

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

**AN ORDER OF THE BOARD**

**NO. P.U. 25(2024)**

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

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for  
9 approval of capital expenditures for  
10 replacement of Rigolet Unit 2065 and  
11 Fuel storage upgrades, pursuant to section  
12 41 of the **Act**.  
13  
14

15 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and existing  
16 under the **Hydro Corporation Act, 2007**, is a public utility within the meaning of the **Act**, and is  
17 also subject to the provisions of the **EPCA**; and  
18

19 **WHEREAS** pursuant to section 41 of the **Act** and **Public Utilities Regulations**, NLR 40/23, a public  
20 utility shall not proceed with the construction, purchase or lease of improvements or additions  
21 to its property where the cost of construction or purchase is in excess of \$750,000 without prior  
22 approval of the Board; and  
23

24 **WHEREAS** in Order No. P.U. 35(2023), the Board approved Hydro’s 2024 Capital Budget in the  
25 amount of \$96,452,300; and  
26

27 **WHEREAS** the Board approved supplementary 2024 capital expenditures in Order No. P.U.  
28 22(2024) in the amount of \$1,067,900 for the completion of fire restoration on the fourth floor  
29 of Hydro Place; and  
30

31 **WHEREAS** on August 29, 2024 Hydro filed a revised application (the “Application”) requesting  
32 approval of a supplementary capital expenditure of \$3,429,219 (approximately \$50,071 in 2024,  
33 \$226,357 in 2025, \$1,604,808 in 2026, and \$1,547,983 in 2027) for the replacement of Rigolet  
34 Unit 2065 and fuel storage upgrades; and

1 **WHEREAS** Hydro provides electrical service to 185 residential and commercial customers in the  
2 isolated community of Rigolet on the coast of Labrador using a diesel generating plant owned  
3 and operated by Hydro; and  
4

5 **WHEREAS** the Application states Hydro received a request for new electrical service from the  
6 Nunatsiavut Government for a community building in Rigolet, to replace the existing Department  
7 of Health and Social Development building, which additional load cannot be accommodated by  
8 the existing diesel generation plant without causing Hydro to operate above 98% of its firm  
9 capacity and risking violation of its Rural Isolated Systems Generation Planning Criteria;<sup>1</sup> and  
10

11 **WHEREAS** the Application states that additional diesel generation and an expansion of the fuel  
12 storage system are required to accommodate the request for service and proposes the  
13 replacement of Unit 2065 with a larger 545 kW unit, along with the replacement of the existing  
14 horizontal fuel tanks with larger storage tanks, to supply future load growth and maintain system  
15 reliability for the community; and  
16

17 **WHEREAS** the Application states that a violation of the planning criteria could result in Hydro  
18 being incapable of supplying power to the community of Rigolet or requiring emergency fuel  
19 deliveries by air to avoid fuel shortages; and  
20

21 **WHEREAS** the Application states that Hydro evaluated various technically viable alternatives to  
22 address the potential firm capacity and bulk storage criteria violations and that replacing Unit  
23 2065 with a larger 455 kW unit would be the least cost option; and  
24

25 **WHEREAS** the Application further states that the proposal to replace Unit 2065 with a larger 545  
26 kW unit only results in a Cumulative Present Worth difference of \$125,696 and provides  
27 additional firm capacity of 90 kW at marginal incremental cost while also providing for  
28 unexpected load growth in the community; and  
29

30 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland Power”);  
31 the Consumer Advocate, Dennis Browne, KC; the Island Industrial Customers Group representing  
32 Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale  
33 Newfoundland and Labrador Limited; and the Labrador Interconnected Group representing the  
34 communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City; and  
35

36 **WHEREAS** the Board provided a copy of the Application to the Nunatsiavut Government on  
37 August 15, 2024; and  
38

39 **WHEREAS** the Board issued requests for information on August 21, 2024 and September 19, 2024  
40 which were answered by Hydro on August 30, 2024 and October 1, 2024, respectively; and

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<sup>1</sup> The planning criteria requires Hydro to, among other things, maintain: (i) firm generation capacity to meet the system peak load and (ii) sufficient fuel shall be stored on site such that the energy requirements of the system can be met for nine consecutive months.

