

March 10, 2021

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

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

Dear Ms. Blundon:

Re: 2021 Capital Budget Application – Replace Hydro Personal Computers (2021) and Diesel Genset Replacements (2021–2022) Projects – Additional Information – Hydro's Reply

In Order No. P.U. 2(2021) issued by the Board of Commissioners of Public Utilities ("Board") on January 15, 2021, the Board approved Newfoundland and Labrador Hydro's ("Hydro") 2021 Capital Budget Application with the exception of the Replace Hydro Personal Computers (2021) project and the Diesel Genset Replacements (2021–2022) project ("Projects"). The Board requested Hydro file additional information on the Projects, which would be addressed in a separate order of the Board. Hydro filed the additional information, as requested by the Board, on February 25, 2021.

Hydro notes that Newfoundland Power advised that it had no comments with respect to the Projects or Hydro's additional information. There were no comments forthcoming from any other party.

As outlined in Hydro's submission, replacement of personal computing devices is based on operational or role requirements in each specific device deployment. A degree of variance between the forecasted device requirements included in Hydro's application and actual requirements upon device deployment is to be expected as a result of evolving business needs. On a total number of devices basis, Hydro's in-service personal computing devices have declined since 2018. Hydro has proposed the acquisition of 128 desktop devices for 2021 with an associated estimated cost of \$233,000. Total 2021 project costs are \$905,400. The proposed devices outlined in the 2021 project are necessary to support Hydro's operational requirements in serving its customers.

The replacement of Unit 574 at the Nain Diesel Generating Station is necessary to maintain safe, reliable, least-cost service for Hydro's customers in Nain. Hydro has made numerous attempts to address the issues with Unit 574 but has found no viable options for resolution. As the engine is no longer supported by the Original Equipment Manufacturer, Hydro has determined that replacement of the unit is the only feasible course of action. If this project were not to proceed, Unit 574 would remain at risk of failure with a potential extended out of service period that would put Hydro in violation of its firm capacity criteria. Further, Hydro's current practice of operating Unit 574 at reduced output does not allay Hydro's concerns regarding the reliability of the unit. Without the replacement of Unit 574 with a reliable and adequately-sized unit, Hydro forecasts that it will be in violation of its firm capacity criteria in 2022. Timely approval of this project is critical to accommodate a lengthy procurement timeline and delivery during the limited shipping season.

Therefore, Hydro respectfully requests that the Board approve the applications for the Projects as submitted.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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