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Sent via email

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Public Utilities Board Rate Mitigation Review
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Dear Chair and members of the Board:

First we would like to thank the Public Utilities Board (PUB) for the opportunity to appear before the board and to follow-up with this written submission.

The issue of rate mitigation because of the Muskrat Falls project is very important to all of us, but an issue that IBEW Local 1615 and its members had zero control over. In fact, anytime we voiced our opinion on issues we felt weren't right, we were promptly shut down.

IBEW Local 1615 believe that Nalcor/NL Hydro has lost its way and what its real mandate is "too make sure when you turn on your switch, the light comes on" at the least cost, reliable way possible. In our view, the 'the reports' by "Power Advisory" prepared for Nalcor Energy dated September 19, 2019 and a document co-authored by Peter Hickman, senior Nalcor VP – Chief Legal Officer and Corporate Secretary, and Geoffrey Young QC, Corporate Secretary and General Council with NL Hydro, testaments to the fact that they are protecting the bloated Corporate structure while placing most of the burden on regulated NL Hydro. We will address this in detail as we address issues from the Liberty Report.

Once again, we would like to thank the Board for giving us the opportunity to meet with Liberty and make presentations throughout the process.

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NF Power/NL Hydro Asset Transfer

IBEW Local 1615 agrees with both Liberty and NL Hydro that there is little, if any, cost savings in transferring assets to NF Power. As an investor-owned company, Fortis (NF Power), they are focused on growing their rate base and filling the pockets of their shareholders. It is IBEW Local 1615's view that their estimate of FTEs to operate and maintain both Exploits Generation and "the Island retail and transmission" were grossly underestimated. It got more convoluted on June 5, 2019 when Fortis CEO appeared on the "Carter File" on NTV and when asked about the protest by NL Hydro workers in St. Anthony who were worried about jobs and layoff, his reply was "not to worry too much, we have not laid people off, that is not the way we do business".

So! NF Power makes a presentation to basically cut retail and transmission in less than half and the CEO of Fortis, NF Power's parent Company, states there will be no layoffs. IBEW Local 1615 is use to this kind of antics by NF Power and we are sure they won't go away anytime soon, neither are we.

Consolidation of Power Supply and NL Hydro

On page 25 of Nalcor Energy, September 20, 2019 submission by Peter Hickman and Geoffrey Young, they state "The structure implemented in 2016 by the current President and CEO, Stan Marshall, is based on his forty (40) plus years of leadership in the utility sector. While you can't deny his experience in the utility industry, IBEW Local 1615 believes the decision to create Power Supply along with some of the choices of leadership were totally wrong and not in the best interest of tax payers or rate payers of the province. The creation of basically a new company is, in our view, a significant part of the nearly two-third increase in the Operations and Maintenance (O&M) for Muskrat and the Labrador Island Link (LIL). The current model of having only crews stationed at Soldier's Pond and Muskrat Falls, hundreds of miles apart, is disturbing when you think of it in terms of reliability and quick response to emergencies.

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In the Power Advisory presentation on September 19, 2019 they state “Mission define strategy, and strategy defines structure” and that may be realistic in some situations but the IBEW Local 1615 firmly believes that in the rate Mitigation era, which we all find ourselves, that money and cost defines structure, and also hiring consultants to protect the fat-cats of the organization is not in the best interest of rate mitigation.

IBEW Local 1615 submits that NL Hydro and Power Supply be integrated into one company. There are several advantages to this including:

- (1) create efficiencies of work and eliminate much of the costly contracting out;
- (2) more reliability and response to emergencies;
- (3) no duplication of labour relations (i.e. labour management), collective bargaining, etc;
- (4) duplication of services eliminated;
- (5) lower cost of O&M;
- (6) bring Power Supply back under the protective eye of the Public Utilities Board; and
- (7) the future hiring which will be needed once the project is turned over.

Efficiencies and Effectiveness Plan

No other section of any reports frustrates and infuriates IBEW Local 1615 more than this whole topic. Let’s start with the Power Advisory Report on September 19, 2019, on page 4 of 12, Appendix 3, Line 17 up to page 12 of 12. On page 5 of 12 talks about 2 million dollars in operational savings, IBEW Local 1615 has already seen where some of this is coming from with the elimination of 5% of our line worker positions in the past month or so. Our line crews have been cut by 25% of the past number of years and continued cuts will affect reliability but more importantly, it adds stress and safety issues with the remaining crews. On page 11 of 12, NL Hydro commits to reducing FTEs, that is reducing positions from the arm of the Company that is already understaffed. Yet Power Advisory in Appendix 4a defends the bloated Executive structure of Nalcor.

