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December 23, 2015

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**Via Electronic Mail and Courier**

Newfoundland and Labrador Board  
of Commissioners of Public Utilities  
120 Torbay Road  
P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. G. Cheryl Blundon, Director of Corporate Services  
and Board Secretary**

Dear Ms. Blundon:

**Re: Amended General Rate Application of Newfoundland and Labrador Hydro –  
Prudence**

Please find enclosed the original and twelve (12) copies of the Written Submissions on the Prudence Review of the Island Industrial Customers Group in the above Application.

We trust you will find the enclosed to be in order.

Yours truly,

Stewart McKelvey

Paul L. Coxworthy

PLC/kmcd

Enclosure

- c. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
- Thomas J. Johnson, Consumer Advocate
- Gerard Hayes, Newfoundland Power
- Thomas J. O'Reilly Q.C., Cox & Palmer
- Dean A. Porter, Poole Althouse
- Dennis M. Browne Q.C., Browne Fitzgerald Morgan & Avis
- Nancy J. Kleer, Olthuis, Leer, Townshend LLP
- Yvonne Jones, MP Labrador
- Genevieve M. Dawson, Benson Buffett
- Fred Winsor, Sierra Club Canada
- Roberta Frampton Benefiel, Grand Riverkeeper Labrador Inc.
- Danny Dumaresque

**IN THE MATTER OF** the *Electrical Power Control Act*, R.S.N.L. 1994, Chapter E-5.1 (the *EPCA*) and the Public Utilities Act, RSNL 1990, Chapter P-47 (the "*Act*"), as amended, and regulations thereunder;

**AND IN THE MATTER OF** a general rate application filed by Newfoundland and Labrador Hydro on July 30, 2013;

**AND IN THE MATTER OF** an amended general rate application filed by Newfoundland and Labrador Hydro ("Hydro") on November 10, 2014; and

**AND IN THE MATTER OF** a prudence review in respect of certain actions taken and costs incurred by Hydro.

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**WRITTEN SUBMISSIONS ON THE PRUDENCE REVIEW OF THE ISLAND  
INDUSTRIAL CUSTOMERS GROUP**

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1 Prudence. This limited brief was felt to be a responsible and reasonable approach to the  
2 IIC Group's interests in the Prudence Review, given that:

- 3 • the Board had commissioned its own consultants, Liberty Group, to conduct a  
4 comprehensive review of the capital projects in question in the Prudence Review,
- 5 • Newfoundland Power, as a utility intervenor, could be reasonably expected to  
6 bring to bear its expertise, experience and insight with respect to the relevant  
7 regulatory history and local conditions, and
- 8 • there could be reasonably expected to be a commonality of interest on Prudence  
9 issues between the interests represented by the Consumer Advocate and  
10 interests of the IIC Group.

11 However, the limited brief exercised by the IIC Group should not be construed as a lack  
12 of interest on the part of the IIC Group in the issues raised by the Prudence Review.  
13 Apart from the obvious interest of the IIC Group in the share of Hydro's costs in respect  
14 of the capital projects under scrutiny in the Prudence Review, that they will bear or  
15 avoid, as Hydro customers depending on the results of the Prudence Review, there is  
16 the more fundamental interest of the IIC Group in the insight provided by the Prudence  
17 Review into Hydro's management practices as they relate to the reliability of the service  
18 provided by Hydro to its customers. Further, the IIC Group take great interest in the  
19 inquiry as to whether reliability measures are being planned and implemented by Hydro  
20 in such a manner as to achieve the reasonable least cost to its customers.

1 Given the limited brief exercised by the IIC Group in the Prudence Review, it has left  
2 projects where questions of prudence or imprudence appear (to the IIC Group) to be  
3 multifactorial to be tested by the Board and the other intervenors, for the reasons listed  
4 above. However, where the questions of prudence or imprudence appear (to the IIC  
5 Group) to have turned starkly on a single issue, the IIC Group felt it appropriate to bring  
6 their own perspective to their bear.

