

April 12, 2023

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

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

Dear Ms. Blundon:

**Re: NLH – 2023 Capital Budget Supplemental Application – Approval of the Purchase and Replacement of Last Stage Blades for Units 1 and 2 at the Holyrood Thermal Generating Station – Newfoundland Power's Comments**

## Introductory

Newfoundland and Labrador Hydro's ("Hydro") 2023 Capital Budget Supplemental Application (the "Application") for approval of the purchase and replacement of last stage blades ("LSBs") for Units 1 and 2 at the Holyrood Thermal Generating Station (the "Holyrood TGS") was filed with the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "Board") on March 29, 2023. In its review schedule for the Application, the Board set today's date as the deadline for comments from parties. These are Newfoundland Power's comments with respect to the Application.

## Hydro's Application

Hydro owns and operates the Holyrood TGS, which has three oil-fired generating units that provide an installed capacity of 490 MW. The Holyrood TGS represents approximately one third of Hydro's Island Interconnected System generating capacity and approximately one quarter of the total Island Interconnected System capacity when included with all other customer-owned generation.<sup>1</sup>

Hydro retained Hatch Ltd. ("Hatch"), with support from the original equipment manufacturer, General Electric ("GE"), to complete the *HTGS Condition Assessment and Life Extension Study* in March of 2022. LSBs are a necessary component of Holyrood TGS Unit 1 and Unit 2. An examination of Unit 1 showed a 3/8" linear crack on one of the LSBs. An interim solution was provided to mitigate supply risk and, in 2022, Hydro filed a supplemental application for the purchase of one set of LSBs to be used in the event of LSB failure on either Unit 1 or 2. At the time of the assessment, the Holyrood TGS was expected to remain in service only until March 31, 2024.<sup>2</sup>

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<sup>1</sup> Application, Paragraph 2.

<sup>2</sup> Application, Paragraph 4.

## Newfoundland Power Inc.

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Hydro's October 3, 2022 *Reliability and Resource Adequacy Study – 2022 Update* (the "2022 Update") recommended the continued operation of the Holyrood TGS as a "bridging solution" until alternative long-term sources of supply options become available.<sup>3</sup>

Consequently, Hydro's Application proposes expenditures of approximately \$6.4 million for the procurement of an additional set of LSBs, along with the installation of replacement LSBs on both units, the *in-situ* inspection, and non-destructive testing of Unit 2 turbine LSBs.<sup>4</sup>

### **Newfoundland Power's Comments**

Newfoundland Power purchases approximately 93% of the energy required to supply its customers from Hydro. Wholesale supply costs from Hydro represent the single largest cost recovered from Newfoundland Power's customers. Hydro anticipates that the continued operation of the Holyrood TGS until 2030 will cost approximately \$1 billion.<sup>5</sup> Hydro plans to update the costs associated with the extended operation of the Holyrood TGS to be included in customer rates as part of its next general rate application.<sup>6</sup>

Prior to the 2022 Update, Hydro's plans were to retire the Holyrood TGS once the Muskrat Falls Project was proven to be sufficiently reliable. Accordingly, since the Muskrat Falls Project was sanctioned over 10 years ago, there has been no plan for alternative long-term sources of supply needed to replace Holyrood TGS capacity.<sup>7</sup> Customers on the Island Interconnected System are now subject to costs associated with new alternative sources of supply as well as incremental costs associated with continuing to operate the 54-year-old Holyrood TGS beyond its previously anticipated retirement. Hydro's Application is the first example of Hydro seeking approval of such expenditures since the filing of the 2022 Update.

Newfoundland Power does not object to the necessity of the expenditures outlined in the Application since, without new alternative sources of supply, the continued operation of the Holyrood TGS is required to ensure reliable service to customers. However, Newfoundland Power submits that evaluation of alternative sources of supply to the Holyrood TGS should be considered an immediate priority by Hydro since an earlier replacement of Holyrood TGS capacity could provide both cost and reliability benefits to customers.<sup>8</sup>

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<sup>3</sup> Application, Paragraph 6.

<sup>4</sup> Application, Paragraph 9.

<sup>5</sup> Hydro's Reliability and Resource Adequacy Study – 2022 Update, Volume III: Long-Term Resource Plan, Page 26, Table 8 and Table 9.

<sup>6</sup> See the response to Request for Information NP-NLH-085 filed in relation to the Board's review of Hydro's Reliability and Resource Adequacy Study.

<sup>7</sup> The Muskrat Falls Project was sanctioned on December 17, 2012.

<sup>8</sup> In its March 31, 2022 letter to the Board Re: Reliability and Resource Adequacy Study Review – Assessment to Determine the Potential Long-Term Viability of the Holyrood Thermal Generating Station, Hydro indicated that the outcomes of such analysis would be provided in the 2022 Update.

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We trust this is in order. If you have any questions regarding the enclosed, please contact the undersigned.

Yours truly,



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