

November 29, 2021

Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon  
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

**Re: Muskrat Falls Project Asset Update**

Newfoundland and Labrador Hydro ("Hydro") is providing this correspondence to advise the Board of Commissioners of Public Utilities ("Board") and parties of the status of the Muskrat Falls Hydroelectric Generating Facility's commissioning and Synchronous Condenser ("SC") 1 at Soldier's Pond.

**Muskrat Falls Hydroelectric Generating Facility Commissioning**

On November 22, 2021, Hydro was notified by the Muskrat Falls Corporation that Unit 4, the final of four units at the Muskrat Falls Hydroelectric Generating Facility, had completed a final 72-hour trial run. As a result, Unit 4 has completed final commissioning. On November 25, 2021, Hydro's Newfoundland and Labrador System Operator received the release for service certificate and formally accepted Unit 4 into commercial operation.

On November 25, 2021, Hydro received the signed commissioning certificate from the Independent Engineer who provides oversight on behalf of the federal government under the financing agreements. As per the commercial and financial agreements, the plant is considered fully commissioned.

Under the Power Purchase Agreement ("PPA") between the Muskrat Falls Corporation and Hydro, once the plant is fully commissioned, Hydro's payment obligation commences with respect to Muskrat Falls and Labrador Transmission Assets' costs. As per Order in Council OC2013-343,<sup>1</sup> Hydro is not permitted to recover any costs from customers for payments made until the entire project—generation and transmission—is commissioned or nearing final commissioning. Therefore, Hydro was required to pay the amount invoiced by the Muskrat Falls Corporation under the PPA on Thursday, November 25, 2021; however, Hydro will not be applying to recover these additional costs from customers at this time.

In anticipation of this scenario, in July 2021, Hydro filed its "Supply Cost Accounting Application" for approval of a new Supply Cost Variance Deferral Account.<sup>2</sup> If the application is approved, Hydro will record this first payment and subsequent payments during this transition period in that account for future recovery.

---

<sup>1</sup> Natural Resources Order, OC2013-343 (*Electrical Power Control Act, 1994*).

<sup>2</sup> "Supply Cost Accounting Application," Newfoundland and Labrador Hydro, July 29, 2021.

Over the next several months, it will be normal for issues to arise as integration continues. There will be outstanding punchlist items to be addressed on all units; however, at no time is it anticipated that the Muskrat Falls Hydroelectric Generating Facility will be fully out of service. It is expected that there will frequently be three units in service, and there may be periods when two are in service.

Hydro is not relying on power from Muskrat Falls to serve customers this winter; however, Hydro will avail of the power whenever possible, thereby reducing reliance on the Holyrood Thermal Generating Station and minimizing fuel costs.

### **Soldier's Pond Update**

On November 16, 2021, during punchlist clearance for SC1 at the Soldiers Pond facility, GE Power made an adjustment to the lube oil system. During testing to verify this change, the collector end bearing Babbitt was damaged. GE Power is responsible for the bearing repairs and associated costs. GE Power has not provided a schedule to complete the repairs but indicated that it could take several months to replace the bearing. SC2 and SC3 remain in operation.

There is no impact to power transfer over the Labrador-Island Link due to this incident as only two SCs are required for the full operation of the system. The SCs have redundancy in their design; the third SC is effectively a spare so that power transfer over the Labrador-Island Link is not impacted when a SC is taken out of service for maintenance or repairs. SC2 and SC3 are in operation with no planned maintenance work.

Hydro will provide further information regarding the status of the Labrador-Island Link in its regular monthly update which is due to be filed with the Board on Thursday, December 2, 2021.

Should you have any questions, please contact the undersigned.

Yours truly,

### **NEWFOUNDLAND AND LABRADOR HYDRO**



Michael S. Ladha  
Vice President, Chief Legal Officer & Corporate Secretary  
MSL/sk

ecc: **Board of Commissioners of Public Utilities**  
Jacqui H. Glynn  
Maureen P. Greene, Q.C.  
PUB Official Email

**Newfoundland Power**  
Dominic J. Foley  
Lindsay S.A. Hollett  
Regulatory Email

**Consumer Advocate**  
Dennis M. Browne, Q.C., Browne Fitzgerald Morgan & Avis  
Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Bernice Bailey, Browne Fitzgerald Morgan & Avis  
Bernard M. Coffey, Q.C.

**Industrial Customer Group**

Paul L. Coxworthy, Stewart McKelvey  
Denis J. Fleming, Cox & Palmer  
Dean A. Porter, Poole Althouse

**Labrador Interconnected Group**

Senwung F. Luk, Olthuis Kleer Townshend LLP  
Julia K.G. Brown, Olthuis Kleer Townshend LLP

**Praxair Canada Inc.**

Sheryl E. Nisenbaum  
Peter Strong

**Teck Resources Limited**

Shawn Kinsella