

June 20, 2023

G. Cheryl Blundon
Director of Corporate Services
and Board Secretary
Board of Commissioners of
Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro – Reliability and Resource Adequacy Study Review – 2022 Update – Further Process – Island Industrial Customer Group's Comments

The Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”) has requested that the parties provide a list of issues or topics that Newfoundland and Labrador Hydro (“Hydro”) should address going forward in the ongoing Reliability and Resource Adequacy Study Review (“RRAS Review”). The Island Industrial Customer Group (the “IIC Group”) provide the following comments regarding issues and topics the IIC Group believes should be addressed by Hydro in its next update, and going forward, in the RRAR.

The IIC Group recognizes the list of studies and filings Hydro has undertaken to complete and the submissions by Newfoundland Power are comprehensive and cover a lot of the material issues that need to be addressed. In particular, the IIC Group supports Newfoundland Power's concerns about using probabilistic analysis for reliability and recommendation that Hydro's next filing examine whether a deterministic analysis is more appropriate at this time for the Island System.

In addition to the issues identified by the parties, the issues identified by Liberty Consulting in its quarterly reports should also inform Hydro's next steps. In its June 8, 2023 report, Liberty expressed a number of concerns, including, *inter alia*, the fact that the operation of the Labrador Island Link (“LIL”) at 900MW under high system loads will not take place until next winter and could expose further software deficiencies, the impact of LIL delays on the

Denis J. Fleming | Partner

Direct 709 576 5321 Main 709 738 7800 Fax 709 738 7999 Email dfleming@coxandpalmer.com
Suite 1100 Scotia Centre 235 Water Street St. John's NL A1C 1B6

ability to have software deficiencies repaired by General Electric under warranty, uncertainty on the long term impact of synchronous condenser vibrations and the need for Hydro's operators to receive more simulated event training. Liberty also noted delays in Hydro's reporting on LIL weather related outages that will result in the reports on the outages being filed in September 2023 instead of June 2023. This delay puts the reporting on the outages closer to the start of the LIL's first winter season and, thereby, reduces the time for meaningful engagement on these issues prior to the start of the winter season. The IIC Group submit that ensuring further slippage in Hydro's filings schedule does not occur and addressing the concerns raised by Liberty in its reports should be a primary focus of Hydro, whether in the RRAS Review or outside of it.

In addition to the tasks and issues identified by Hydro, Liberty and Newfoundland Power, the IIC Group submit that the following issues or topics should be addressed by Hydro in its next RRA update:

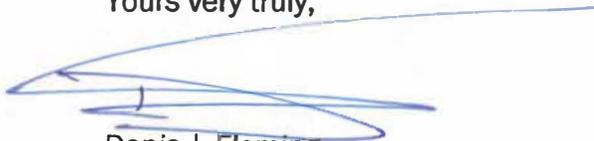
1. an updated load forecast, including detailing the sensitivities that affect the reliability of the load forecast and the implications of a range of electrification scenarios to the load forecast;
2. confirmation with respect to whether an aggressive electrification plan remains in the best interest of rate payers given the forecast reliability and resource adequacy issues currently facing Hydro. The analysis should include consideration of the optimum level and type of electrification for reducing overall costs on the Island system;
3. options to mitigate negative impacts of electrification of heating, including options to minimize impact at peak times (e.g., encouraging/requiring customer redundancy that is non-electric) and ability to enter interruptible arrangements with large end users;
4. development of options for energy conservation and demand management that could significantly mitigate peak loads or reliability risk;
5. options, including an analysis of potential contractual terms and system savings, for industrial capacity assistance that would provide more sustained assistance than the capacity assistance agreements used in recent years;
6. continued review of options to mitigate the duration of Labrador Island Link outages including increased investment in critical spare equipment and remote line repair capabilities; and
7. analysis of the rate impacts, by customer class, of potential additional generation options, including the proposed Unit 8 at Bay d'Espoir, for the Island System.

The issues facing Hydro in the near and long term are novel, constantly changing and far outside of what the post Muskrat Falls landscape was expected to look like. Hydro's focus

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on the matters at issue in the RRAS Study is essential to ensuring that Island ratepayers, including the IIC Group's members, are connected to a system that balances cost-effectiveness with reliability. As such, the IIC Group fully supports the Board's decision to immediately engage on the issues facing Island ratepayers through the RRAS Study process rather than continuing to wait for certainty on the reliability of the LIL and looks forward to working with the parties to find the best solutions for the Island System.

Yours very truly,



Denis J. Fleming

DJF/js

c.c. Shirley Walsh
Newfoundland and Labrador Hydro

Dominic Foley
Newfoundland Power

Dennis M. Browne, K.C.
Browne Fitzgerald Morgan & Avis

Senwung F. Luk
Olthuis Kleer Townshend LLP

Paul L. Coxworthy
Stewart McKelvey

Dean Porter
Poole Althouse