7 **DC Lube Oil Pumping System (Holyrood Unit 1 Failure, January 2013)**

8 On one of these issues, the failure of the DC lube oil pumping system in January 2013,  
9 Hydro by its correspondence of December 16, 2015 has unreservedly acknowledged  
10 the deficiency in its testing protocol for this system (a focus of cross-examination of  
11 Hydro's witnesses by all the intervenors, including the IIC Group) and has unreservedly  
12 accepted responsibility for any cost consequences attributable to the failure of the DC  
13 lube oil pumping system in January 2013. While it might be said that Hydro could have  
14 discovered the information leading to this acknowledgement at an earlier point in the  
15 Prudence Review, Hydro by its apology has recognized this concern, and in the view of  
16 the IIC Group the greater emphasis should be placed on Hydro's quite appropriate  
17 acknowledgment of imprudence in respect of this issue.

18 **Hydro's Management of Black Start Capability at Holyrood**

19 However, Hydro's responsible acknowledgment of imprudence in respect of the DC lube  
20 oil pumping system failure makes it all the more difficult to understand Hydro's adamant  
21 refusal to recognize (or acknowledge) its imprudence in respect of its management of  
22 black start capability for the Holyrood generation station. This is an issue that the IIC

1 Group have made a subject of their inquiries dating back to the 2011 Hydro Capital  
2 Budget Application. In light of that prior involvement, Liberty's identification of Hydro's  
3 imprudent management of this issue was difficult for the IIC Group to ignore, and by  
4 remaining silent, being perhaps perceived to countenance.

5 While the opinion of Liberty as to the imprudence of Hydro's management of black start  
6 capability for Holyrood was evident from their report, the following statement by Liberty's  
7 Mr. Mazzini lays bare that opinion:

8           So I think all of those reasons, again principally focused around the Hardwoods decision,  
9           is a reason for our conclusion that black start decisions were inappropriate.

10           We consider that there's a pretty high bar that must be passed in order to conclude  
11           imprudence and in my mind, it's passed rather easily in this particular case. <sup>1</sup>

12 The IIC Group are satisfied that Liberty Group's evidence, and the submissions of the  
13 other intervenors, will serve to fully canvass the other Prudence issues before the  
14 Board. The remainder of these submissions of the IIC Group will therefore focus  
15 exclusively on Hydro's management of black start capability for the Holyrood generation  
16 station.

### 17 **History of the Black Start Issue at Holyrood**

18 The Island Industrial Customers Group believe that the prudence of Hydro's  
19 expenditures in relation to the leasing and operation of black start diesels at Holyrood  
20 since January 2014 can only be fully considered and assessed in the context of Hydro's  
21 record in addressing the issue of black start capability for Holyrood.

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<sup>1</sup> Prudence Review Testimony, November 12, 2015, R. Mazzini, p. 26.

1 Hydro's record, it is respectfully submitted, is one of missed options, alternatives and  
2 opportunities for Hydro to have had the black start issue subjected to timely regulatory  
3 review and, by such review, for a timely, well-considered, least cost, reliable black start  
4 solution to have been implemented for Holyrood.

5 Hydro's comments that criticisms of its decisions on the black start issue over this 5  
6 year period represent "hindsight" thinking should be considered, it is respectfully  
7 submitted, in the context of the high level of knowledge, information and understanding  
8 Hydro had in the 2010-2012 period about the nature of the black start problem it faced  
9 and its options for reliably addressing that problem, and the repeated lack of due  
10 timeliness with which Hydro has addressed the issue since 2010.

11 **Hydro's 2011 Capital Budget Application**

12 The black start issue was first raised with the Board in the context of Hydro's 2011  
13 Capital Budget Application in the Fall of 2010. In course of that Application, Hydro  
14 disclosed that there were serious deficiencies in the black start capability of the  
15 Holyrood Generation Station dating back to at least early 2010 (the March 2010  
16 directive issued by provincial Occupational Health and Safety preventing the Holyrood  
17 gas turbine from being operated), and that a well-considered but timely course of action  
18 to redress this deficiency was needed.<sup>2</sup> What is abundantly clear is that it was well  
19 understood by Hydro, by October 2010 if not earlier, that addressing the need for

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<sup>2</sup> GRA (Prudence Review) Information # 32: Hydro's Response to IC-NLH-26 in the 2011 Capital Budget Application

1 reliable black start at Holyrood would require a substantial capital project, and that  
2 Hydro has been inexplicably dilatory in addressing the issue ever since.

