



Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400, St. John's, NL
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t. 709.737.1400 | f. 709.737.1800
nlhydro.com

April 4, 2022

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: Application for Exemption to Regulation 17 – Temporary Restriction for Load Additions in Labrador East and West and Approval of an Upstream Capacity Charge pursuant to the Network Additions Policy – Wabush Airport

Please find attached Newfoundland and Labrador Hydro's ("Hydro") application for approval of an exemption to Regulation 17, which temporarily limits load additions in Labrador East and West pursuant to Section 71 of the *Public Utilities Act*. The application further requests approval of an Upstream Capacity Charge related to the Customer's application for service, pursuant to Section 8(ii) of the Network Additions Policy ("Application").

Hydro received a request for service from Transport Canada for service to the Wabush Airport for the purposes of upgrading the Airport Terminal Building's heating system, and to construct a new Runway Sweeper Garage and Sand & Urea shed. The total estimated peak demand is 825 kW. Further detail is provided in the attached Application, with the request for exemption at Schedule 1 to the Application. Hydro believes that there are special circumstances surrounding the application for service for this project, namely that the service meets a defined need in the community, and that an exemption for service is warranted.

As per the Network Additions Policy, approved and effective as of April 1, 2021, a customer that makes an application for service from the Labrador Interconnected System for a demand request of less than 1500 kW are responsible for paying an Upstream Capacity Charge (i.e. a contribution required from an applicant who is requesting an increase in access to Capacity on Common Assets). The Upstream Capacity Charge for the Transport Canada request is calculated as shown in Schedule 4 to the Application, showing an Upstream Capacity Charge of \$290,625.00. Transport Canada's confirmation of their acceptance of this contribution is attached as Schedule 5 to the Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Ms. C. Blundon
Public Utilities Board

2

Encl.

ecc:

Board of Commissioners of Public Utilities

Jacqui H. Glynn
PUB Official Email

Consumer Advocate

Dennis M. Browne, QC, 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, QC

Labrador Interconnected Group

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

Newfoundland Power Inc.

Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Iron Ore Company of Canada

Gregory A.C. Moores, Stewart McKelvey

Island Industrial Customer Group

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



Application for Exemption to Regulation 17 and Approval of an Upstream Capacity Charge

April 4, 2022



An application to the Board of Commissioners of Public Utilities

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) for an exemption, pursuant to Section 71 of the Act, to Regulation 17 which limits new load additions in Labrador East and West, and for the approval of an Upstream Capacity Charge pursuant to Section 8(ii) of the Network Additions Policy.

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the Act, and is subject to the provisions of the EPCA.
2. On May 31, 2018, Hydro filed an application for approval of a proposed new regulation permitting a restriction for load additions in Labrador East pursuant to Section 71 of the Act, to address the forecast capacity shortfalls and reliability issues for the Labrador East system pending completion of the Muskrat Falls to Happy Valley Interconnection Project (“Project”).¹
3. In Board Order No. P.U. 32(2018), dated September 11, 2018, the Board accepted that a moratorium should be implemented for the 2018–2019 winter season and ordered Hydro to file for approval a revised regulation, effective until May 30, 2019, reflecting the findings of the Board. Hydro filed a revised regulation on September 21, 2018, which was approved on October 5, 2018, in Board Order No. P.U. 36(2018) (“Regulation 17”).

¹ “Newfoundland and Labrador Hydro (Hydro) —Application for Temporary Restriction for Load Additions in Labrador East,” Newfoundland and Labrador Hydro, May 31, 2018.

