



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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2018-09-19

Mr. Geoff Young
Corporate Secretary & General Counsel
P.O. Box 12400
Hydro Place, Columbus Drive
St. John's, NL A1B 4K7

Dear Mr. Young:

Re: Newfoundland and Labrador Hydro - 2017 General Rate Application - The Liberty Consulting Group Report: *Analysis of Newfoundland Island Interconnected System Power Supply Adequacy for the Winter of 2018-19* - Board's Follow up to Hydro's Response

This letter is in relation to Hydro's response, dated September 7, 2018, to the report of The Liberty Consulting Group, *Analysis of Newfoundland Island Interconnected System Power Supply Adequacy for the Winter of 2018-19*, dated August 30, 2018.

While Hydro has stated in its response that it shares Liberty's view on the importance of closely monitoring supply related assets and issues to ensure reliable service to customers it is not clear whether Hydro accepts all of Liberty's recommendations. In particular the Board is concerned with the impact of the delay in the in-service date for the Labrador-Island Link (LIL) on supply for the Island Interconnected system. The availability of the LIL for the upcoming winter was one of the key factors identified in previous reports to the Board by both Hydro and Liberty as contributing to supply adequacy in advance of availability of Muskrat Falls supply to the Island.

In response to Liberty's Recommendations 1 and 2 Hydro advised that Nalcor and Hydro have formalized bi-weekly discussions on expectations of supply and energy from the LIL in advance of winter 2018-19. Hydro proposes that any changes to expectations and discussion outcomes, including specific issues that may affect risks of LIL supply for the winter, be provided in a monthly report to be filed with the Board commencing October 1, 2018. The Board agrees that regular monitoring reporting of Island Interconnected system supply risks should be put in place in advance of winter 2018-19. These reports should commence as of October 1, 2018 but, given the criticality of the issues and the short time frame until the start of the winter season, these reports should be filed bi-weekly thereafter as recommended by Liberty, and not monthly as proposed. The initial report should set out the specific critical path of all activities required to reach commercial operation of the LIL as well as the schedule information regarding potential

supply issues and details associated with the drivers of TTO constraints regarding the LIL, as set out by Liberty. Subsequent bi-weekly reports should include continuing analysis of the expected LIL completion date.

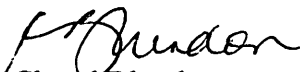
Liberty's Recommendation 3 addressed the need for contingency plans to mitigate the consequences of unavailability or unreliability of the LIL for all or part of the upcoming winter. The Board understands from Hydro's response that these contingency plans, which would include additional options to provide increased reliability, are currently being developed and should be formulated by the end of September. Given the concerns highlighted by Liberty the Board views this work as critical and accepts Hydro's commitment to report contingency plan readiness in its reporting to start October 1.

Hydro's response to Liberty's Recommendation 4 summarized the specific improvements in asset management undertaken by Hydro to improve asset reliability, particularly for hydraulic assets. The Board acknowledges these efforts but notes that Liberty's recommendation was more specifically directed at identifying a specific plan on organizational actions that need to be taken to provide both an improved program and improved skills and capabilities in asset management. While Hydro's response did identify a reorganization in employee complement in 2018 to "allow focus on asset management in hydraulic generation" it is not clear as to whether Hydro plans any other specific organizational actions to improve skills and capabilities for the management of all generation assets. The Board accepts Liberty's recommendation and requires Hydro provide a more full response to address this recommendation.

With respect to Liberty's Recommendation 5 Hydro advises that it will provide additional discussion on hydraulic availability in its Supply Adequacy Report scheduled to be submitted to the Board in November 2018. The Board accepts this approach with the understanding that the additional discussion will address the concerns raised by Liberty.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,



Cheryl Blundon
Board Secretary

CB/cj

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