

August 4, 2023

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

Attention: Cheryl Blundon  
Director of Corporate Services and Board Secretary

**Re: Long-Term Supply for Southern Labrador – Safe and Reliable Power Supply to Charlottetown – Hydro's Response**

On August 1, 2023,<sup>1</sup> Newfoundland and Labrador Hydro ("Hydro") received correspondence from the Board of Commissioners of Public Utilities ("Board") advising Hydro to file further information before the Board schedules further procedural steps in relation to Hydro's application for approval of the construction of Hydro's long-term supply plan for southern Labrador.<sup>2</sup> Hydro is reviewing the correspondence and has engaged Midgard Consulting Inc. ("Midgard") to assist with preparing a substantive response.

Hydro remains concerned that the Board is not prepared to issue a decision on the demonstrated least-cost, reliable supply application and the resulting impact on the provision of service to the residents of the towns of Charlottetown and Pinsent's Arm. The concern of these residents is clearly stated in their letter of June 16, 2023, wherein it states, "Our community council requests that the PUB make a decision regarding the matter because we cannot continue to operate our communities with the power solution that's in place."<sup>3</sup>

Hydro will take every opportunity in the coming weeks to clarify the evidence on the record for the Board with the hope of receiving a decision without further delay. A timely decision would allow Hydro to preserve the current schedule to provide residents with safe, reliable service and a solution that provides for the integration of increased renewable energy supply options.

Hydro notes the following in its review of the Board's latest requests for additional analysis:

- **Hydro is confident that the analysis required for a decision is on the record and that the analysis provided is consistent with that required from the Board in previous decisions.**

Hydro believes in the necessity of efficient regulatory oversight of utilities and acknowledges the mandate set out in the power policy of the province,<sup>4</sup>—applicable to Hydro as a Utility and the Board as

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<sup>1</sup> "Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application Approval of the Construction of Hydro's Long-term Supply Plan for Southern Labrador - Revision 1 - Safe and Reliable Power Supply to Charlottetown," Board of Commissioners of Public Utilities, August 1, 2023.

<sup>2</sup> "Long-Term Supply for Southern Labrador," Newfoundland and Labrador Hydro, rev. May 31, 2023 (originally filed July 16, 2021).

<sup>3</sup> Correspondence, Town of Charlottetown, June 16, 2023, p. 1, para. 1.

<sup>4</sup> *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1.

the regulator—to ensure power is delivered to consumers at the lowest possible cost consistent with reliable, environmentally responsible service. Hydro believes absolutely that its actions and the proposed regional interconnection meet that mandate and that the evidence on the record supports that conclusion. Hydro’s third-party consultant, Midgard, independently came to the same conclusion. Midgard’s sensitivity analysis also determined that, even if the construction of the regional diesel generating station (or any diesel generating station) were to increase by 662%, the outcome remains unchanged; the regional interconnection served by a regional generating station remains the least-cost option on a net present value basis. Further, Hydro’s proposed solution would provide the greatest opportunity for fuel reduction and renewable integration. Hydro’s concerns surrounding the lack of a decision relate to the delay in Hydro’s ability to provide a long-term solution for the firm supply of power to Charlottetown and Pinsent’s Arm.

On the basis of the above, Hydro’s proposed solution is the most robust and cost-effective alternative. While Hydro understands that the proposal has a high capital cost, the detailed analyses performed by Hydro and Midgard indicate that the investment would result in long-term savings for customers under all plausible scenarios.

- **Hydro is concerned with the Board’s new and changing expectations for the analysis and estimates that the Board now requires to make a decision on this file.**

In its letter, the Board states, “The Board acknowledges that historically it has approved utility capital budgets based on Class 5 estimates and that Hydro and Midgard have performed their analyses using Class 5 estimates.”<sup>5</sup> Estimates presented in the already filed evidence with respect to the proposed project provide data that is consistent with Class 3 and Class 4 estimates. This is consistent with the information provided in annual capital budgets approved before the Board.<sup>6</sup> Hydro notes that Midgard’s assessment of the alternatives also utilized information from Hydro’s estimates, which again are consistent with Class 3 and Class 4 estimates. As part of the more substantive response to follow, Hydro will provide further information to illustrate this.

With that clarification noted, Hydro is disappointed the new request is coming at this late point in the filing. The Board’s requests for these specific estimate criteria have not been raised in the three formal request for information (“RFI”) processes that have taken place since the initial filing in July 2021<sup>7</sup> and including the RFI process that was completed just a month ago.

Hydro will be seeking clarification as to whether these new expectations, if confirmed, will apply to other utility filings, such as Newfoundland Power Inc.’s and Hydro’s annual capital budget application. These changing expectations create uncertainty in the utilities’ ability to adequately prepare filings and the associated schedule for prudent investments and inject uncertainty into other capital filings.

Midgard was retained by Hydro in 2022 to re-examine the original alternatives Hydro proposed as well as any additional alternatives that would provide dependable capacity to the harsh weather region. The scope of work awarded to Midgard was prepared in consultation with Board staff. Midgard identified a substantial number of scenarios and sub-scenarios and considered them all, ultimately finding in their

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<sup>5</sup> “Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application Approval of the Construction of Hydro’s Long-term Supply Plan for Southern Labrador - Revision 1 - Safe and Reliable Power Supply to Charlottetown,” Board of Commissioners of Public Utilities, August 1, 2023, p. 1, para. 2.

