

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 49(2014)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 "*EPCA*") and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the "*Act*"), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval
9 of a Capacity Assistance Agreement with Corner
10 Brook Pulp and Paper Limited pursuant to
11 sections 70, 71 and 80 of the *Act*.
12
13

14 **WHEREAS** Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and
15 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and
16 is subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** in January 2014 the Board commenced an investigation and hearing into the supply
19 issues and power outages on the Island Interconnected system in late December 2013 and early
20 January 2014 (the "Investigation"); and
21

22 **WHEREAS** Hydro, the Board's consultant for the Investigation, The Liberty Consulting Group
23 ("Liberty"), and the Board prepared interim reports as part of the Investigation; and
24

25 **WHEREAS** Hydro's interim report, filed on March 24, 2014, addressed several options which
26 were under consideration for meeting peak winter demand in 2015; and
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28 **WHEREAS** Liberty's interim report, filed on April 24, 2014, recommended that Hydro continue
29 discussions with Industrial Customers to secure economically available interruptible loads; and
30

31 **WHEREAS** the Board's interim report, issued on May 15, 2014, identified the pursuit of
32 interruptible contracts as a priority action; and
33

34 **WHEREAS** on October 28, 2014 the Board received an application from Hydro requesting
35 approval of a Capacity Assistance Agreement (the "Agreement") with Corner Brook Pulp and
36 Paper Limited ("CBPP"), commencing December 1, 2014 and ending March 31, 2018 (the
37 "Application"); and

1 **WHEREAS** the Agreement provides for payments to be made to CBPP for its ability to provide
2 capacity assistance to Hydro during peak periods; and
3

4 **WHEREAS** the Application was circulated to Newfoundland Power Inc. ("Newfoundland
5 Power"), the Consumer Advocate, a group of three Island Industrial customers: Corner Brook
6 Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources Limited (the
7 "Industrial Customer Group"), Vale Newfoundland and Labrador Limited ("Vale"), Praxair
8 Canada Inc. ("Praxair"); Mr. Danny Dumaresque and Grand Riverkeeper Labrador, Inc.; and
9

10 **WHEREAS** the Board, Newfoundland Power, the Consumer Advocate and Mr. Danny
11 Dumaresque issued Requests for Information which were answered by Hydro by November 17,
12 2014; and
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14 **WHEREAS** the Industrial Customer Group filed an Intervenor Submission but did not file any
15 Requests for Information or submissions; and
16

17 **WHEREAS** Newfoundland Power and the Consumer Advocate filed written submissions on
18 November 19, 2014, and Hydro filed a written submission on November 20, 2014; and
19

20 **WHEREAS** Newfoundland Power submits that, in light of the Board's recommendation in its
21 Interim Report, the Board should approve the Agreement but that the matter of the recovery of
22 purchased power expenses associated with the Agreement should be deferred for consideration
23 as part of the comprehensive review of costs in Hydro's General Rate Application; and
24

25 **WHEREAS** the Consumer Advocate states that the Agreement would help to avoid a repeat of
26 the outage events of the last two years and that the Agreement will be needed, at least for the
27 2014-2015 winter period, if the 120 MW combustion turbine is unavailable for the upcoming
28 winter period; and
29

30 **WHEREAS** the Consumer Advocate submits that the Agreement should be approved but the
31 need for capacity assistance beyond the 2014-2015 winter should be subject to further review
32 pending recommendations stemming from the Investigation and the recovery of purchased power
33 expenses should be deferred for consideration as part of the Hydro General Rate Application;
34 and
35

36 **WHEREAS** Mr. Dumaresque submits that Hydro has failed to maintain its generating assets and
37 appears to have failed to have the 100 MW generator in service for December 6, 2014 and
38 requests that the Board reject the Application and ask Hydro to conclude a one year agreement
39 only; and
40

41 **WHEREAS** Hydro notes that the Intervenor are generally supportive of the Agreement and
42 have not taken issue with the implementation of the Agreement; and
43

44 **WHEREAS** Hydro submits that the Agreement provides Hydro with increased flexibility, on a
45 cost effective basis, to deal with unanticipated generation or load events that may occur

1 throughout the winter seasons and maintain system flexibility, and does not object to cost
2 recovery being deferred for consideration as part of Hydro's General Rate Application; and
3

4 **WHEREAS** the Board is satisfied that the Agreement between Hydro and CBPP will provide
5 additional reliability to the Island Interconnected system and that consideration of cost recovery
6 for the purchased power expense should be deferred to Hydro's General Rate Application; and
7

8 **WHEREAS** the Board will require Hydro to file with the Board no later than April 15 of the
9 year following each winter period December 1-March 31, a report setting out the dates, times,
10 duration and system conditions, including generation available and calculation of system reserve,
11 under which capacity assistance was requested, the capacity assistance requested and provided,
12 and the capacity and variable payments made.
13

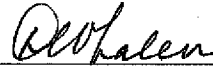
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15 **IT IS THEREFORE ORDERED THAT:**
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- 17 1. The proposed Capacity Assistance Agreement with Corner Brook Pulp and Paper
18 Limited, effective December 1, 2014, is approved.
19
- 20 2. Hydro will establish a separate account to record the purchased power expenses, with the
21 recovery of the expenditure to be addressed in Hydro's General Rate Application.
22
- 23 3. Hydro shall file with the Board, no later than April 15 of the year following each winter
24 period December 1-March 31 while the agreement is in place, a report setting out the
25 dates, times, duration and system conditions, including generation available and
26 calculation of system reserve, under which capacity assistance was requested, the
27 capacity assistance requested and provided, and the capacity and variable payments
28 made.
29
- 30 4. Hydro shall pay all expenses of the Board arising from this Application.

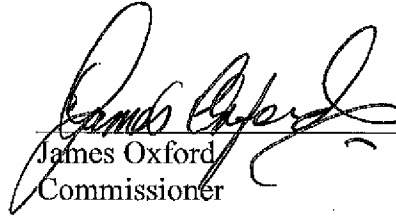
DATED at St. John's, Newfoundland and Labrador this 28th day of November 2014.



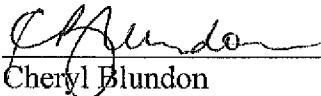
Andy Wells
Chair & Chief Executive Officer



Darlene Whalen, P.Eng.
Vice-Chair



James Oxford
Commissioner



Cheryl Blundon
Board Secretary