

HAND DELIVERED

February 16, 2018

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

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

Ladies and Gentlemen:

**Re: Newfoundland and Labrador Hydro 2018 Capital Budget Application
Revised Information Pursuant to Board Order P.U. 43(2017)**

Introductory

In Order No. P.U. 43(2017), the Board, among other things, deferred consideration of certain capital expenditure proposals contained in Newfoundland and Labrador Hydro's ("Hydro") 2018 Capital Budget Application pending the submission by Hydro of additional information supporting those proposals. These are Newfoundland Power's comments on the additional information submitted by Hydro on January 29, 2018.

Muskkrat Falls to Happy Valley Interconnection

Hydro's 2018 proposal for increasing the capacity of the transmission system supplying the Upper Lake Melville area is stated to be the first phase of a "two-phased approach."¹ In its submissions to the Board on Hydro's 2018 Capital Budget Application, Newfoundland Power submitted that provision of least cost service may require "a more fulsome consideration of possible Phase II configurations." In particular, Newfoundland Power was concerned that maintaining transmission line L1301 and the Happy Valley gas turbine over the longer term might not be consistent with the provision of least cost service.²

Newfoundland Power has reviewed the additional information submitted in support of the *Muskkrat Falls to Happy Valley Interconnection* project, and is satisfied that Hydro has established that it should proceed with construction of the proposed interconnection to address forecast load growth in the Upper Lake Melville area. However, the additional information has

¹ *Muskkrat Falls to Happy Valley Interconnection* (revised January 25, 2018), page 4.

² Newfoundland Power *Brief of Argument*, October 6, 2017, pages 12 – 14.

not allayed Newfoundland Power's concerns regarding Hydro's plan to keep the Happy Valley gas turbine and transmission line L1301 in service.

Under the proposed configuration, Hydro expects that the gas turbine will be used for 1 week each year to facilitate maintenance work on transmission line L1302, in addition to providing back up for loss of the largest 138/25 kV transformer during peak load conditions. As for the longer term, Hydro says the role of the gas turbine must be considered in the broader, system wide context of an interconnected system, and can only be fully addressed as part of a larger generation planning exercise, which is beyond the scope of Hydro's current analysis and the current customer load driven issue.³

In addition, Hydro's proposal contemplates keeping transmission line L1301 in service "for the short term." The line will be "open-circuited" and used to provide "reliability and back-up supply to the Muskrat Falls connection." Hydro has indicated that the long-term viability of L1301 "would be reviewed at a later date."⁴

Maintaining the Happy Valley gas turbine in service for the remainder of the study period, until 2041, has a cumulative present worth cost of approximately \$21 million.⁵ The cumulative present worth cost of maintaining transmission line L1301 and the associated substation assets under Hydro's proposal (Option 2 of the alternatives presented) is estimated at \$7.8 million.⁶

In light of the costs that will be incurred in keeping the gas turbine and transmission line L1301 in service, it is Newfoundland Power's view that earlier consideration of the feasibility of maintaining those assets over the longer term is warranted. It is Newfoundland Power's submission that, in the event any significant expenditures on either the Happy Valley gas turbine or transmission line L1301 are proposed, the Board should require Hydro to provide evidence that keeping the assets in service as part of the longer term plan for serving the Upper Lake Melville area is consistent with the provision of least cost electrical service.

Hydraulic Generation Refurbishment and Modernization

The *Hydraulic Generation Refurbishment and Modernization* project was a consolidation, for presentation purposes, of a large number of Hydro's 2018 hydraulic generation capital project proposals. Newfoundland Power's submission with respect to the project focused on the sufficiency of the evidence that had been filed in support of the project. In particular, Newfoundland Power submitted that, for a number of the larger individual projects, the evidence

³ Newfoundland and Labrador Hydro letter to the Board dated January 29, 2018, page 2.

⁴ *Muskrat Falls to Happy Valley Interconnection* (revised January 25, 2018), page 19.

⁵ *Ibid.* Appendix A, page 47.

⁶ \$23,577,661 from Table 2, *Muskrat Falls to Happy Valley Interconnection* (revised January 25, 2018), Appendix A, page 37 minus \$15,761,632 from Table 1, Response to Request for Information NP-NLH-025 equals \$7,816,029.

did not meet the requirement of the *Capital Budget Application Guidelines* that “comprehensive and detailed documentation” be filed to justify the expenditures. In addition, Newfoundland Power observed that the presentation lacked information with respect to specific assessment of the condition of assets for which capital expenditures were proposed.⁷

Newfoundland Power has reviewed the additional information submitted in support of the *Hydraulic Generation Refurbishment and Modernization* project, and is satisfied that Hydro has provided the Board with sufficient information to enable it to approve the project.

Concluding

In Newfoundland Power’s submission, the additional information submitted by Hydro on January 29, 2018 provides sufficient information to enable the Board to approve Hydro’s proposed 2018 capital expenditures for the *Muskrat Falls to Happy Valley Interconnection* project and the *Hydraulic Generation Refurbishment and Modernization* project.

Newfoundland Power respectfully submits, however, that the feasibility of maintaining the Happy Valley gas turbine and transmission line L1301 over the longer term should be more fully examined before further significant expenditures on those assets are approved.

We trust this is in order.

Yours very truly,



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⁷ Newfoundland Power *Brief of Argument*, October 6, 2017, pages 14 – 16.