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May 16, 2016

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

Attention: Cheryl Blundon
Board Secretary

Ladies & Gentlemen:

Re: An Application by Newfoundland and Labrador Hydro pursuant to Subsection 41(3) of the Public Utilities Act for the approval of the Replacement of the lower reheater boiler tubes on Units 1 and 2, and additional reliability improvements at the Holyrood Thermal Generating Station (the "Application").

Introduction

On March 29, 2016, Hydro filed the Application proposing capital expenditures of approximately \$11.8 million. The primary aspect of the Application includes the replacement of tubing in the lower sections of the boiler reheaters servicing Units 1 and 2 at the Holyrood Thermal Generating Station ("Holyrood Plant"). The secondary aspect of the Application is additional proposed reliability improvements for the Holyrood Plant which includes equipment replacement as well as condition assessments.

By letter dated May 4, 2016 the Board set today as the deadline for comments on the Application. These are Newfoundland Power's comments.

Lower Reheater Boiler Tube Replacements

In January and February of 2016, Units 1 and 2 at the Holyrood Plant experienced boiler tube failures. These failures required each unit to be taken offline. Hydro utilized its *2016 Allowance for Unforeseen Items* account to replace sections of boiler tubes and return the units to service (See Order No P.U. 8 (2016)). Units 1 and 2 are currently in service, but are de-rated as a result of boiler tube issues.

Hydro's Application proposes further capital expenditures of approximately \$4.0 million and \$3.8 million to replace additional sections of boiler tubes in Units 1 and 2, respectively (PUB-

Newfoundland Power Inc.

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NLH-005). The evidence in the Application demonstrates that the replacement of additional sections of Unit 1 and 2 boiler tubes is necessary for the continued operation of the Holyrood Plant. Newfoundland Power submits that these expenditures should be approved.

Equipment Replacement and Condition Assessments

In the Application, Hydro is proposing approximately \$3.3 million in capital expenditures for equipment replacement and condition assessments at the Holyrood Plant. This includes (i) approximately \$1.4 million relating to identified projects and condition assessments, and (ii) an approximately \$1.8 million contingency for “projects of similar scope” (PUB-NLH-005).

Newfoundland Power submits that the Board should approve capital expenditures relating to the projects specifically identified in the Application. Newfoundland Power further submits that the Board should require Hydro to report on, and justify, any expenditures and projects undertaken within the \$1.8 million contingency in Hydro’s annual capital expenditures variance report.

De-rating of the Holyrood Plant

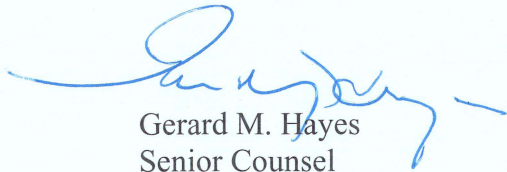
Hydro’s evidence and responses to requests for information filed in the Application indicate that the Holyrood Plant will be de-rated from 490 MW on a go forward basis. Hydro is uncertain of the extent of the new de-rated capacity of the Holyrood Plant at this time and has engaged an external consultant to determine if the current ratings are appropriate or if additional changes in unit ratings are required (PUB-NLH-001).

The prospect of de-rating the Holyrood Plant is a new development on the Island Interconnected System and is of concern to Newfoundland Power. In its order on the Application, Newfoundland Power submits that the Board should require that Hydro report the detailed results of all studies or reviews relating to the de-rating of the Holyrood Plant once they are concluded.

Concluding

If you have any questions relating to the above, please feel free to contact us.

Yours very truly,



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