



NEWFOUNDLAND AND LABRADOR  
**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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2023-08-01

Shirley Walsh  
Senior Legal Counsel, Regulatory  
Newfoundland and Labrador Hydro  
P.O. Box 12400  
Hydro Place, Columbus Drive  
St. John's, NL A1B 4K7

Dear Ms. Walsh:

**Re: Newfoundland and Labrador Hydro - 2021 Capital Budget Supplemental Application  
Approval of the Construction of Hydro's Long-term Supply Plan for Southern Labrador -  
Revision 1 - Safe and Reliable Power Supply to Charlottetown**

The Board acknowledges receipt of Hydro's responses to requests for information issued in relation to Revision 1 of its application for Approval of Construction of Hydro's Long-Term Supply for Southern Labrador and the Midgard Consulting Inc. Report. Upon review of the information provided, the Board continues to have concerns about the provision of reliable service to Charlottetown and the time line for the proposed project. The Board also remains concerned with the analysis of certain alternatives, the associated cost estimates and applied sensitivities. Before scheduling further procedural steps, the Board requires that Hydro file further information.

The Board acknowledges that historically it has approved utility capital budgets based on Class 5 estimates and that Hydro and Midgard have performed their analyses using Class 5 estimates. The Board notes that, according to the Association for the Advancement of Cost Engineering ("ACE"), Class 5 estimates may vary in a range from 100% higher to 50% lower than the estimate presented. The Board further notes that Midgard states that "ACE considers Class 5 estimates to be appropriate for strategic planning purposes (screening or feasibility), Class 4 estimates for concept or feasibility studies, and Class 3 estimates for budget authorization." In this proceeding, the Board must assess alternatives with similar net present costs and is concerned that using input cost estimates that may vary from +100% to -50% will not allow it to make properly informed comparisons of project alternatives. As such, the Board believes it would be prudent for Hydro to refine its cost estimates to Class 4 for certain of the proposed scenarios.

In relation to service to Charlottetown, the Board notes that Hydro stated, in correspondence to the Town of Charlottetown (PUB-NLH-052, Attachment 1), that the time frame for constructing a replacement diesel generating station in Charlottetown would be equivalent to the time frame for constructing a regional diesel generating station. The Board requires further details on the alignment of the time frame of these two construction alternatives. The Board also requires further details of any other alternative that would restore reliable, least cost service to Charlottetown in an environmentally responsible manner, including interconnection of Charlottetown to the existing generating plant in Port Hope Simpson to provide additional backup to the mobile gensets.

Specifically, the Board requires that Hydro provide:

1. In relation to the construction of a new diesel generating station in Charlottetown (Midgard's IRP Scenario B),
  - a. a Class 4 cost estimate;
  - b. a project schedule; and
  - c. a listing of the environmental approvals required and the estimated time to obtain them.
  
2. In relation to Midgard's Scenario E, interconnection of the communities, analysis and details for a variation of this scenario to interconnect only Charlottetown to the Port Hope Simpson distribution system, which would enable Charlottetown to be partially serviced by the existing diesel generating station in Port Hope Simpson, including
  - a. a Class 4 cost estimate;
  - b. a project schedule;
  - c. a listing of the environmental approvals required and the estimated time to obtain them;
  - d. identification and discussion of how many, if any, mobile gensets would remain in Charlottetown to service the summer load and/or provide emergency backup power in the event of an interconnection outage; and
  - e. any other issues/considerations that would be associated with this variation of the analyzed scenario.

In addition to concerns with supplying Charlottetown with reliable power while a long-term plan for southern Labrador is implemented, the Board remains concerned with spending significant capital upfront on a project when there is considerable uncertainty surrounding future environmental regulations and evolving environmentally friendly technologies. As such, the Board requires an assessment of any alternatives that would meet the criteria of minimal capital spending, in both a five-year and ten-year period, that would allow Hydro to provide reliable service while continuing to explore advances in technological changes and renewable resources. In the ten-year period scenario, please include discussion of any work required in Mary's Harbour to ensure the reliable operation of the plant there beyond 2027.

In relation to certain of the alternatives, the Board requires that Hydro provide:

3. In relation to the proposed project:
  - a. a Class 4 cost estimate; and
  - b. a listing of the environmental approvals required and the estimated time to obtain them.
  
4. In relation to the interconnection of all four community systems with no centralized diesel station and no replacement diesel generating station for Charlottetown (Midgard's IRP Scenario E)
  - a. a Class 4 cost estimate;
  - b. a project schedule; and
  - c. a listing of the environmental approvals required and the estimated time to obtain them.
  
5. Tables and graphs detailing the Class 4 estimate updated net present costs for Midgard's IRP Scenario B and Midgard's IRP Scenario E versus Hydro's proposed solution for every year of the study period. Please include in the tables and graphs the major capital cost events and fuel cost forecasts during the study period. Please provide a second set of tables and graphs using a 50-year life expectancy for the diesel generating plants.
  
6. Sensitivities to the analyses completed in item (5) that include variations to fuel price, customer load, capital costs, either as a whole or individual components, and any other reasonable variables that might significantly impact the net present cost analysis. The Board notes that previous sensitivities performed by Hydro and Midgard focused primarily on the impact of one of these sensitivities occurring. The Board requests that Hydro analyze combinations of these sensitivities to assess the impact of two or more events, such as increased capital costs and reduced load occurring together.
  
7. Any other alternative, not listed above, that would meet the above minimal capital spending while developing longer-term renewable resources criteria.

If you have any questions, please do not hesitate to contact the Board Legal Counsel, Ms. Jacqui Glynn, by email [jglynn@pub.nl.ca](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Yours truly,



Cheryl Blundon  
Board Secretary

CB/cj

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