4. On April 23, 2019, Hydro filed an application for an extension of the effective date of Regulation 17 pending further order of the Board. That application was approved in Board Order No. P.U. 18(2019) on May 23, 2019.
 5. Hydro applied for further revision of Regulation 17 on September 25, 2019. On October 29, 2019, in Board Order No. P.U. 34(2019), the Board approved Hydro's request to extend the application of Regulation 17 to Labrador West and to increase the load restriction threshold from 100 kW to 200 kW.
 6. On March 17, 2021, the Board approved the Network Additions Policy for the Labrador Interconnected System ("Policy") effective April 1, 2021.² The Policy is intended to limit rate increases that can result from investment in new transmission assets to serve new load requests, and to achieve a reasonable balance in the sharing of the benefits and the costs of new transmission investments between new and existing customers.
 7. The Policy specifies that customer contributions are based on Hydro's Transmission Expansion Plan with the peak demand for a new customer being the key determinant of the cost assignment. A Basic Capacity Investment Credit is applied for all applicants for permanent service on the first 200 kW and cost assignment would then be determined based on the customer's placement in three groupings – peak loads of up to 200 kW; peak loads between 200 kW and 1500 kW; and peak loads greater than 1500 kW.
 8. In response to the Board's query regarding the status of Regulation 17 post approval of the Policy, filed on April 7, 2021, Hydro recommended that the existing restrictions remain in place while the system expansion needs for reliable service to customers in Labrador West and Labrador East were determined. This is due to the continued system capacity restrictions that exist in the region.
- B. Exemption to Regulation 17**
9. Hydro has received a request for service from Transport Canada for an exemption to the load restriction to allow for an increase to its electrical supply for two purposes.³ The first is a request for an additional peak load of 550 kW to upgrade the Airport Terminal Building's heating system.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 7(2021), Board of Commissioners of Public Utilities, March 17, 2021.

³ Communications with respect of this request are being facilitated through Public Services and Procurement Canada.

The second is for additional peak load of 275 kW to construct a new Runway Sweeper Garage and Sand & Urea shed. The total request is 825 kW. The request for an exemption is attached as Schedule 1, and provides information with respect to the purposes of the application. Revised information with respect to the estimated peak loads are provided in Schedule 2 to this application.

10. As detailed in the request from Transport Canada at Schedule 1, the new Runway Sweeper Garage is required to house new Mauler runway sweepers and materials used to de-ice the runway and parking lot areas. The new sweepers are needed to improve snow clearing operations on the runway/taxiway; this has been identified as a Transport Canada requirement to continue improving aircraft safety and the safety of all passengers/crew flying in and out of Wabush. Transport Canada plans to issue Tenders in April 2022, with construction to begin in August of 2022 and conclude in December 2023.
11. Hydro requested further information regarding the proposed upgrade to the Airport Terminal Building's heating system. Hydro was advised that:

The oil fire boilers are original to the building, installed in 1981, which is currently in its 41st year of service. The extended life cycle of these 70 HP fire tube hot water boilers with yearly maintenance is typically 40 years, which these have reached. The boilers were re-tubed in 1997, new burners installed in 2007, new breaching in 2010, and scheduled re-tubing in 2017, which did not happen. The re-tubing is a significant costs/undertaking for boilers that have shown to not be reliable and that's what triggered the project approval. Most recently in November 2021, both boilers were down for part of the day and required emergency repairs at a cost of \$30,000.00. These repairs were completed just quick enough that the staff, public and NAV Canada flight service were able to stay but plans had been made to evacuate the building and cancel all flights until the boilers were repaired. In addition, these boilers are now obsolete making repair parts difficult to locate or source. These boilers are an extreme risk to the on-going service of the Wabush Airport and need replacement as soon as possible.

Please see Schedule 3 to this application for that response. Transport Canada plans to issue Tenders in October 2022, with construction to begin in June 2023 and conclude in August 2023.

12. The impact of the additional load in Wabush, based on the existing transfer capability and current load requirements, would increase the potential for requests for curtailment of the power supplied to the existing industrial customers and customers with whom Hydro has

contracts permitting curtailment. Hydro has communicated with those industrial customers prior to filing this application and they have not advised Hydro of any objections to the proposed exemption.

13. In the Board's approval of the Regulation 17, the Board stated in part:

When Hydro has reason to believe there are special circumstances surrounding an application for service in Labrador East that will result in the addition of load requirements of greater than 100 kW, where it may be appropriate to approve service connections and upgrades, Hydro may apply to the Board for a variance or exemption to this Regulation.⁴

14. To assist with determining the special circumstances under which it would be appropriate to support an application for variance or exemption to the regulation, Hydro identified several examples of the types of businesses that may qualify. These included: industrial development such as the manufacture, assembly or processing of tangible merchandise, or the extraction of raw materials; emergency services such as fire departments, hospitals, etc.; and services which meet a defined need in the community, such as schools, medical clinics, daycare centres, etc.
15. As Hydro has noted in previous applications, the objective of Regulation 17 is not to prevent the development and construction of community infrastructure, particularly where they are for emergency services or serve a defined need. It is evident from the information provided herein and in the attachments to this application that proposed upgrades are necessary for the safety and continued operation of the Wabush Airport. Hydro believes an exemption to Regulation 17 is warranted.

