

1 Q. **Reference: Schedule 2 - Refurbishment of Tank 2:**

2 (a) Does Hydro plan to amend or re-assess the need to complete this capital project if the  
3 commissioning of the LIL is successfully completed before the start of the 2022-2023 winter  
4 season? If not, please explain.

5 (b) Has Hydro investigated other options such as, but not limited to, (i) pre-arranging and  
6 perhaps paying a premium to secure prioritized delivery in outage instances or (ii) availing of  
7 off-site storage facilities for fuel during the upcoming winter season so as to facilitate faster  
8 delivery if required? If so, please elaborate. If not, please provide the rationale for not doing  
9 so.

10

11

12 A. (a) As Newfoundland and Labrador Hydro (“Hydro”) has committed to keeping the Holyrood  
13 Thermal Generating Station (“Holyrood TGS”) available as a generating facility for two years  
14 following commissioning of the Labrador-Island Link (“LIL”),<sup>1</sup> Hydro will require three fuel oil  
15 storage tanks in operation until at least March 31, 2024 to meet this commitment. Hydro  
16 therefore believes the proposed refurbishment of Tank 2 is prudent and necessary  
17 regardless of the timing of the successful completion of LIL commissioning. Through the  
18 Reliability and Resource Adequacy Study,<sup>2</sup> Hydro is assessing the future role of the Holyrood  
19 TGS beyond March 31, 2024, and will evaluate its future fuel storage requirements pending  
20 the outcome of this assessment.

21 (b) Hydro has considered options to expedite fuel oil delivery under a contingency scenario. The  
22 current delivery timelines are impacted by the time to secure a vessel, secure product, and  
23 complete the voyage from the Gulf of Mexico to Conception Bay, which typically is a 9–10  
24 day time frame depending on weather conditions. This results in a time between order and  
25 delivery of approximately 30 days. To expedite delivery, Hydro would need to contract a

---

<sup>1</sup> “Reliability and Resource Adequacy Study Review – Additional Considerations of the Labrador-Island Link Reliability Assessment and Outcomes of the Failure Investigation Findings – Additional Information,” Newfoundland and Labrador Hydro, February 4, 2022, p. 7.

<sup>2</sup> Update to be filed on September 30, 2022.

1 vessel tanker to sit idle to ensure it is available to deliver fuel oil on short notice when  
2 required, requiring Hydro to incur demurrage costs, which range from \$19,000 to \$50,000  
3 USD per day, or up to \$5.7 million USD for the winter operating season. Based on market  
4 conditions, such as the availability of suitable tankers that has been impacted by the COVID-  
5 19 pandemic, as well as meeting the required specifications for discharging at the Holyrood  
6 TGS, it is unlikely that Hydro would be able to locate a supplier that would be willing to  
7 provide a dedicated tanker to remain on standby for Hydro.

8 Hydro has also investigated the use of local fuel oil suppliers as recently as 2019; however,  
9 this option was determined to be unsuitable from an operational and commercial  
10 standpoint. Locally-supplied fuel oil would require Hydro to accept a different fuel oil  
11 specification, which, in Hydro's experience, increases the risk of fouling of critical  
12 components, potentially resulting in a forced outage.<sup>3</sup> Availability of suitable vessels for fuel  
13 oil delivery and tug services in the local market is limited; therefore, Hydro would be unable  
14 to ensure these vessels are available for delivery of fuel oil on short notice, as would be  
15 required under a contingency scenario, without incurring the aforementioned demurrage  
16 costs. Delivery by road tanker would not supply sufficient fuel volume to support generation  
17 and would require extensive modifications to tank farm infrastructure to accept delivery via  
18 road tanker. Hydro's existing fuel oil supply contract does not include provisions for Hydro  
19 to procure fuel oil on the spot market; therefore, Hydro may be subject to commercial  
20 penalties or litigation should it seek fuel oil from other suppliers while the current contract  
21 is in place.

22 Offsite storage would not be a viable option without a dedicated tanker to transfer fuel oil  
23 to the Holyrood TGS on short notice.

24 Neither of these alternate strategies would alleviate the operational, environmental, and  
25 reliability risks associated with two-tank operation at the Holyrood TGS, as outlined in  
26 Hydro's proposal. When considering these risks, in addition to the risks associated with  
27 vessel availability and fuel oil specifications, Hydro does not believe that these options are

---

<sup>3</sup> The availability of locally-supplied fuel oil may be impacted by the sale of the Come-by-Chance refinery and conversion of the refinery to a biofuel operation.

- 1 viable or prudent to ensure reliable operation of the Holyrood TGS as a generating facility to
- 2 March 31, 2024.