<sup>6</sup> Hydro has moved away from using “estimate classes” for its internal estimates; however, as stated in previous capital budget applications, Hydro’s estimate accuracy is +30%/-40%, which falls within the range of Class 3/Class 4. Therefore, the proposals for capital budget approval provided to the Board for approval are in that range. Hydro has already provided an estimate for the proposed project that is equivalent to a Class 3 estimate.

<sup>7</sup> “Long-Term Supply for Southern Labrador – Phase 1,” Newfoundland and Labrador Hydro, July 16, 2021.

report<sup>8</sup> that the regional interconnection proposed by Hydro, albeit all phases constructed sooner, was the least-cost solution. Hydro believes that all reasonable alternatives have been identified and considered.

- **Temporary generation supplied by mobile units (as is currently on-site in Charlottetown) is not a viable medium- to long-term solution for primary electricity supply for an entire community, as indicated by Hydro and confirmed by Midgard.**

The Town of Charlottetown, in its June 16, 2023 letter, noted that without action by the Board, the communities would remain on a backup supply, which all parties have agreed is not a safe, long-term solution and is unprecedented in the province's history.

As Hydro has noted, the continued delay in the conclusion of this process to allow for further questions and the changing expectations of the Board is out of the norm and could not be anticipated by Hydro in filing its application and supporting documentation. In Hydro's opinion, this is jeopardizing Hydro's ability to provide the customers in Charlottetown and Pinsent's Arm with the safe and reliable service they deserve and that Hydro is legislatively required to provide.

- **Fossil fuel sources are a viable solution, especially when paired with renewable sources as Hydro proposes, for the isolated area and for the harsh northern climate.**

Utilities across Canada continue to rely on diesel and fossil fuels as a reliable, firm supply of electricity. The Government of Canada has acknowledged that available technologies do not enable the transition to fully renewable power systems in isolated communities and these systems are therefore expected to be exempt from the standard. As noted in Attachment 1 of Hydro's response to PUB-NLH-059 of this proceeding, in its published responses to questions posed during the Clean Electricity Regulations ("CER") Webinars of July 21 and 22, 2022, the Government of Canada stated that, "Given the ambitious timelines of the CER and the lack of near-term options suitable for providing reliable baseload power to remote communities, there are more appropriate federal measures than the CER to support the clean energy transition for remote communities." Further, as provided in Hydro's response to PUB-NLH-059, the Government of Canada also stated that "Units operating in areas not connected to an electricity system regulated by the North American Electric Reliability Corporation ("NERC") would be exempted [from the CER performance standards]. These areas are predominately remote, Northern or on federal lands."<sup>9</sup>

Hydro has provided information on the record that other jurisdictions are proceeding with diesel options, even with the evolving energy landscape, as in many instances, this is the only option that is viable for various applications.<sup>10</sup> Hydro's recommended option, confirmed by Midgard, also provides for the largest potential to integrate renewable solutions throughout southern Labrador. As noted in its application, Hydro is also committed to working with Indigenous communities to support and advance renewable solutions and will investigate the option for a power purchase agreement. Hydro is currently engaged in this type of work in Labrador and can commence immediately to advance this for southern Labrador. As Hydro has previously stated, the proposed project allows for the largest amount of

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<sup>8</sup> "Southern Labrador Communities – Integrated Resource Plan," Midgard Consulting Inc., March 28, 2023 was filed as Attachment 1 to the "Long-Term Supply for Southern Labrador – Phase 1 – Midgard Consulting Inc. Report," Newfoundland and Labrador Hydro, March 31, 2023.

<sup>9</sup> Please refer to Hydro's response to PUB-NLH-059 of this proceeding.

<[http://pub.nl.ca/applications/NLH2021Capital/NLH2021Capital\\_SUPP\\_Phase1SouthernLabrador/rfis/PUB-NLH-059.PDF](http://pub.nl.ca/applications/NLH2021Capital/NLH2021Capital_SUPP_Phase1SouthernLabrador/rfis/PUB-NLH-059.PDF)>

<sup>10</sup> Please refer to Hydro's response to PUB-NLH-069 of this proceeding.

<[http://pub.nl.ca/applications/NLH2021Capital/NLH2021Capital\\_SUPP\\_Phase1SouthernLabrador/rfis/PUB-NLH-069.PDF](http://pub.nl.ca/applications/NLH2021Capital/NLH2021Capital_SUPP_Phase1SouthernLabrador/rfis/PUB-NLH-069.PDF)>

renewable and variable options to be integrated now, while other firm sources become more reliable in the coming years.

Customers in Labrador deserve safe, reliable firm power and should expect urgency in advancing solutions when a permanent supply is not in place. Through this filing and the recent questions, Hydro wishes to work with the Board to ensure that electricity supply alternatives are viewed and assessed consistently across the province. For example, the Board and its consultant, The Liberty Consulting Group, have indicated that a gas turbine may be appropriate as a long-term backup solution on the Island as part of the ongoing *Reliability and Resource Adequacy Study Review* proceeding.

To provide more certainty that Hydro clearly understands the type and extent of information that the Board is seeking and to preserve the current proposed schedule to re-establish permanent firm supply, Hydro requests an urgent meeting between Board staff, Hydro representatives, and members of Midgard. Hydro proposes to meet early in the week of August 7, 2023 and will reach out to Board legal counsel to schedule. Once that meeting has occurred, Hydro will provide a further detailed response regarding the information requested by the Board.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



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