

1. 170 MW Unit at Holyrood was out for required maintenance
2. The backup CT failed to start when it was required, 3 months after its scheduled in-service date.
3. Public comments by NL Power and NL Hydro contradicted each other on the need for rolling blackouts so internal discussions had clearly not happened.
4. The Public were not told about this emergency power problem until after the school and work day started when the emergency was well known hours before.

The March 4, 2015 incident was the acid test for the previous 12 months of oversight, study, work and considerable money to make sure that this did not happen again but regrettably, it did and again, I conclude, it should never have happened.

Over the past 14 months I have tried to gather every detail and learn how the system operates while also trying to see the big picture.

GOOD WORK DONE

There is no doubt that good work has been done by NL Hydro to get required maintenance done, inventory critical spare parts and ready generation assets. This has largely been due to the reporting and demands placed upon the utility by the Public Utilities Board and the lack of confidence expressed in NL Hydro by the people of Newfoundland. This good work has also come with a major price tag. Nearly \$170 Million has been spent to install new generation, transformers, transmission and purchase new spare parts in the past 12 months.

In spite of the progress that has been made there are still fundamental problems for rolling blackouts to occur in 2015. I believe these problems can be narrowed to two issues:

1. NL Hydro is a rogue crown corporation, lacking focused, experienced leadership
2. The PUB is not an effective regulator

NL Hydro is a Rogue Crown Corporation

Having sat on the Board of NL Hydro over 11 years ago and observed the pride and experienced workforce in action with a solid working relationship with the Government of NL and seeing it since its inclusion with Nalcor, albeit from afar, I do believe that this new relationship and governance has diminished its effectiveness as our power generation utility. As the Liberty Report and other notable experts, like former PUB Chair David Vardy, have pointed out the public interest will be best served if NL Hydro is an Independent Crown Corporation with its own Chief Executive Officer.

Under the direction of Nalcor, it is clear that the Utility does not get the required attention of the Nalcor CEO and there are too many demands on the senior executive of Nalcor to make sure that our utility is a lean and mean power generating machine.

There is also a notable arrogance from Hyro in its dealings with the Regulator and this is borne out by the many times that Board's orders, deadlines and reports have either been ignored completely or flippantly addressed. In this proceeding, the Board, NL Power, Grand River Keepers and myself have expressed dismay with the lack of transparency and appropriateness of answers to Requests for Information, for example.

THE PUB is not an Effective Regulator

While I have acknowledged that much of the maintenance and asset readiness of NL Hydro over the past 12 months has been due to the reporting requirements placed upon them by the PUB there is still a glaring lack of effectiveness in this regulation.

The oversight is not strong enough and either the Board does not have the power, or refuse to exercise its power. The bottom line is clear- NL Hydro can continue to fail at its most fundamental of responsibilities but the Board also fails to provide certification of compliance which if done, would guarantee that incidents such as March 4, 2015 would not happen.

Fundamental breakdown in communication between utilities, failure to properly inform the public, failure to have assets ready in peak demand periods cannot be allowed to happen without accountability. The CEO and Senior Management of Hydro continue to have their significant annual bonuses while being the worst performing utility in Canada. This is unacceptable to the ratepayers of this province who are being asked again this year to pay more each month to keep the utility financially viable.

In conclusion, while progress has been made, much more needs to be done and action must be taken to bring greater, more effective oversight to NL Hydro. The people of NL expect and deserve a reliable, cost effective generator of electricity.

The people of the province expect the Public Utilities Board to make sure that this Corporation delivers reliable and least cost power. If the Board does not have the legislative power or financial resources to get this job done, then tell the people. Whatever has to be done, must be done to see that the power outages of January, 2014 and March, 2015 do not happen again.

Dated, this 29th day of April, 2015 at St. John's, NL.

Danny Dumaresque
Intervenor