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If you look on NL Hydro regulated, we already have a vacancy rate of fifty-five (55) set by the board and now 2 million dollars extra in savings per year which is more than likely, as we already see, will come from front line worker cuts. Front line workers are the workers that perform preventative and corrective maintenance, operates equipment and install new equipment to ensure we don't repeat DarkNL. Cuts made in past to front line workers was one of the major contributing causes to 2014 DarkNL.

Yet, the CEO and President during his evidence at the Rate Mitigation Hearings while justify the structure of Nalcor said if we change anything now that we will be a "Newfie joke" and a bunch of idiots. While we stay away from these types of terms, if we did use them it would be to describe what happened in 2016 when we were reorganized into three Companies – Nalcor, Power Supply, and NL Hydro. With that came three Finance Departments, three Human Resources Departments, two Engineering Departments, two Operations Departments, etc.

During our oral presentation, IBEW Local 1615 put forward a structure that we know can work because it did work. It is a structure that will ensure that the burden of Rate Mitigation will not just be borne by the regulated side of the business, NL Hydro, and mainly front line workers.

Exploits Generation

Exploits generation is a complex operation that requires a different approach when compared to some other hydro generation plants. The generating stations were first built to supply power to the Pulp and Paper mill in Grand Falls-Windsor. There are many different reasons for this complexity. The first, and maybe the most challenging, for maintenance and operations is the age of the stations (date back to 1905) and the fact that there are actually two different generating stations - one in Grand Falls-Windsor (6 Generators – 76.4 Megawatts) and one in Bishop's Falls (7 operating generators – 19.6 Megawatts and two parked generators). The fact that there are two generating station in two different communities poses separate challenges for maintenance and operations.

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The electrical system of the Grand Falls-Windsor generating station is also more complex than a typical generating site. The units (Generators) at Grand Falls-Windsor generate at two different voltages, one at 13.8kv and five at 6.9kv, this was due to the requirements and limitations of the paper mill operation. A power plant would not generally be designed as such. This leads to additional equipment and greater complexity. There was significant redundancy and contingency designed into the Grand Falls-Windsor electrical system so that it could be quickly reconfigured to ensure continued operation of the paper mill through most of the possible failures on the electrical system. As a result it has essentially developed into a more complex ring bus arrangement that is not typical of small hydro sites. The Grand Falls-Windsor site has 21 breakers, 3 – 50MVA transformers, and 2 – 18MVA transformers currently in service to run the station. Most of these breakers are 1950s and 1960s vintage air blast and oil filled breakers. All of this means that there is a significant electrical equipment asset base that currently has to be maintained. This equipment would be extremely expensive to replace and even if it was, it wouldn't change the design of the generators and there different operating voltages.

The Bishop's Falls Generating Station isn't as complex as the Grand Falls-Windsor Station, but the fact that it's in a separate community there needs to be a dedicated transmission line connecting the two stations (150L) to feed the power directly to the Grand Falls-Windsor. This also means that there needs to be to transformer yards. This once again adds to the maintenance.

The next challenge is the way that water flows through the generating stations. The Exploits Generation Operation resides within the Exploits Valley Watershed and is generally a Run-of-River operation, with very little upstream storage. This type of operation puts restrictions and limitations on maintenance and planning. There are several constraints on the maintenance window. Spring runoff conditions start in late March and continue into mid to late June. There is ample water available to run all generation so units are generally not scheduled for maintenance in this period. Forced outages result in lost opportunity and if the units are shutdown unexpectedly, the only option is to spill the water around the plant and spilled water is lost. An additional constraint on the maintenance period is related to fish migration through the summer. A reduced maintenance crew would be detrimental to the corrective and preventative maintenance plans.

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Another thing to consider is that eleven (11) of the thirteen (13) generators are double runner horizontal turbines. Maintenance of these units is more involved than the typical vertical turbines as there is not only double the maintenance effort required but the two speed rings/wicket gates have to be synchronized to work properly. A lot of this work also requires confined space measures to be put in place. The confined space requirements mean extra staffing for attendants and rescue.

