

Our File: 115064

May 6, 2015

The Board of Commissioners of Public Utilities  
PO Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon  
Director of Corporate Services and Board Secretary

Dear Sirs:

**Re: The Board's Investigation and Hearing into Supply Issues and  
Power Outages on the Island Interconnected System –  
Reply Submission of Newfoundland and Labrador Hydro**

This correspondence constitutes the Reply Submissions of Newfoundland and Labrador Hydro ("Hydro") with respect to Phase One of the above-noted proceeding.

Hydro has reviewed the formal submissions of the Consumer Advocate ("CA"), the Island Industrial Customers Group ("Industrial Customers") and Mr. Danny Dumaresque, and the four (4) letters of public comment filed in this matter.

Hydro has comments below with respect to one issue raised by the Industrial Customers and with respect to certain statements made by Mr. Dumaresque. With respect to the submission of the CA and the letters of comment, Hydro believes the matters raised by those submissions have already been addressed by Hydro through the actions it has already taken and as outlined in Hydro's Reply dated February 5, 2015 to the Liberty Consulting Phase One Report (the "February 5 Reply").

#### **Industrial Customers**

On page 2 of the Industrial Customers' Final Submissions of April 27, 2015, the Industrial Customers state that prudence in regard to load forecasting:

"... should be guided by the establishment of a substantial margin of safety in respect of the forecast generation reserve (i.e. developments that could lead to forecast generation reserves falling below, say, 300 MW should trigger an appropriately graduated Hydro assessment and response). The objective should be to take all reasonable measures to identify potential "critical level" situations and to avoid them, rather than to react to a "critical level" once it has occurred".

In the February 5 Reply Hydro dealt with this issue in detail at pages 11-16 under the heading "Reserve Margin Criteria".

As Hydro noted in the February 5 Reply, it has proposed, consistent with Liberty's Recommendation 2.7, that in August of each year it will file an update with the Board of Commissioners of Public Utilities ("Board") providing:

1. The updated P90 load forecast for the period up to one year beyond the then anticipated interconnection date.
2. A summary of the previous winter's generation performance and an outlook of peak available generating capacity for each year of the load forecast.
3. The forecast generation reserves both in percentage and total capital MW's.

Hydro further noted that in the event there are changes that result in the forecast reserve falling below 240 MW, Hydro will complete an assessment of the associated risks and report to the Board its recommended mitigations. In the interim, Hydro proposed to continue to work with stakeholders to identify viable alternatives to increase capacity reserves should the need arise and continue to maintain and update its Strategist model of the Island Interconnected System ("IIS").

The 240 MW threshold was determined based on specific analysis carried out by Hydro as fully explained on page 14 of its February 5 Reply document, as follows:

"As indicated in Table 3.2, system reserves will be greater than 240 MW (or approximately 13%) through the period 2014-2018. Because these reserves are based on a P90 load forecast in any given year, there is a 90% probability that actual reserves experienced will be greater than those reflected in Table 3.2. With reserves in the 250 to 300 MW range (as reflected in Table 3.2 through 2018-19), the IIS will be capable of supplying all customer demand even under many of the potential multiple contingencies, and the risk of generation shortfall does not materially increase until reserves fall below 240 MW."

Accordingly, Hydro does not believe it is appropriate to set a higher threshold that would trigger a "graduated Hydro assessment" and response. Hydro's proposal is not based on reaction to a "critical level" once it has occurred. Rather, Hydro has proposed regular annual reporting to the Board as described above, and if the forward-looking forecast suggests that reserves could fall below the level of 240 MW Hydro would complete the necessary assessment of the associated risks and report to the Board with its recommended mitigation. Hydro does not believe that it is necessary to conduct such an analysis in situations where the forecast reserves are not anticipated to fall below 240 MW for the reasons set out in detail at pages 11-16 of its February 5 Reply document.

As noted in the extract from the February 5 Reply set out above, the analysis in this regard will be based on a P90 load expectation and thus there is a 90% probability that reserves on the peak day will be higher in any event.

Hydro respectfully submits that the approach it has put forward is the appropriate manner to deal with this item, and does not believe that setting a higher level of forecast reserves to trigger a "graduated assessment" would be productive.

**Mr. Dumaresque**

Hydro believes it is necessary to comment on certain of the submissions made by Mr. Dumaresque. In particular, Hydro takes exception with Mr. Dumaresque's characterization of it as a "rogue crown corporation, lacking focus, experienced leadership" and his reference to "a notable arrogance from Hydro in its dealings with the Regulator". Hydro respectfully submits that neither statement is a proper characterization, and that the record in this proceeding does not support either of these comments.

Hydro submits that its response to the outage, its participation in Phase One of the Outage Inquiry, and its continuing participation in Phase Two, have been both appropriate and professional. Unlike as stated by Mr. Dumaresque, Hydro has neither ignored the Board's orders, deadlines or reports or addressed them in other than an appropriate manner.

In a compressed timeframe Hydro has responded to several hundred highly technical Requests for Information and numerous Board filing and reporting requirements, and at the same time carried out an extremely significant amount of work to enhance its go forward winter readiness. The record demonstrates both the significant efforts of Hydro to respond to the issues raised by the outage and Hydro's leadership's commitment to acting upon lessons learned.

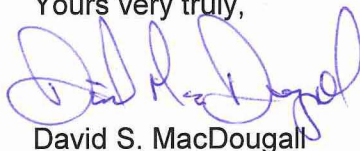
In some instances, Hydro has challenged the requirement to respond to certain Requests for Information posed by Intervenor, including Mr. Dumaresque, as being beyond the scope of the outage inquiry. In the majority of instances, the Board has agreed with Hydro in this regard.

Mr. Dumaresque also suggests that Hydro is "the worst performing utility in Canada". There is simply nothing to support this contention, and in fact Hydro's performance on many standards is in line with or better than Canadian averages. Hydro is consistently striving to provide least cost reliable service for its electricity customers in Newfoundland and Labrador, and respectfully submits that Mr. Dumaresque's comments on its performance and its approach to the conduct of its business are both inappropriate and unsupported.

Hydro is committed to continue to work with all stakeholders, including its customers, the Board and government, to ensure that the residents of Newfoundland and Labrador are provided least cost reliable service. Hydro looks forward to the Board's final report on Phase One of the Outage Inquiry, and to working with all parties to complete Phase Two.

Hydro appreciates the opportunity to provide these Reply Submissions.

Yours very truly,



David S. MacDougall

cc: Interested Parties