3 **AMEC Level 2 Condition Assessment of Holyrood Gas Turbine**

4 While the subject of questioning in the current Hydro GRA Prudence Review, Hydro has  
5 provided no satisfactory explanation:

6 (a) as to why it took over 14 months, after the October 2010 disclosures in the 2011  
7 Capital Budget Application, to obtain the AMEC Condition Assessment (Level 2)  
8 Report on the Holyrood Gas Turbine, which was not delivered to Hydro until  
9 December 2011<sup>3</sup>; or

10 (b) as to why Hydro failed to act on any of the options for Holyrood black start  
11 identified by AMEC in its Level 2 Report until November 2013.

12 With respect to the first question – why did it take so long to obtain the AMEC Level 2  
13 assessment – it is of significance that in the draft agreement for performance of this  
14 assessment, attached to the Request for Proposals (RFP) provided in response to  
15 Undertaking 84, it was stated that “The CONSULTANT shall perform the SERVICES  
16 requested herein in accordance with the following schedule” and that the schedule  
17 required the final report submission by July 4, 2011.<sup>4</sup>

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<sup>3</sup> PR-PUB-NLH-002, Attachment 1, page 3 of 371; GRA (Prudence Review) transcript, November 2, 2015, pp. 11-13.

<sup>4</sup> GRA (Prudence Review) Undertaking 84, Attachment 1, page 31 of 46.

1 If the Level 2 Assessment report had been delivered by the required July 2011 date, a  
2 Holyrood black start project based on its recommendations could have been reasonable  
3 expected to have been included in Hydro's 2012 Capital Budget Application, or at least  
4 in a 2012 supplementary capital project application, given the urgency with which Hydro  
5 purported to view this issue as expressed in Hydro's Response to IC-NLH-26 in the  
6 2011 Capital Budget Application.

7 Again, given the urgency with which Hydro had purported to view black start capability  
8 at Holyrood and given that Hydro has, since November 2013, been able to implement 2  
9 distinct projects intended to restore full black start capability at Holyrood (the November  
10 2013 black start diesels project, applied for in November 2013 and operational by  
11 January 2014; the 100 MW CT project, applied for in April 2014 and operational by  
12 January 2015), it would have been reasonable to expect that Hydro could have restored  
13 reliable black start capability at Holyrood before the commencement of the 2012-2013  
14 winter season. Indeed, the Level 2 Assessment Report and consequent January 2012  
15 decision that the Holyrood gas turbine was no longer safe to operate (a state of affairs  
16 that no doubt existed for some time and which would have been determined by July  
17 2011 of the Level 2 Assessment report had been delivered on time) should have kick-  
18 started if Hydro's process for restoration of black start capability at Holyrood.

19 However, Hydro made no application for approval of any of the black start solutions  
20 identified by AMEC until November 2013, and only after a January 2013 outage event  
21 that had been exacerbated by the lack of black start capability at Holyrood.

22

1 **2013 Application for Black Start Diesel Units for Holyrood**

2 The December 2011 AMEC Condition Assessment report for the Holyrood gas turbine  
3 was filed in response to NP-NLH-22, in the November 2013 application to approve the  
4 black start diesel units lease. At page ii of the Executive Summary of this Report, the  
5 options to address the need for reliable black start capability at Holyrood were  
6 summarized, including the option of acquisition of five (5) 2MW diesel units, in new or  
7 nearly new condition. This solution was reported in the December 2011 AMEC report as  
8 being able to be implemented by March 2013.<sup>5</sup>

9 Hydro had, as of early 2012, finally obtained (2 years after the original March 2010 shut  
10 down of the Holyrood gas turbine by Occupational Health and Safety directive) all the  
11 consultants' advices necessary to move to an interim, reliable black start solution. This  
12 was essentially the same solution (based on the very same consultants' advices) that  
13 Hydro applied for in November 2013; it is noteworthy that once applied for, this interim  
14 solution was able to be implemented on a very substantially abbreviated timeline of less  
15 than 3 months, as compared to the 15 months (December 2011 to March 2013)  
16 indicated by the AMEC report.