C. Network Additions Policy

16. When a customer makes an application for service from the Labrador Interconnected System, they may be required to make a customer contribution as determined through the Policy. As per Section 5.1 of the Policy, when a customer makes an application for a demand request of less than 1500 kW, they are responsible for paying an Upstream Capacity Charge, which is a contribution required from an applicant who is requesting an increase in access to Capacity on Common Assets. The Upstream Capacity Charge is calculated as the Upstream Capacity Cost less the Basic Capacity Investment Credit. The calculation for the Transport Canada request is

⁴ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 36(2018), Board of Commissioners of Public Utilities, October 5, 2018, sch. A.

attached as Schedule 4, showing an Upstream Capacity Charge of \$290,625.00. Transport Canada's confirmation of their acceptance of this contribution is attached as Schedule 5.

17. Hydro will conduct a two-year review of the reasonableness of the forecast peak demand used in computing the Upstream Capacity Charge. If the customer's actual peak demand exceeds the forecast peak demand used in computing the Upstream Capacity Charge by greater than 10%, the Upstream Capacity Charge will be recalculated and will result in an additional charge to the customer that paid the Upstream Capacity Charge, pursuant to Section 6.1 of the Policy.
18. Section 8(ii) of the Policy requires Hydro to apply to the Board for approval of all Upstream Capacity Charges that are calculated as greater than \$200,000, which is the case herein.

D. Newfoundland and Labrador Hydro's Request

19. This application requests approval of an exemption to Regulation 17, allowing Hydro to provide the service upgrades at the Wabush Airport for the Airport Terminal Building's heating system, and for service to a new Runway Sweeper Garage and Sand & Urea shed as requested by Transport Canada.
20. This application further requests approval of the Upstream Capacity Charge in the amount of \$290,625.00 calculated pursuant to the Policy.

C. Communications

21. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the Province of Newfoundland and Labrador this 4th day of April, 2022.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 685-4973



Schedule 1



**[External] TC-Wabush Airport Request for Power Service Exemption
Regulation 17**

Nathan Leblanc to: RobertCoish@nlh.nl.ca

01/20/2022 12:07 PM

Cc: "Nathalie.Sears@tc.gc.ca"

History: This message has been replied to and forwarded.

[External Sender: Please use caution when replying, opening attachments, or clicking on links]

Dear Hydro,

Transport Canada applied for an increase to its electrical supply from Hydro in November 2020. During the process, Hydro informed Transport Canada of Regulation 17 and the temporary restriction of up to 200 kW for additional power requests and the exemption process. Given the nature of the airport as an integral part of the Labrador West region; providing community needed flight services, such as emergency medical, cargo, labour force, business travel, etc. Transport Canada believes an exemption is appropriate.

17. TEMPORARY RESTRICTION FOR LOAD ADDITIONS TO LABRADOR EAST AND LABRADOR WEST (REVISED)

"When Hydro has reason to believe there are special circumstances surrounding an application for service in Labrador East or Labrador West that will result in the addition of load requirements of greater than 200 kW, where it may be appropriate to approve service connections and upgrades, Hydro may apply to the Board for a variance or exemption to this Regulation. "

Transport Canada would like the following power service requests to be exempted from Regulation 17:

Total: 1061 kW

- Phase 1 – 736 kW requested to upgrade the Airport Terminal Buildings heating system.
 - Tender - October 2022
 - Construction Start - June 2023
 - Construction end – August 2023
- Phase 2 – 325 kW requested to construct a new Runway Sweeper Garage and Sand & Urea shed. This new facility is required to house the new Mauler runway sweepers and materials used to de-ice the runway and parking lot areas. These new sweepers are needed to improve snow clearing operations on the runway/taxiway. This has been identified as a Transport Canada requirement to continue improving aircraft safety and the safety of all passengers/crew flying in and out of Wabush.
 - Tender – April 2022
 - Construction Start – August 2022
 - Construction end – December 2023

If any additional information is required or you have any questions, please let me know.

Regards,

Nathan LeBlanc, P.Eng. / ing.

