



HOUSE OF ASSEMBLY  
PROVINCE OF NEWFOUNDLAND AND LABRADOR

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Andy Wells  
Chairperson and Chief Executive Officer, PUB  
P.O. Box 21040  
St. John's, Newfoundland, Canada  
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May 1, 2014

Dear Mr. Wells:

The provincial NDP applauds the ongoing work of the Board of Commissioners of the Public Utilities (PUB) in their efforts to get to the facts behind what caused the serious Island-wide power outages in early January of this year. As we are learning with the Liberty Consulting Group's interim report, only a truly independent review of the events will provide the public with the information they deserve and need on how their public utility is being managed.

We thank the PUB for the opportunity to continue to be part of the process that will lead to restoring confidence in the province's electrical system.

In our original written presentation to the PUB in February past, we noted two main concerns that we asked the PUB to consider in their inquiries:

1. The reliability of the alpine sections of the Labrador-Island Link over which power will flow from Muskrat Falls to Soldiers Pond outside St. John's.
2. What provisions Nalcor has made with Emera for the emergency supply of power through the Maritime Link to the island in the event of an emergency power outage.

Article 5.2 of the Interconnection Operator's Agreement with Emera does address emergency energy transactions, noting that each party "provide Emergency Energy to the other Party in accordance with the provisions of Schedules A3 and C9.0." Yet these schedules are confidential. At the very least the PUB must review these agreements to ensure they are in the best interests of the people of the province. Properly, these arrangements should be public.

The release of the Liberty Consulting Group's Interim report has raised more concerns which we hope the PUB will also address. The report outlines a troubling list of how Newfoundland and Labrador Hydro (NL Hydro) has failed to properly maintain the electrical system it is mandated to operate, citing such issues as insufficient generating resources, as well as poor or incomplete maintenance of equipment.

Our concerns regarding the implications of the Liberty Group's report fall into two main categories:

1. How did decisions made by Nalcor and NL Hydro management lead to the events of January 2 – 8<sup>th</sup> 2014, and the conservation warnings of early March 2014. Why was scheduled maintenance postponed or not done, and why were proper safeguards not implemented and apparently not understood by NL Hydro managers? What was the management process that led to this poor state of affairs?

The Liberty Group report has given us an excellent description of *how* the power outages of early January 2014 occurred. We hope the PUB can shed some light — with the full cooperation of the executives of Nalcor and NL Hydro — into *why* this situation was allowed to develop.

Given that the *Electrical Power Control Act, 1994* makes it clear reliable power at the lowest possible cost is public policy, why wasn't this policy followed? Has the PUB seen evidence that there were other priorities, such as the Muskrat Falls Project, that distracted Nalcor and NL Hydro from their first priority?

The NDP believe an understanding of the decision making process in Nalcor upper management and government are as important to assessing what went wrong and how to fix it as is understanding the technical issues that led to widespread power outages during the coldest time of the year.

2. In light of the alarming observation by Liberty that power outages could occur again in the ensuing years leading up to Muskrat Falls being brought on-stream, what does the PUB see as the plan to ensure the people of the province are protected?

The recent revelation by Nalcor CEO Ed Martin that the Muskrat Falls project may not be completed on time underscores this concern. What measures must be taken — technical and managerial — to ensure that the people of the province can depend on their power supply, especially during the coldest and harshest times of year, up to and beyond the introduction of Muskrat Falls power, whenever that may be?

It is our hope the PUB will examine the executive management decision-making process at Nalcor to see what led to the unusual and unacceptable state of the Island's power system. What prompted the decisions to defer maintenance on key assets? Why was Hydro's planning criteria for new generation allowed to become so outdated? Surely this is a key aspect of maintaining an electrical power system.

Why did government, through its wholly owned crown corporation Nalcor, not live up its own legislated power policy as outlined in the *Electrical Power Control Act, 1994*?

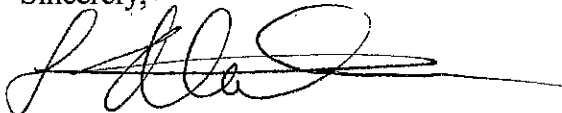
In addition to the technical reasons for the prolonged and unplanned blackouts in early January of this year which caused so much hardship for so many people, the provincial NDP is asking the PUB to examine what, if any, impact executive decisions at Nalcor had on this failure. Understanding the flaws in the past decision-making process is key to ensuring that future decisions are made in the best interest of the people of the province, who depend on a reliable power system. Bluntly stated, did the Muskrat Falls project cause government and Nalcor to lose sight of their duty to protect and maintain the province's power supply? And could the project continue to do so?

The provincial government has poured hundreds of millions of dollars into the publicly owned energy utility — the lights should have stayed on.

To rebuild the public's damaged confidence in the province's power system, it is imperative that the Board investigate every facet of the current and future plans "that would result in power being delivered to consumers in the province at the lowest possible cost consistent with reliable service," as is stipulated in the *Electrical Power Control Act, 1994*.

I look forward to reading the PUB's May 15<sup>th</sup> interim report.

Sincerely,

A handwritten signature in dark ink, appearing to read 'L. Michael', with a long horizontal flourish extending to the right.

Lorraine Michael, MHA  
Signal Hill-Quidi Vidi  
Leader, New Democratic Party