17

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<sup>5</sup> Executive Summary of AMEC report, p. vi, as filed in response to NP-NLH-22 Rev. 1, in the November 2013 application to approve the black start diesel units lease.

1 The solutions identified by AMEC were always intended to be interim (to 2020), and  
2 AMEC identified terminal values based on the interim usage and market/resale price at  
3 2020.<sup>6</sup> For a diesel units solution, those terminal values could have been adjusted to a  
4 2015 terminal date (by which time Hydro, based on its information in 2012, expected to  
5 have to install substantial additional generation at Holyrood, which would also have  
6 been the ultimate preferred black start solution for Holyrood<sup>7</sup>), and it can be reasonably  
7 assumed that those terminal values would have been significantly enhanced by 5 years  
8 less usage.

9 Hydro's response to IC-NLH-001 in Hydro's November 2015 Application to approve the  
10 procurement of 12 MW of diesel generation at Holyrood indicates that, if that project has  
11 been applied for and approved by or before March 2012 (a more than reasonable  
12 expectation, given the tenor of Hydro's October 2010 response to IC-NLH-26 in the  
13 2011 Capital Budget Application, which should have led to greater urgency in Hydro's  
14 securing of AMEC's recommendations), the additional cost to Hydro's customers would  
15 have been negligible (\$700,000 paid for over a period 2012-2020). It is reasonable to  
16 assume this additional cost to customers would have been even less if diesel units  
17 purchased in 2012 could have been sold by 2015 due to a new Holyrood gas turbine  
18 supplanting them as the Holyrood black start solution (as was planned as early as  
19 2012). In return for this more timely capital investment, Hydro's customers could have  
20 had the benefit of an interim reliable Holyrood black start capability starting from at least

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<sup>6</sup> Executive Summary of AMEC report, p. ii, as filed in response to NP-NLH-22 Rev. 1, in the November 2013 application to approve the black start diesel units lease

<sup>7</sup> March 2012 Worley, Parsons Report, as filed in the April 2014 100 MW CT Application, Appendix F1, pp. 12-26 and 19-26.

1 March 2013, and very probably from prior to the January 2013 outages event if Hydro  
2 had treated black start capability at Holyrood with the modicum of urgency indicated by  
3 Hydro's October 2010 Response to IC-NLH-26 in the 2011 Capital Budget Application,  
4 and had apprised the Board and Hydro's customers of its consultants' advices regarding  
5 black start as of early 2012 (or earlier if Hydro had taken reasonable steps to secure the  
6 AMEC Condition Assessment Report for the Holyrood Gas Turbine in time for the 2012  
7 Capital Budget Application).

8 Bringing online an interim diesel unit solution, that by Hydro's own representations in  
9 the 2011 Capital Budget was needed to meet a critical black start need, but only 3 years  
10 after that need was identified (per IC-NLH-026 in 2011 Capital Budget) and only after  
11 the very black start failure at Holyrood which had always been understood by Hydro to  
12 be a risk had occurred, does not meet the used and useful test for prudent expenditure,  
13 in a manner consistent with least cost reliable service. Indeed, by the time this diesel  
14 unit project was belatedly advanced in November 2013, its usefulness as an interim  
15 solution should have elapsed and it should have been superseded by the long-term  
16 black start solution that Hydro had identified in early 2012 – a new Holyrood gas  
17 turbine.<sup>8</sup>

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<sup>8</sup> March 2012 Worley, Parsons Report, as filed in the April 2014 100 MW CT Application, Appendix F1, pp. 12-26 and 19-26.

1 **Timing of new gas turbine for Holyrood**

2 The Worley Parsons report, based on meetings held in March 2012, indicates that by  
3 that time Hydro's planning was already well-advanced with respect to the need a new  
4 gas turbine generation source, with the only question left to be addressed being the  
5 exact siting of the new turbine in the Northeast Avalon. The Worley Parsons report  
6 considered three sites, and it is respectfully submitted that it identified Holyrood as the  
7 best site. The Worley Parsons report also identified the siting of the new gas turbine at  
8 Holyrood would best address the need for the capacity to black start Holyrood.<sup>9</sup>

9 The following testimony in the Prudence Review is illustrative of the conclusions that  
10 were being reached within Hydro by January 2012:

11 MR. COXWORTHY:

12 Q. And turning to the project justification, so this is page B-16 of the description of the project  
13 [Note: This is a reference to GRA (Prudence Review) Information #31] and the first  
14 statement, "The Holyrood gas turbine plant is critical to the successful operation of the Island  
15 Interconnected system." You agreed with that statement at that time?