1 **WHEREAS** on October 11, 2024 Newfoundland Power submitted its reply and stated that load  
2 growth on Hydro’s isolated systems typically results in higher customer rates for Newfoundland  
3 Power customers as the cost of providing electricity service to isolated Labrador communities is  
4 significantly higher than the revenue received from those customers and the difference is largely  
5 funded by Newfoundland Power’s customers through the Rural Deficit; and  
6

7 **WHEREAS** Newfoundland Power recognized the legislative requirements obligating Hydro to  
8 provide reliable electricity service to customers in Rigolet and other isolated communities but  
9 submitted that Hydro should continue to prioritize efforts to minimize costs on isolated systems  
10 including:

- 11 (i) evaluating the appropriateness of policies used in other jurisdictions that minimize  
12 inefficient use of electricity;  
13 (ii) prioritizing efforts to develop new Conservation and Demand Management (“CDM”)  
14 programming to promote non-electric heating alternatives in isolated systems; and  
15 (iii) identifying new loads on isolated systems as early as possible to ensure the cost to  
16 supply the load is minimized; and  
17

18 **WHEREAS** no other comments were received; and  
19

20 **WHEREAS** on October 17, 2024 Hydro filed its reply and stated that, as recognized by  
21 Newfoundland Power, it has a legislated obligation to provide reliable electricity service to its  
22 customers, including those in Rigolet and other isolated communities; and  
23

24 **WHEREAS** Hydro submitted that it is refining its existing CDM programming and developing new  
25 programs to promote non-electric heating alternatives in isolated systems and stated it will  
26 establish working groups with relevant organizations where substantial load growth is identified;  
27 and  
28

29 **WHEREAS** Hydro further submitted that it had substantive discussions with the Nunatsiavut  
30 Government, regarding general energy efficiency and alternative heating opportunities for  
31 Nunatsiavut Government facilities and is continuously considering alternatives to ensure that  
32 customers are provided safe, reliable service that is the least cost; and  
33

34 **WHEREAS** the Board is satisfied that the proposed supplemental capital expenditure for the  
35 replacement of Rigolet Unit 2065 with a 545 kW unit and fuel storage upgrades is necessary to  
36 ensure that Hydro can continue to provide service which is safe and adequate and just and  
37 reasonable; and  
38

39 **WHEREAS** the Board acknowledges a potential issue relating to load growth and increased supply  
40 costs from electrification, such as through electric heating systems in isolated communities, and  
41 the resulting impact on Newfoundland Power customers through the Hydro Rural Deficit; and

1 **WHEREAS** the Board will provide separate direction requiring Hydro to provide a strategic load  
2 management plan for isolated systems that balances the requirement to supply adequate and  
3 reliable service with the requirement for providing service at the lowest possible cost in an  
4 environmentally responsible manner.

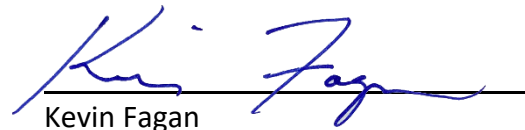
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7 **IT IS THEREFORE ORDERED THAT:**

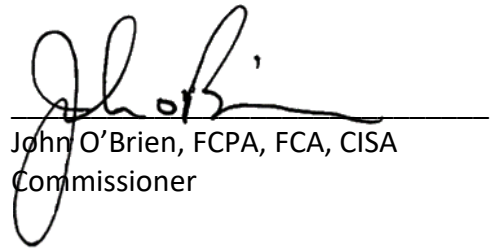
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- 9 1. The proposed capital expenditures in the amount of \$3,429,219 with approximately  
10 \$50,071 in 2024, \$226,357 in 2025, \$1,604,808 in 2026, and \$1,547,983 in 2027, for the  
11 replacement of Rigolet Unit 2065 and fuel storage upgrades are approved.  
12  
13 2. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 25<sup>th</sup> day of October 2024.



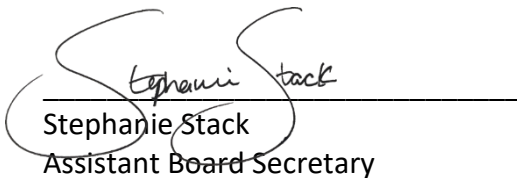
Kevin Fagan  
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA  
Commissioner



Christopher Pike, LL.B., FCIP  
Commissioner



Stephanie Stack  
Assistant Board Secretary