Project Manager, Real Property Branch
Public Services and Procurement Canada/ Government of Canada
nathan.leblanc@pwgsc-tpsgc.gc.ca / Tel: 506 349-5294
126 Prince William Street, Suite 14B, Saint John, NB E2L 2B6
Gestionnaire de projet, Direction générale des biens immobiliers
Services publics et Approvisionnement Canada/ Gouvernement du Canada
nathan.leblanc@pwgsc-tpsgc.gc.ca / Tél: 506 349-5294
126, rue Prince William, Suite 14B, Saint John, (N-B) E2L 2B6



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada



Schedule 2



RE: [External] TC-Wabush Airport Request for Power Service Exemption Regulation 17

Nathan Leblanc to: RobertCoish@nlh.nl.ca

03/22/2022 03:06 PM

From: Nathan Leblanc <Nathan.Lebblanc@pwgsc-tpsgc.gc.ca>

To: "RobertCoish@nlh.nl.ca" <RobertCoish@nlh.nl.ca>

History: This message has been forwarded.

Hi Robert,

After speaking with the consultants, the below values are in kW. If you need anything further, please let me know.

- ATB Boiler – 550 kW
- New Sweeper Garage – 275 kW
- Total – **825 kW**

Regards,

Nathan LeBlanc, P.Eng. / ing.

Project Manager, Real Property Branch
Public Services and Procurement Canada/ Government of Canada
nathan.leblanc@pwgsc-tpsgc.gc.ca / Tel: 506 349-5294
126 Prince William Street, Suite 14B, Saint John, NB E2L 2B6
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126, rue Prince William, Suite 14B, Saint John, (N-B) E2L 2B6



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

From: RobertCoish@nlh.nl.ca <RobertCoish@nlh.nl.ca>

Sent: March 22, 2022 1:25 PM

To: Nathan Leblanc <Nathan.Lebblanc@pwgsc-tpsgc.gc.ca>

Subject: RE: [External] TC-Wabush Airport Request for Power Service Exemption Regulation 17

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Schedule 3



**RE: [External] TC-Wabush Airport Request for Power Service Exemption
Regulation 17**

Nathan Leblanc to: RobertCoish@nlh.nl.ca

01/31/2022 04:25 PM

History: This message has been replied to.

Hi Robert,

The funding application and approvals for this ATB Boiler Replacement Project started prior to the Greening Government Strategies and is not the driving force behind this requirement. The oil fire boilers are original to the building, installed in 1981, which is currently in its 41st year of service. The extended life cycle of these 70 HP fire tube hot water boilers with yearly maintenance is typically 40 years, which these have reached. The boilers were re-tubed in 1997, new burners installed in 2007, new breaching in 2010, and scheduled re-tubing in 2017, which did not happen. The re-tubing is a significant costs/undertaking for boilers that have shown to not be reliable and that's what triggered the project approval.

Most recently in November 2021, both boilers were down for part of the day and required emergency repairs at a cost of \$30,000.00. These repairs were completed just quick enough that the staff, public and NAV Canada flight service were able to stay but plans had been made to evacuate the building and cancel all flights until the boilers were repaired.

In addition, these boilers are now obsolete making repair parts difficult to locate or source. These boilers are an extreme risk to the on-going service of the Wabush Airport and need replacement as soon as possible. Even though not ideal, the ATB cannot risk another heating season in 2023 and would be forced to pivot and install new oil fired boilers if additional power cannot be approved.

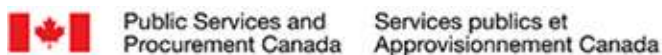
Based on this, Transport Canada did not hire a third party consultant to conduct a report to show that these boilers need to be replaced. It is apparent without tests, studies or reports that this is a large risk that's needs to be mitigated as soon as possible. Transport Canada and PSPC have gone forward with Electric Boilers as the number one option, but this is not the reason for the project and they will need to be replaced prior to the 2023 heating season regardless of the method.

If you have any further questions or want to discuss with my team, please let me know and I can coordinate the meeting.

Regards,

Nathan LeBlanc, P.Eng. / ing.