16 MR. LEDREW:

17 A. Yes.

18 MR. COXWORTHY:

19 Q. And did your view on that ever change after that time?

20 MR. LEDREW:

21 A. No, I mean black start was for the Holyrood plant was provided by a gas turbine that was  
22 resident at the site to provide that purpose.

23

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<sup>9</sup> March 2012 Worley, Parsons Report, as filed in the April 2014 100 MW CT Application, Appendix F1, pp. 12-26 and 19-26.

1 MR. COXWORTHY:

2 Q. So taking you forward then to 2012, early 2012 when the decision was to use, as an interim  
3 measure, the Hardwoods gas turbine as the black start solution, did you change your mind at that  
4 time that the Holyrood gas turbine plant is critical to the successful operation of the Island  
5 Interconnected system?

6 MR. LEDREW:

7 A. I was satisfied that the Hardwoods units would provide that black start capability to the plant.

8 MR. COXWORTHY:

9 Q. So I'm asking you, are you saying then that in your view the Holyrood gas turbine was no  
10 longer critical to the operation, the successful operation of the Island Interconnected system in  
11 2012?

12 MR. LEDREW:

13 A. No, I wouldn't say that, but we were faced with a reality that I couldn't make this unit  
14 available for that purpose, so I then had to have a fall back position and that was what was  
15 available to me.

16 MR. COXWORTHY:

17 Q. Sure, if as a matter of an emergency, but for how long did you think that was a tolerable  
18 situation? Was it a tolerable situation for three or four years?

19 MR. LEDREW:

20 A. Well, you know, all the issues with the Holyrood plant are tied to the in-feed options and the  
21 Interconnected option, so it was a scenario here that Hardwoods would have to provide that until  
22 an interim gas turbine for capacity was added and I had expected, it made a lot of sense to put the  
23 new 123 megawatt gas turbine at Holyrood.

24 MR. COXWORTHY:

25 Q. Did you think that in January 2012?

26 MR. LEDREW:

27 A. In January 2012 or January 2013?

28 MR. COXWORTHY:

29 Q. I'm asking January 2012, did you think that that was the best place for the new CT?

30

1 MR. LEDREW:

2 A. Yes, I would have, with all the other peripheral services required for a new CT, I thought  
3 there was lots of synergies to put it at the Holyrood plant.

4 MR. COXWORTHY:

5 Q. So again, the Holyrood gas turbine, this statement is critical of the successful operation of the  
6 Island Interconnected system, you said that, look, that had to be considered in the context of the  
7 Labrador in-feed, but did the Labrador in-feed render the Holyrood gas turbine any less critical  
8 to the successful operation of the Island Interconnected system?

9 MR. LEDREW:

10 A. Only in so far as the timeline, the life span of the asset. You're looking at a very short useful  
11 period, so –

12 MR. COXWORTHY:

13 Q. Three or four years.

14 MR. LEDREW:

15 A. Correct.

16 MR. COXWORTHY:

17 Q. And then in the Project Justification, the second last sentence, "If the gas turbine failed to  
18 supply power to Holyrood during a black start, Holyrood would not be able to start until power  
19 was restored to the grid by alternate generation." That would include Hardwoods, I presume, is  
20 that correct?

21 MR. LEDREW:

22 A. Correct, it became a grid solution and we had to get power off the grid in some manner,  
23 shape or form.

24 MR. COXWORTHY:

25 Q. But this project justification is saying that's not good enough, it's saying "this would cause an  
26 unnecessary delay in restoring full power to the grid." So did that change? Was there anything  
27 done in relation to the Holyrood solution that would make not no longer accurate after January  
28 2012?