The next significant challenge on maintenance and operational personnel is the fish migration management. The Atlantic salmon migration on the Exploits River results in significant operational and staffing requirements. Routine cleaning and daily inspections are required at the Grand Falls-Windsor site through fish season (May-July) to keep the fish bypass system operating properly. The floating louver system in the power canal also has to be cleaned requiring which results in extra time spent on maintenance. The fish bypass louver system is installed and removed annually as this system was not designed to stay in the canal year round. The installation and removal process requires two cranes and the crew takes several days to complete this.

Last, but certainly not least, is the flood control. The river system for which NL Hydro is accountable for has the potential to materially impact many stakeholders. Flood control and reservoir management requires experience and dedicated operational focus. This has to be maintained as the river can easily get out of control, such as the state of emergency in 2003 when the town of Badger was flooded. We feel that any changes to our operating staff and maintenance crews could put this flood control in jeopardy.

The last point that we would like to make is regarding the staffing at Exploits Generation. As we said in our presentation to you on October 18, 2019, we are not in total in disagreement with Liberty's restructuring of Exploits. We can clearly see that our staffing now has a total of twenty-two (22) unionized employees that includes operators, electricians, millwrights and labourers and sixteen (16) non-unionized employees. We mentioned during our presentation that we wanted to compare our operations and maintenance crews to other comparable facilities like Deer Lake Power that has a plant that is about the same age as Exploits and was built for the same reasons. Deer Lake Power maintains a unionized crew (operations crew and maintenance crew) of eighteen (18) with only three non-unionized or manager positions.

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Meanwhile, it is also worth mentioning that Deer Lake Power doesn't have the same struggles as Exploits does with their run of river operations, two different plants in two different communities and the fish migration management. One other thing to mention is that when Exploits Generation was being operated by Abitibi Paper, they maintained a unionized crew (operations crew and maintenance crew) of seventeen (17) with only two non-unionized or manager positions, with the paper mill maintenance crews there to back up and add support to the crews in the Generating stations.

The rate mitigation process has seen its share of destructive comments that haven't been factual, these false uninformed comments and claims that were made by groups like NF Power have really bothered our locals members and us. One example of this would be saying that they could run Exploits with a crew of only ten (10) operators and maintenance staff in total, this was so irresponsible, uninformed and most importantly they lacked the data to back up those claims. As you can see by the complexities listed in this report, Exploits Generation has extra requirements and responsibilities that more than justify their unionized (operational and maintenance crews) staffing numbers of twenty-two (22). It was so shameful and a form of sabotage the way they tried to plant seeds of doubt in the heads of the public about the abilities and need of our IBEW Local 1615 members. We are extremely encouraged with Liberty and the Public Utilities Board for not falling for their tactics. Meanwhile we do fear that NL Hydro is starting to make decisions that could drastically affect efficiencies and reliability. There has been some knee jerk reactions being made, one being the elimination of an electricians position during a time when the most important preventative and corrective maintenance take place, this has created delays and higher costs in overtime. This has also now reduced our numbers at Exploits to twenty-one (21) which now has a ratio of twenty-one (21) operational and maintenance staff to sixteen (16) out of scope staffers.

We urge the Public Utilities Board to please take these considerations in mind as you preparing your report. We feel that if the operating and maintenance staff at Exploits Generation is reduced it will be detrimental to the efficiencies, reliability, environment, and safety.

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Conclusion

IBEW Local 1615 and their members are also tax payers and rate payers; we understand the importance of Rate Mitigation. As you can see by both our verbal and written submissions, we think that Liberty did a good job in their report with the fact of bringing Power Supply and Nalcor back under the Company NL Hydro, reducing the disfigured corporate structure and the use of dividends made by NL Hydro to help ease the relief of increased rates.

We do urge the Public Utilities Board to keep a close eye to the actions of NL Hydro as they are still under the control of Nalcor and they will not stop trying to protect their CEO's legacy by eliminating union positions to protect their own. This will have a detrimental impact on our efficiencies, reliability and safety. We are not bashful enough to admit that IBEW Local 1615 make up the back bone of our province utility system. We thank you for all of your time and consideration.

Yours Truly,

Jabez Lane, Business Manager
Duane Warren, President