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July 15, 2022

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 and Board Secretary

Dear Ms. Blundon:

Re: Application for Approval of Various Supplemental Capital Projects at the Holyrood Thermal Generating Station – Hydro's Reply

On June 6, 2022, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board of Commissioners of Public Utilities ("Board") requesting approval of various supplemental capital projects at the Holyrood Thermal Generating Station ("Holyrood TGS"). Those projects included refurbishment of the Holyrood TGS day tank; refurbishment of the Holyrood TGS Tank 2; replacement of the tank farm underground firewater distribution system; and the upgrade of turbine controls for Holyrood TGS Unit 2.

Party Comments and Hydro's Reply

Newfoundland Power Inc.

Newfoundland Power Inc. ("Newfoundland Power") and the Island Industrial Customer ("IIC") Group both filed comments with respect to Hydro's application. Newfoundland Power recognized the necessity of maintaining the Holyrood TGS as a reliable source of generating capacity while the Muskrat Falls Project assets and the Labrador-Island Link ("LIL") are brought online and proven reliable. Newfoundland Power concluded that the capital expenditures proposed by Hydro are necessary for the Holyrood TGS's continued availability and indicated its support for Hydro's application.

Island Industrial Customer Group

The IIC Group indicated that it did not have any specific concerns regarding the projects – specifically Hydro's justifications for the capital expenditures; however, the IIC Group did have additional questions regarding the timing of the refurbishment of Tank 2, as well as the possibility of further substantial capital expenditures for the Holyrood TGS while the long-term future of that facility has not yet been determined.

The IIC Group's concerns with respect to the proposed project to refurbish Holyrood TGS Tank 2 center around the assessment of the remaining life of the tank and the extent of the scope of work. The IIC Group questions why Hydro and Hydro's consultant "acquiesced" to the reassessment and reduction in estimated remaining life, as well as why Hydro cannot provide further detail on the "risk entailed by maintaining the status quo for Tank 2 for just a further 9 months". As Hydro stated in its application, to ensure the Holyrood TGS is fully available for generation at its maximum output when required, three fuel oil storage tanks must be in service and in a reliable condition. In order for Hydro to utilize Tank 2 (or any of the tanks), the tank must be registered pursuant to the *Provincial Storage and Handling of*

*Gasoline and Associated Products Regulations, 2003.*¹ As Hydro indicated in its application, Section 3.2.1 of Schedule 2, Tank 2's certification will expire in June 2023, and refurbishment is required before recertification. Hydro's response to request for information ("RFI") IC-NLH-011 stated that when the Holyrood TGS had been further extended to March of 2022, Hydro approached the provincial regulator for a further extension to the operation of Tank 2. The regulator requested a different American Petroleum Institute standard be used in the analysis of the data pertaining to the tank. Based on that requested data, the provincial regulator agreed to accept operation of Tank 2 only until June 2023. Hydro is subject to the legislation prohibiting the usage of the tank without certification, and certification was only granted to June 2023. Hydro cannot use the tank without certification, even if there were evidence indicating that maintaining the status quo was a technical possibility. Hydro cannot reliably operate the Holyrood TGS with less than three tanks. Therefore, as Hydro has indicated in its application and RFI responses, Hydro must proceed with the refurbishment of Tank 2 to ensure it can continue to provide safe and reliable service to customers.

The IIC Group stated that it did not have any further questions or concerns regarding the refurbishment of the Holyrood TGS day tank, although noting that this is at least in part due to Hydro's statements indicating that it would avail of any opportunity to reduce costs in the project.

The IIC Group requested that the Board require Hydro to report in a timely manner on the results of the assessment of the day tank floor and the refurbishment of Tank 2, and whether any reductions in costs were possible. Hydro currently provides this information in its annual Capital Expenditures and Carryover Report, filed each year by March 1. That report provides details and explanations regarding the reportable variances between budgeted and actual expenditures for projects in year covered by the report. Hydro will provide detail with respect to all of the projects proposed in its application in the Capital Expenditures and Carryover Report filed in March 2023.

Both Newfoundland Power and the IIC Group expressed concerns around continuing to incur capital expenditures for maintenance of the Holyrood TGS without full determination of its future role or purpose. Hydro notes that the projects proposed in the application were required to allow the Holyrood TGS to operate to its currently scheduled end of operation as a generating facility. As Hydro stated in its response to RFI IC-NLH-001, "Hydro acknowledges that uncertainty associated with the Holyrood TGS' operational timelines have posed a significant challenge for all stakeholders in recent years. However, Hydro confirms that the proposed capital investments are absolutely essential for reliable plant operation to March 31, 2024. Hydro's submission at the end of September as part of the *Reliability and Resource Adequacy Study Review* proceeding will provide clear direction on future generation requirements from Holyrood TGS. Timelines will be confirmed, and Hydro and its stakeholders will have a clear basis for determinations regarding investment and reliability."

Conclusion

As noted in Hydro's application, and as stated by Newfoundland Power in its submission, maintaining the Holyrood TGS as a reliable source of generating capacity while the Muskrat Falls Project assets and the LIL are brought online and proven reliable, is a necessity. The proposed capital expenditures must proceed to ensure that Hydro can continue to provide service that is safe and adequate and just and reasonable as required by Section 37 of the *Public Utilities Act*.

No comments were received from any other party. Hydro respectfully requests that the Board approve Hydro's application as submitted.

¹ NLR 58/03.

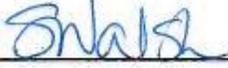
Ms. C. Blundon
Public Utilities Board

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Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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