29

1 MR. HENDERSON:

2 A. I'm just going to, I think we have established that we, the preferred option is to have it at  
3 Holyrood. What we were faced with was a unit that had failed and having to find a solution to  
4 replace the failed unit and the evaluation was done and at that time the assessment concluded that  
5 as an interim measure, Hardwoods would be used until the new combustion turbine came into  
6 play. So our intention was to have it back for this very reason, it was because we were faced with  
7 a decision of a unit that could no longer play the role and provide that role, and looking at the  
8 options--and I'm doing this in hindsight because I wasn't deciding, but just looking at the  
9 timelines for the options that were put forward for other solutions, which, you know, indicated a  
10 September 2011 to March 2013 timeframe to bring in another solution. I can see the rationale  
11 and support for putting in Hardwoods as an interim until a new solution was put forward and a  
12 new CT was on the horizon, so it was an interim solution to get to that, but this rationale for  
13 having it at the site remains.<sup>10</sup>

14 As already noted above, the March 2013 timeframe for implementing a black start  
15 solution at Holyrood, even commencing from an early 2012 decision point, was too  
16 pessimistic, based on Hydro's subsequent ability to implement, after November 2013,  
17 two separate projects providing black start capability at Holyrood within much shorter  
18 time frames.

19 As well, the evidence is abundant and clear that Hardwoods should have been  
20 recognized by Hydro, from the outset in January 2012, as an unreliable area restoration  
21 response to the lack of black start capability at Holyrood<sup>11</sup> (Hardwoods not being in any  
22 event a true "black start" capability for Holyrood, as "black start" was understood by  
23 either Liberty Group or Hydro's consultant's LaCapra<sup>12</sup>, or for that matter by Hydro<sup>13</sup>).  
24 Ultimately, when put to the test in January 2013, reliance on Hardwoods as a substitute  
25 for true black start capability resulted in unacceptable delay in restoration of the

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<sup>10</sup> GRA (Prudence Review) Testimony, October 30, 2015, T. Ledrew and R. Henderson, pp. 193-198.

<sup>11</sup> Liberty Prudence Review Report, pp. 51-54; Response to Undertaking 81

<sup>12</sup> GRA (Prudence Review) Testimony, November 3, 2015, DiDomenico, pp. 1-2; pp. 42-48.

<sup>13</sup> GRA (Prudence Review) Information # 31, page B-16, Project Justification

1 Holyrood plant, as had been predicated by Hydro, in the Fall of 2010, by its own  
2 assessment in the 2011 Capital Budget Application.<sup>14</sup>

3 If Hardwoods was at all an interim solution forced on Hydro by circumstances in  
4 January 2012 (and Hydro's dilatory action prior to this to secure the AMEC  
5 recommendations made Hydro the author of its own misfortune in this regard), it should  
6 have been tolerated as such for the shortest period possible and certainly only as part  
7 of a plan to restore true black start capability at Holyrood before the next winter season  
8 of 2012-2013.

9 Hydro should have made application to the Board in early 2012, at the latest, to review  
10 the options for black start capability at Holyrood. It is reasonable to expect that the  
11 solution of installation of 25 MW (or under 50 MW) of gas turbine generation at Holyrood  
12 in time for the commencement of the 2012-2013 winter season could have been  
13 identified at that time, with due review of the options before the Board. Such a solution  
14 would have kept Hydro's options open to add additional blocks of 25 MW generation  
15 capacity, as required.<sup>15</sup>

16 The IIC Group submit that Hydro had all the information, and the incentive given the  
17 acknowledged need for reliable black start capability at Holyrood, to have made  
18 reasonable planning decisions by early 2012 that, it is probable, would:

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<sup>14</sup> GRA (Prudence Review) Information # 31, page B-16, Project Justification

<sup>15</sup> GT-PUB-NLH-031; GRA Hearing Testimony, November 5, 2015, J. MacIsaac, pp. 56-61; Hydro's Response to Undertaking 108

- 1       • have allowed for the implementation of the more cost-effective, in the long term,  
2       solution of installation of 25 MW (or under 50 MW) of gas turbine generation at  
3       Holyrood before the end of 2012;
  
- 4       • have thereby provided reliable black start capability at Holyrood at least one year  
5       earlier (for December 2012 to January 2014) and two winter seasons when it was  
6       wholly (2012-2013) or partially (outset of 2013-2014) lacking;
  
- 7       • have avoided the need to implement two separate black start solutions at  
8       Holyrood, within a one year period, January 2014 to January 2015( the leasing of  
9       the black start diesels and the installation of the 100 MW CT); and
  
- 10      • have rendered unnecessary the first of these solutions - the interim one of the  
11      leasing of the black start diesels.

