

October 8, 2019

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Via Electronic Mail and Courier

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

**Attention: Ms. G. Cheryl Blundon, Director of Corporate Services
and Board Secretary**

Dear Ms. Blundon:

Re: Reliability and Resource Adequacy Study – Liberty Recommendations

These are the comments of the Island Industrial Customer (IIC) Group (Corner Brook Pulp & Paper Limited, NARL Refining LP, Vale Newfoundland and Labrador Limited) on the Liberty Consulting Group Recommendations, arising from its report *Review of Newfoundland and Labrador Hydro's Reliability and Resource Adequacy Study*, filed with the Board on August 20, 2019, and on Hydro's response to the Liberty Recommendations in its correspondence to the Board on September 27, 2019.

Recommendations # 8 and #9 – LIL availability

Liberty has recommended that “*Resolving the issues that have surrounded LIL monopole availability should continue to form a critical focus...*” (Recommendation #9, in part) and that Hydro should “*Immediately conduct a detailed assessment of the impacts of a delay in LIL operation into and past the coming winter*” (Recommendation # 8, emphasis added).

We believe that these Recommendations should be considered in light of the observations of Liberty in its most recent Quarterly Monitoring report dated August 19, 2019. In that report, Liberty observed the following (at page 4):

Long-continuing and extending LIL delays now threaten start-up activities at the Muskrat Falls generating units as well. The schedule for Muskrat Falls first generation now leads that for LIL operation. The LIL's unavailability to transmit initial power from Muskrat Falls will require Nalcor to secure a dependable delivery path for Muskrat Falls power westerly over the LTA.

In the upcoming months, close and detailed monitoring of General Electric's progress will be required to better understand the impacts LIL availability will have on the winter 2019/20 operating period and Muskrat Falls commissioning. To assist in meeting this objective, we have requested, and management agreed to provide, additional schedule details of key activities, deliverables and expected durations for this critical work.

Liberty recently confirmed, in the Rate Mitigation Reference proceeding, that the persistence of this issue – the LIL delay – was “troubling” and that Liberty had “lost confidence in the ability to have faith in a firm date” when this issue would be resolved, i.e. by a fully functional LIL.¹

We note that Hydro, by its September 27, 2019 response, intends to file, on October 10, 2019, its 2019-2020 Winter Readiness Planning report. Hydro advises that this report will include an analysis that will provide “commentary on system capacity and energy capability in consideration” of several system parameters, including LIL unavailability until June 1, 2020.

The IIC Group wishes to reserve further comment on the immediate issue of 2019-2020 Winter Readiness until it has had the opportunity to review Hydro’s October 10, 2019 filing, and respectfully requests of the Board the opportunity to make such comment.

However, Liberty’s observations regarding the LIL delays, as noted above, have obvious implications, beyond 2019-2020 Winter Readiness, for Muskrat Falls commissioning activities. The IIC Group note that Liberty, in its August 19, 2019 Quarterly Report, called for close and detailed monitoring of progress on this issue. The IIC Group are understandably concerned as to whether this close and detailed monitoring is being exercised, and if so as to whether it indicates that substantial progress is being achieved on this issue.

Recommendations #7 and #12 - Holyrood

With respect to Liberty’s Recommendation #7, Hydro has advised that it is working on contingency plans for longer term indefinite operation of the Holyrood TGS, including possible standby operation. We suggest that the Board establish a deadline, or at least a target date, for Hydro’s filing with the Board of this contingency plan. We acknowledge that the contingency plan is likely dependent on the work to be done in response to Liberty’s Recommendation #12 – a detailed assessment of the TGS’s major systems. However, we would respectfully suggest that Board approval for this assessment should be anticipated by early in the first quarter of 2020, and that Hydro in making its application for approval and in its engagement of the assessing entity should have front of mind a date by which the assessing entity will be expected to have completed and reported upon its assessment.

Recommendations #2 and #5 – Stakeholder engagement and Reliability and Resource Adequacy

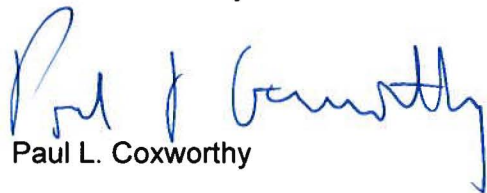
The IIC Group look forward to Hydro’s filing of its annual update to the Reliability and Resource Adequacy Study on November 15, 2019, including an update on a stakeholder engagement process as recommended by Liberty. The IIC Group wishes to reserve its opportunity to make further comment until it has had the opportunity to review Hydro’s November 15, 2019 filing, and respectfully requests of the Board the opportunity to make such comment. At this time, we will observe that stakeholder engagement will have to be an ongoing process, and that any conclusions to be drawn from such engagement will be premature unless and until stakeholders have full and reliable information on the timing of LIL full function, Muskrat Falls full commissioning, and the future of the Holyrood TGS.

¹ Rate Mitigation Reference, Liberty presentation, October 4, 2019, pp. 50-51.

We trust these comments will be found to be of assistance to the Board, and look forward to opportunities for the IIC Group's further participation in the Reliability and Resource Adequacy process.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/tas

c: Shirley Walsh, Newfoundland & Labrador Hydro
Dennis M. Browne, Q.C., Consumer Advocate
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