

DELIVERED BY HAND

May 2, 2014

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

Ladies and Gentlemen:

**Re: The Board's Investigation and Hearing into Supply Issues and Power Outages on
the Island Interconnected System**

A. Introductory

This will respond to the Board's letter of April 29th, 2014 seeking comments on the 46 recommendations made by The Liberty Consulting Group ("Liberty") in its report titled *Supply Issues and Power Outages Review, Island Interconnected System, Interim Report* (the "Interim Report").

Newfoundland Power has reviewed all 46 recommendations made by Liberty. Each recommendation appears reasonable in the circumstances as described in the Interim Report. Accordingly, Newfoundland Power does not have any comments on the specific recommendations at this time.

Newfoundland Power does, however, have general comments on implementation of the recommendations.

B. General Comments

Ensuring Appropriate Maintenance

The Interim Report outlines serious shortcomings in Newfoundland and Labrador Hydro's ("Hydro") supply planning and equipment maintenance for the Island Interconnected System. Reducing the short-term risk to customers presented by these shortcomings will, in Newfoundland Power's view, require significant work to be done by Hydro on its system prior to the next winter season.

Recommendations 10 through 15 and recommendations 17 through 33 in the Interim Report respectively address Hydro's supply and equipment maintenance practices. As a start, the recommendations typically call for the preparation of a detailed plan and schedule to be prepared by June 15, 2014. For supply matters, monthly reporting by Hydro is recommended (see recommendation 13) but no reporting is indicated for equipment maintenance matters.

Equipment failures were responsible for approximately 80% of the customer outages in the January 2-8, 2014 period. The Board should consider what additional steps (such as ordering monthly reporting) may be appropriate to better ensure the required equipment maintenance work is completed prior to the next winter season.

Improving Customer Communications

The Interim Report identifies a number of recommendations aimed at improving overall customer communications in times of electrical system distress. A number of these recommendations indicate joint action between Newfoundland Power and Hydro would result in improved customer service response capability for the next winter season.

Recommendations 37, 38, 41, 42, 44, and 45 specifically propose joint efforts by the utilities to improve customer communication. These recommendations also typically call for the preparation of a detailed plan and schedule to be prepared by June 15, 2014. Newfoundland Power agrees that these recommendations (including the joint nature of them) are reasonable.

In the circumstances, and in particular the risk of serious system issues next winter season, the Board should consider the appropriate steps to ensure improved customer service response capability exists by that time. This could include ordering specific changes to be undertaken in advance of the next winter season. And, in the case that joint implementation cannot be agreed, actions by each of Newfoundland Power and Hydro should be required.

Summary

To mitigate the increased risk to customers which will exist for the next winter season will require action on the part of the utilities. Many Liberty recommendations call for the creation of plans and schedules by June 15, 2014. While creation of such plans and schedules is reasonable, they will not ensure the necessary work is actually done.

Accordingly, following submission of these plans, the Board should consider (i) increased oversight and/or (ii) specifically ordering that certain work be done. This will reduce the risk to customers associated with current vulnerabilities on the Island Interconnected System for the upcoming winter season.

C. Concluding

We trust that the enclosed and foregoing are found to be in order.

If you have any questions please feel free to contact the Company.

Yours very truly,



Peter Alteen, QC
Vice President,
Regulation & Planning

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Thomas Johnson
O'Dea Earle Law Offices

Danny Dumaresque

Paul Coxworthy
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Roberta Frampton Benefiel
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