12    **Decision sought**

13    The Island Industrial Customers Group submit that Hydro's customers ought not to bear  
14    any of the capital, lease, operational, fuel or other costs in respect of the eight (8) 2MW  
15    diesel units installed at Holyrood.

16    The expenditures associated with the diesel units arise from imprudent management  
17    and planning by Hydro with respect to black start capability at Holyrood dating back to  
18    at least 2011. Hydro's lack of due action by 2012 led to a circumstance of having to  
19    implement, within a one year span (January 2014-January 2015), two black start  
20    solutions, where one would have been sufficient.

1 **Costs**

2 The Island Industrial Customers Group respectfully seek their costs of intervening in this  
3 Application.

4 The Island Industrial Customers Group's inquiries in relation to black start issues at  
5 Holyrood date back to Hydro's 2011 Capital Budget Application. A number of factors  
6 have come into play since that time:

- 7
- 8 • the reasonable expectations, raised by Hydro's explanation for withdrawal of the  
9 capital project in respect of the existing black start gas turbine turbine at  
10 Holyrood in the 2011 Capital Budget Application, that Hydro would be coming  
11 forward, in a timely manner, with a well-considered analysis of Holyrood's black  
12 start options;
  - 13 • the subsequent about turn of Hydro's settling for Hardwood's remote generation  
14 as the "solution" for black start at Holyrood (and the lack of transparency in  
15 relation to that solution until after the outage events of January 2013); and
  - 16 • the expedited applications, which did not allow for due scrutiny due to the  
17 timelines involved, for approval of leasing of a diesel units to provide interim  
18 black start capability at Holyrood and of the 100 MW CT, in part to provide the  
longer term replacement black start functionality.

19 These factors have altogether made it very difficult for any of Hydro's customers,  
20 including those of the Island Industrial Customers Group, to understand Hydro's  
21 management of the black start issue, let alone assess without due intervention and

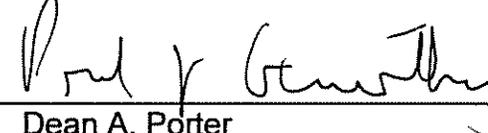
1 scrutiny whether that management has been reasonable and prudent, from the  
2 perspective of providing least cost reliable service to Hydro's customers.

3 The Island Industrial Customers Group respectfully submit that their participation in the  
4 Prudence Review has been consistent with the Island Industrial Customers Group's  
5 interests in respect of their share in having to pay, through rates, for expenditures in  
6 relation to Holyrood, and in respect of their fundamental interest in, and reliance upon,  
7 the reliability of the Island Isolated System. The Island Industrial Customers Group  
8 submit that in this context an award of costs to the Island Industrial Customers Group,  
9 with respect to their participation in the Prudence Review is reasonable and warranted.

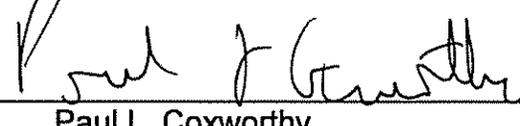
**ALL OF WHICH IS RESPECTFULLY SUBMITTED BY THE ISLAND INDUSTRIAL CUSTOMERS GROUP.**

**DATED** at St. John's, in the Province of Newfoundland and Labrador, this 23<sup>rd</sup> day of December, 2015.

**POOLE ALTHOUSE**

 Per:   
Dean A. Porter

**STEWART MCKELVEY**

Per:   
Paul L. Coxworthy

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Attention: Board Secretary

- TO: Newfoundland & Labrador Hydro  
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Attention: Geoffrey P. Young, Senior Legal Counsel
- TO: Thomas Johnson, Q.C., Consumer Advocate  
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- TO: Newfoundland Power Inc.  
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Attention: Yvonne Jones, Member of Parliament, Labrador

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- TO: Sierra Club Canada  
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