

February 14, 2020

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: Extension of Holyrood Thermal Generation Station as a Generating Facility

As per Newfoundland and Labrador Hydro's ("Hydro") prior commitment to advise the Board of Commissioners of Public Utilities ("Board") of its decision on the short-term extension of readiness to operate the Holyrood Thermal Generation Station ("Holyrood TGS"),¹ Hydro advises that it will be extending the readiness to operate the Holyrood TGS to March 31, 2022. This decision has been made to ensure reliable service for customers while the Muskrat Falls Generation Facility and the Labrador-Island Link ("LIL") are brought online and proven reliable; this reflects the long-held plan to provide up to two years of overlap of the Holyrood TGS while the new assets are in the early in-service period.

Holyrood Operational Approach

In advance of its planned retirement as a generating facility, the Holyrood TGS continues to be fully operational. Hydro has always intended to maintain up to a two-year period of standby operation of the Holyrood TGS during early operation of the Muskrat Falls Project Assets. During this period of standby the Holyrood TGS units would be fully available for generation, following which Hydro had, up to this point, planned to retire the Holyrood TGS as a generating facility on March 31, 2021.²

Extension of the Holyrood Thermal Generating Station to 2022

The schedule for construction and commissioning of the Muskrat Falls project has changed over time for various reasons, as communicated with the Board in prior correspondence. Therefore, the planned transition of Holyrood TGS to post-steam operation on March 31, 2021 is not expected to be possible. In exercising prudence and caution in its planning and preparedness, Hydro is proceeding with extension of the safe and reliable operation of the Holyrood TGS for one year with a new planned transition date to post-steam operation of March 31, 2022.

¹ "Reliability and Resource Adequacy Study – Enclosing The Liberty Consulting Group Comments on Hydro's November 15, 2019 Update Response and Request for Comments – Newfoundland and Labrador Hydro's Reply," Newfoundland and Labrador Hydro, December 13, 2019, at pp.5–6.

² Post-Steam, Unit 3 will continue to operate as a synchronous condenser.

Hydro has made the determination to extend the Holyrood TGS operations at this time for three key reasons:

1. It is critical that Hydro retain skilled staff focused on the safe and reliable operation of the Holyrood TGS, necessitating provision of notice of extension of employment at the earliest possible opportunity;
2. To ensure sufficient time remains to plan and execute the appropriate maintenance required within the annual system outage and maintenance schedule; and,
3. To ensure sufficient time remains to apply to the Board for necessary capital investment required as a result of this decision.

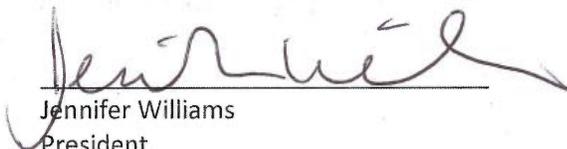
Balancing Cost and Reliability

Hydro will monitor the performance of the Muskrat Falls assets and, based on the demonstrated reliability of the assets, will determine (i) the degree to which the Holyrood units are required to be operated or maintained in standby mode and (ii) the level of capital investment to be incurred. Where it is technically and economically feasible Hydro will use lower cost alternatives, such as Maritime Link imports and the operation of standby units over peak periods, to offset thermal generation from the Holyrood TGS that would have otherwise been required to secure the power system. Hydro believes that should the successful integration and demonstrated reliability of the Muskrat Falls assets occur prior to March 31, 2022, there may be opportunity to mitigate some portion of operating and capital costs. Hydro's forecast of Holyrood TGS operating and maintenance costs will be detailed in its 2020 General Rate Application.³

Hydro believes its decision to extend the short-term operation of the Holyrood TGS to be in the best interests of its customers and the provision of reliable service.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Jennifer Williams
President
JW/sk

cc: **Newfoundland Power**
Mr. Gerard M. Hayes

Consumer Advocate
Mr. Dennis M. Browne, Q.C, Browne Fitzgerald Morgan & Avis

Industrial Customer Group
Mr. Paul L. Coxworthy, Stewart McKelvey
Mr. Denis J. Fleming, Cox & Palmer

³ As per Board Order No.P.U. 16(2019), to be filed with the Board no later than September 30, 2020.

Ms. C. Blundon
Public Utilities Board

3

Praxair Canada Inc.
Ms. Sheryl E. Nisenbaum

ecc: **Board of Commissioners of Public Utilities**
Ms. Jacqui Glynn
PUB Official Email
Maureen Green, Q.C.

Newfoundland Power
Regulatory Email

Consumer Advocate
Mr. Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis
Ms. Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Ms. Bernice Bailey, Browne Fitzgerald Morgan & Avis

Industrial Customer Group
Mr. Dean A. Porter, Poole Althouse

Teck Resources Limited
Mr. Shawn Kinsella
