



Cabot Place, 1100 – 100 New Gower Street, P.O. Box 5038  
St. John's NL A1C 5V3 Canada tel: 709.722.4270 fax: 709.722.4565 stewartmckelvey.com

November 21, 2022

Paul L. Coxworthy  
Direct Dial: 709.570.8830  
pcoxworthy@stewartmckelvey.com

**Via Electronic Mail**

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: 2023 Hydro Capital Budget Application – Submissions of the Island Industrial  
Customer (IIC) Group**

Further to the above-noted Application, these are the submissions of the Island Industrial Customer (IIC) Group (Corner Brook Pulp & Paper Limited, Braya Renewal Fuels LP, Vale Newfoundland & Labrador Limited).

**Island Generation: Moving from short-term focus to mid to long term planning and decision making**

This submission will focus upon what is submitted to be the mid-term to long-term planning imperatives that should be informing Hydro's capital budget process, in particular in relation to the Holyrood thermal generating station (HTGS) and the question of what is sufficient Island-situate generation in the post-Muskrat environment.

Until the 2023 Hydro capital budget application, the focus of the capital budget process has been on the year-over-year capital expenditures necessary to keep the HTGS in operation until March 2024, by which time it was anticipated that the Labrador-Island Link (LIL) would have proven itself to be reliable, rendering unnecessary any continuing Holyrood thermal generation function. Indeed, Hydro has affirmed that all of the Holyrood capital expenditures for which it seeks approval in the 2023 capital budget application are only those required to maintain the HTGS as a generating facility until March 31, 2024, and that further capital investment would be required to extend generation beyond 2024.<sup>1</sup>

This short-term focus has been upended by Hydro's filing, in the midst of the 2023 capital budget application, of its October 3, 2022 Reliability and Resource Adequacy Study Update (the "RRAS Update").

---

<sup>1</sup> Hydro response to CA-NLH-010, page 3 of 5, para. (b).

November 21, 2022

2023 Hydro Capital Budget Application -  
Page 2

The RRAS Update posits that

1. The HTGS may need to be maintained as a generating facility until 2030.
2. Any earlier decommissioning of the HTGS as a generating facility is dependent on assessments of the reliability of the LIL, and decisions about what new Island-situate generation will be needed in light of those reliability assessments and on the time frames necessary to implement those decisions.

The IIC Group acknowledge that these issues are the subject of the RRAS Review. However, respectfully, it is not apparent as to how or when the results of that Review will shape and inform the annual capital budget application process, and the annual supplementary capital applications, in respect of the HTGS. The HTGS capital expenditures approved in the 2022 CBA and supplementals and proposed in the 2023 CBA will total (if approved) almost \$28 million dollars.<sup>2</sup> Even before the 2023 capital budget application is completed, Hydro is positing supplementary HTGS capital expenditures, in as yet unspecified amounts.<sup>3</sup>

By the RRAS Update, Hydro has presented estimates of capital costs and operating costs for the HTGS for the period 2024-2030. These are costs are estimated to total over \$1 billion dollars.<sup>4</sup>

With respect, it is unclear to the IIC Group what decision-making process will be implemented, within the time frame necessary, to examine and decide whether these projected HTGS costs would be prudent and least-cost measures and as to what alternatives should be considered. With respect, the IIC Group submit that the current annual capital budget process, and what have become the apparently inevitable supplementary capital applications, are not "fit for purpose" to examine these questions.

The IIC Group submit that the RRAS Review should, as early as possible in 2023 and in any event before Hydro's scheduled filing of its 2024 capital budget application, move beyond consideration of Hydro's RRAS Updates and periodic report filings, to a decision-making process about the mid-term and long-term measures which should be implemented. Delaying the initiation of a decision-making process to an uncertain future time when LIL reliability will be "known" merely adds yet another layer of uncertainty about the future of the Island system, and may result in there not being sufficient time to implement, with due diligence, the prudent and least cost measures needed to ensure reliability of the Island system.

Hydro makes the point that its five-year capital plan, as filed annually with its capital budget application, is not submitted for approval by the Board.<sup>5</sup> The IIC Group submit that present plans for 2026-2030 HTGS expenditures, even if only estimates at this time, should be the subject of approval by the Board. This information will be necessary for the Board to properly assess other Island-situate generation options required to support or supplement Muskrat Falls generation in the mid-term and long-term. With respect, Hydro's response that these issues will be "further

---

<sup>2</sup> CA-NLH-010, page 2 of 5, para. a).

<sup>3</sup> IC-NLH-013

<sup>4</sup> RRAS Update, Volume III: Long-Term Resource Plan, page 26, Tables 8 and 9.

<sup>5</sup> IC-NLH-011

November 21, 2022

2023 Hydro Capital Budget Application -  
Page 3

discussed through the ongoing process surrounding" the RRAS Review is not a plan for prudent and timely decision-making.<sup>6</sup>

All of which is respectfully submitted.

Yours truly,

Stewart McKelvey



 Paul L. Coxworthy

- c. Shirley Walsh, Newfoundland and Labrador Hydro  
Dominic Foley, Newfoundland Power  
Dennis Browne, K.C., Consumer Advocate  
Dean A. Porter, Poole Althouse  
Denis J. Fleming, Cox & Palmer

---

<sup>6</sup> IC-NLH-008; IC-NLH-010