

April 27, 2020

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: The Liberty Consulting Group Eighth Quarterly Monitoring Report on the Integration of Power Supply Facilities to the Island Interconnected System – Monthly Update

On November 21, 2019, the Board of Commissioners of Public Utilities (“Board”) requested that Newfoundland and Labrador Hydro (“Hydro”) provide further information as a result of the findings in The Liberty Consulting Group’s (“Liberty”) Eighth Quarterly Monitoring Report on the Integration of Power Supply Facilities to the Island Interconnected System. In its response, Hydro committed to providing Liberty and the Board with a monthly status update regarding the schedule for the Labrador-Island Link (“LIL”) software development and testing, updated information in response to the specific requests detailed in the Board’s November 21, 2019 correspondence, and other pertinent information with respect to the Muskrat Falls Project (“Project”). Nalcor Energy (“Nalcor”) has provided Hydro with the following information on various aspects of the Muskrat Falls Project.

COVID-19 Pandemic Effects on Muskrat Falls Project Execution

Nalcor continues to assess the impact of the COVID-19 pandemic (“Pandemic”), as information becomes available and federal and provincial government actions and directives materialize, to understand the overall impacts project wide.

The declaration of force majeure on the Project contracts remains in effect. Construction activities are on hold as all Project sites remain in care and maintenance mode. The Project Delivery Team continues to work from their home offices as the Project office in St. John’s is closed to all employees and the public. Due to the ongoing uncertainty related to the Pandemic, Nalcor is unable to provide reliable forecast dates for key milestones. The Integrated Project Schedule will not be updated until there is greater certainty on the path forward.

With construction work on the Project paused during the Pandemic, Nalcor is maintaining essential systems and operations at the Muskrat Falls and Soldiers Pond sites. Nalcor has put a number of measures in place to ensure people’s health and safety while protecting the community. These include temperature checks before travelling and while at site, pre-screening questionnaires, on-site screening and monitoring, flight and bus travel protocols, and social distancing. More information on the safety measures in place is available on the Project website.¹

¹ Muskrat Falls Project Newsroom “COVID-19 Updates” Nalcor Energy <<https://muskratfalls.nalcorenergy.com/newsroom/>>

Nalcor has developed guidelines for resuming work on all Project work sites during the COVID-19 pandemic. The guidelines detail precautions necessary to protect the health and safety of all personnel performing work on project sites. The guidelines have been issued to contractors to assist with COVID-19 hazard management at work sites. Contractors are expected to amend existing, or create new, procedures and/or work methods to ensure COVID-19 hazard controls are implemented in their work restart and recovery protocols. The Project Delivery Team is awaiting feedback from the contractors with respect to the guidelines.

Labrador-Island Link Software Development and Testing Schedule (Board Request #2)

The Board requested the schedule for LIL software development and testing and for Hydro to advise the Board on any future changes to this schedule, the reason for the change, and the implications of any delay for delivery of power and energy to the Island Interconnected System over the LIL.

GE Grid's facility in Stafford, UK is operating under its work from home policy for non-essential personnel. Software development work is continuing at the GE Grid facility. GE Grid has re-run all previously failed test cases for the Factory System Test ("FST"). Nalcor and the Independent Third Parties ("ITP") have reviewed the FST results and provided approval to GE Grid to proceed with Factory Acceptance Testing ("FAT") on April 19, 2020. Due to Pandemic related travel restrictions, technology to allow remote participation is being used to enable witnessing of the FAT by Nalcor and ITP personnel. To date the FAT testing is proceeding according to the current schedule and no issues have been identified related to remote participation.

Synchronous Condenser Binding/Vibration (Board Request #4)

The Board referenced Liberty's discussion of binding/vibration issues with the Soldiers Pond Synchronous Condensers ("SC"). The Board required Hydro to report on these two issues, including details of the problems and the investigation into their root causes, as well as a plan and schedule to address them.

Only essential Nalcor personnel are reporting to the Soldiers Pond SC Site for care and maintenance related activities.

Vibration

The half-moon bearing housing support stiffeners installed on SC Unit 3 resulted in a reduction in axial vibration during commissioning tests. Axial and lateral vibration measurements were collected to establish a baseline. Prior to the Pandemic work suspension, the SC Unit 3 bearings and housings were removed to start the circumferential slot refurbishment; this is the same modification that was completed for SC Unit 2. When the bearings and housings were removed corrosion was observed on both. Root cause analysis into the corrosion has commenced. The bearings and housings have been shipped to a machine shop for refurbishment.

GE Power has issued a Request for Proposals to engineering firms for detailed design work to resolve the lateral vibration associated with the foundation resonance.

Binding

SC Unit 2 modified bearing housing achieved first spin in early March 2020 confirming that the binding issue is resolved. SC Unit 2 balancing continued in March 2020 but was not complete before the site ramp down; no axial or lateral vibration measurements were collected.

SC Unit 1 refurbished bearing housing and the modified single oil pocket bearing are on site ready for installation. Installation is on hold due to the Pandemic related work suspension.

Schedule

Further schedule information related to key milestones is not available at this time.

Muskrat Falls Unit 1 Update

With the ramping down of operations at the Project site due to the Pandemic, construction work remains on hold and the site is now in care and maintenance mode. Nalcor is maintaining essential systems and operations at the site. The workforce during the care and maintenance period includes those with specialized skills, management, forepersons, shop stewards, and craft workers. This team is responsible for the following: spillway operations and dam safety monitoring; site services such as medical, safety, security, catering, and accommodations; and monitoring the facilities such as heating, lighting, and dewatering/pumping systems.

Up until the ramp down of operations on March 17, 2020, Andritz Hydro, the contractor responsible for the turbines and generator contract, was progressing work on Units 1, 2, 3, and 4. The Muskrat Falls team is currently developing a site restart plan, which will include the completion of Unit 1 commissioning activities toward the achievement of first power, followed by other priority work at site, including the continuation of work on Units 2, 3, and 4.

As a result of the ongoing Pandemic, Nalcor is unable to provide a reliable forecast date for the key milestones that have not yet been achieved.

Should you have any questions or comments about any of the enclosed, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young, Q.C.
Corporate Secretary & General Counsel
GPY/sk

cc: **Newfoundland Power**
Gerard M. Hayes

Consumer Advocate
Dennis M. Browne, Q.C, Browne Fitzgerald Morgan & Avis

Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey

Praxair Canada Inc.
Sheryl E. Nisenbaum

ecc: **Board of Commissioners of Public Utilities**
Jacqui Glynn
Maureen P. Green, Q.C.
PUB Official Email

Newfoundland Power

Regulatory Email

Consumer Advocate

Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis

Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis

Bernice Bailey, Browne Fitzgerald Morgan & Avis

Industrial Customer Group

Denis J. Fleming, Cox & Palmer

Dean A. Porter, Poole Althouse

Teck Resources Limited

Shawn Kinsella