

May 2, 2014

*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. Cheryl Blundon  
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro Application – Application for Approval of a Capital Project to Supply and Install 100 MW Combustion Turbine Generation

We write on behalf of Vale Newfoundland and Labrador Limited (“Vale”) in response to the Board correspondence dated April 29, 2014 regarding the above Application.

Vale appreciates that Hydro's Application is intended to address important issues of risk reduction and in time-sensitive circumstances. It is acknowledged that in its' Interim Report on the Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System, Liberty Consulting Group recommended priority to securing new generation with prompt decisions and expeditious movement towards an in-service date of December 2014, if at all possible. Given the timing of the Hydro application, Vale has little option but to accept that the Board's proposal in its correspondence of April 29 is the only option to move forward with the application which allows Hydro to meet the timing projection for installation. As a result, Hydro's proposed solution cannot reasonably be subjected to the full, proper and prior review process while meeting the projected timelines within the application.

While Vale concedes that the process outlined by the Board for dealing with this application may be the only option in the present circumstances, it is concerned about the decisions and positions which have led to the need for an expedited process on this application. Specifically it raises questions as to whether Hydro has effectively and fully evaluated other alternatives including, but not limited to, interruptible contracts as specifically referenced by

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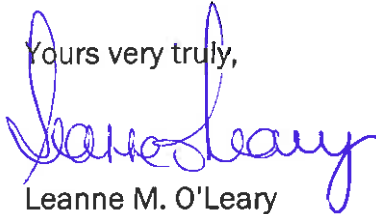
Liberty Consulting Group in their recent report. Without the benefit of a full review of the Hydro filings and the investigation which would come from the regular application process, Vale submits that the application, including the alternative option of interruptible contracts, deserves further and more in-depth consideration.

In stating this, Vale is not suggesting that expedited Board approval should not be given now to allow Hydro to proceed with the tender process for the combustion turbine. The lateness of the application prevents any reasonable assessment of alternatives before implementation must proceed.

However, Vale submits that the Board approval of the application should be subject to a subsequent separate process which allows the parties the full opportunity to review the issues of prudence, assessment of alternatives, cost and the potential for cost recovery from Hydro customers. The separate and subsequent process ought to reflect the normal course of proceedings with Requests for Information (RFIs), Response to RFIs, submissions and evidence, as the parties deem appropriate, and ought not to be abbreviated due solely to the fact that the separate process occurs subsequent to the Board approval to proceed with the Application.

We trust you find these submissions to be in order.

Yours very truly,



Leanne M. O'Leary

LMO/js

c.c. Geoffrey P. Young, Newfoundland and Labrador Hydro  
Gerard M. Hayes, Newfoundland Power Inc.  
Thomas Johnson, O'Dea, Earle  
Paul L. Coxworthy, Stewart McKelvey  
Dean Porter, Poole Althouse  
Danny Dumaresque  
Fred Winsor, Sierra Club Atlantic