Project Manager, Real Property Branch
Public Services and Procurement Canada/ Government of Canada
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nathan.leblanc@pwgsc-tpsgc.gc.ca / Tél: 506 349-5294
126, rue Prince William, Suite 14B, Saint John, (N-B) E2L 2B6



From: RobertCoish@nlh.nl.ca <RobertCoish@nlh.nl.ca>



Schedule 4

Newfoundland and Labrador Hydro
Upstream Capacity Charge Calculation – Wabush Airport

Applicants Peak Demand Request	A	825 kW
Basic Capacity Investment	B	200 kW
Expansion Cost	C	465 \$/kW
Basic Capacity Investment Credit	D = B x C	\$ 93,000
Upstream Capacity Cost	E = A x C	\$ 383,625
Upstream Capacity Charge	F = E - D	\$ 290,625



Schedule 5



Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 | f. 709.737.1800
nlhydro.com

March 25, 2022

Transport Canada
Government of Canada

Attention: Nathalie Sears

All information contained in this letter is subject to the approval of the Board of Commissioners of Public Utilities. All calculations are subject to change, based on the ruling of the Board.

Dear Nathalie Sears:

Further to your application for service in Wabush, Newfoundland and Labrador, please be advised that the Network Additions Policy approved by the Board of Commissioners of Public Utilities, requires customers to pay a contribution as determined through the Policy. The Policy is intended to limit rate increases that can result from investment in new transmission assets to serve new load requests, and to achieve a reasonable balance in the sharing of the benefits and the costs of new transmission investments between new and existing Customers. For your information, the Policy can be found at <https://nlhydro.com/nap/>

The customer contributions specified in the Policy include an Upstream Capacity Charge, which is a contribution required from an applicant who is requesting an increase in access to Capacity on Common Assets. As per section 5.1 of the Policy, when a customer makes an application for a demand request of less than 1500 kW, they are responsible for paying an Upstream Capacity Charge which is the Upstream Capacity Cost less the Basic Capacity Investment Credit. The calculation for your request is attached to this letter and shows an Upstream Capacity Charge of \$290,625.00.

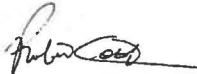
Under the Policy, Applicants that pay an Upstream Capacity Charge are not required to pay a Customer Contribution for the replacement of those Common Assets at the end of the asset life. Hydro will conduct a 2-year review of the reasonableness of the forecast Peak Demand used in computing Upstream Capacity Charges. If the Customer's actual Peak Demand exceeds the forecast Peak Demand used in computing the Upstream Capacity Charge by greater than 10%, the Upstream Capacity Charge will be recalculated and will result in an additional charge to the Customer that paid the Upstream Capacity Charge.

This Contribution, as well as your request for an exemption under the Regulation 17 Load Restriction for Labrador, will require approval by the Board of Commissioners of Public Utilities. If you wish to proceed with this request please sign below and return to the undersigned so that Hydro may proceed with the application to the Board of Commissioners of Public Utilities for approval of this project.

Should you require additional information, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

 2022.03.25
14:31:48 -02'30'

Robert Coish

If you wish to proceed with your application at this time, please sign below.

I wish to proceed with my application for service at this time. I agree to pay to Hydro a contribution known as an Upstream Capacity Charge of \$ 290,625.00 pursuant to the Network Additions Policy. I acknowledge I will be subject to a 2 year review of the reasonableness of the forecast Peak Demand used in computing Upstream Capacity Charge and that if the actual Peak Demand exceeds the forecast Peak Demand used in computing the Upstream Capacity Charge by greater than 10%, the Upstream Capacity Charge will be recalculated and will result in an additional charge.

**Sears,
Nathalie**

Digitally signed by Sears, Nathalie
DN: c=CA, o=GC, ou=TC-TC, cn="Sears,
Nathalie"
Reason: I am approving this document
Location: your signing location here
Date: 2022.03.29 13:55:54-03'00'
Foxit PDF Editor Version: 11.2.1

Nathalie Sears
Transport Canada / Government of Canada



Affidavit

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) for an exemption, pursuant to Section 71 of the Act, to Regulation 17 which limits new load additions in Labrador East and West, and for the approval of an Upstream Capacity Charge pursuant to Section 8(ii) of the Network Additions Policy.

AFFIDAVIT


I, Kevin Fagan, of St. John’s in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice President, Regulatory and Stakeholder Relations for Newfoundland and Labrador Hydro, the applicant named in the attached application.
2. I have read and understand the foregoing application.
3. To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John’s in the)
Province of Newfoundland and)
Labrador this 4 day of)
April , 2022, before me:)



Barrister – Newfoundland and Labrador



Kevin Fagan