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December 6, 2023

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

Attention: Ms. Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Blundon:

Re: Application for Approval of the Terms of Capacity Assistance Agreement between Newfoundland and Labrador Hydro and Corner Brook Pulp and Paper Limited

At this time we write to provide the submission of Corner Brook Pulp and Paper Limited ("CBPP") in relation to the Application of Newfoundland and Labrador Hydro ("Hydro") seeking approval of the terms of a proposed Capacity Assistance Agreement between Hydro and CBPP.

As noted, Hydro seeks the Board's approval of the proposed terms of a new Capacity Assistance Agreement ("CAA") with CBPP as provided in Schedule 1 of the Application (and detailed in the Term Sheet attached as Schedule 2 of the Application).

As the Board is aware, pursuant to a Second Amended and Restated CAA approved by the Board in Order P.U. 4 (2021), which expired on April 30th, 2023, CBPP had provided capacity assistance to Hydro of up to 105 MW through the winter period (November to April).

It is respectfully submitted that the new proposed CAA will, if approved by the Board, provide enhanced capacity assistance to Hydro over a longer term (15 years) at a time when there is a need for reliable backup generation.

As noted in the Application and Table 1 of Hydro's response to RFI PUB-NLH-008, the cost of the proposed capacity assistance from CBPP is less than Hydro's 2022 Marginal Cost Projection.¹

Further, the proposed terms require CBPP to supply capacity assistance in the summer months. This will provide Hydro with an enhanced ability to meet forecasted increased demand in the summer months, allow for flexibility during the peak summer maintenance period (particularly in light of the upcoming extended assist maintenance of Penstock 1 at the Bay d'Espoir Hydroelectric Generating Facility), contribute to the ten (10) minute reserve requirements and reduce the potential for standby generation staffing (see Hydro's Response to RFI PUB-NLH-005).

The proposed Agreement, with its fifteen (15) year term, also provides both CBPP and Hydro long term certainty from a planning perspective, however each is provided the ability to terminate the CAA in the event of material and substantial changes in their respective operations in accordance with page 3 of Schedule 2 of the Application upon nine (9) months' prior notice to the other party.

At page 2 of Schedule 1, Evidence, lines 12 – 14, Hydro notes "the proposed terms have stronger test requirements in advance of winter, as well as more stringent reporting and outage approval requirements for CBPP's generation fleet". This was further extrapolated upon by Hydro in its response to RFI PUB-NLH-015, where it notes:

- i) "Under the proposed capacity assistance agreement ("CAA"), the capacity assistance test will be completed in September or October of each year during an agreed upon one-day window. During this window Newfoundland and Labrador Hydro ("Hydro") will make a call for capacity assistance for up to four hours, testing both the capacity of Corner Brook Pulp and Paper Limited ("CBPP") and the responsiveness (i.e., the ability to respond within ten minutes) in accordance with the CAA. This is an improvement from previous CAAs whereby only capacity was tested during an agreed upon hour"²; and
- ii) "The previous CAA did not require CBPP to report formally on the status of its generation fleet and did not promote the open sharing of information – due to the punitive nature of the CAA – should CBPP not be able to fully comply with a request for capacity assistance. Under the new arrangement, CBPP will be required to provide daily status reports, participate in operational calls when required, and provide annual reports on its generation fleet. CBPP must also coordinate planned outages and maintenance activities with Hydro".³

These stronger testing requirements and more stringent reporting and outage approval requirement, Hydro relates, would "test and confirm CBPP's ability to respond to the volume and timeframes outlined in the contract"⁴ and allow Hydro "to have greater insight into status of

¹ 2022 Marginal Cost Projection contained in Table 1 of Hydro's response to BKL-NLH-077 in the Non-Firm Rates proceeding.

² Hydro's Response to RFI PUB-NLH-015 a), page 1 of 2, Lines 15-21.

³ Hydro's Response to RFI PUB-NLH-015 b), page 1 of 1, Lines 22-27.

⁴ Hydro's Response to RFI PUB-NLH-015 b), page 2 of 2, Lines 5-6.

CBPP's generation fleet so that the system can be operated as effectively and cohesively as possible"⁵, which would "ensure any issues that may impact Hydro's ability to receive capacity assistance are known and accounted for in advance of any requests made"⁶.

Given the above, CBPP submits that the proposed terms for a new CAA clearly represent a balanced and reasonable approach to allow considerable capacity assistance to be available to Hydro (and its operations) from CBPP. As such, CBPP submits that the Application should be approved by the Board at this time.

We trust you will find the foregoing to be satisfactory.

Yours very truly,

POOLE ALTHOUSE



Dean A. Porter

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⁵ Hydro's Response to RFI PUB-NLH-015 b), page 2 of 2, Lines 7-9.

⁶ Hydro's Response to RFI PUB-NLH-015 b), page 2 of 2, Lines 9-10.