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October 14, 2015

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

Attention: Ms. G. Cheryl Blundon
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro - 2016 Capital Budget Application

Please find enclosed one original and twelve (12) copies of the Submissions of the Island Industrial Customers Group in relation to the above noted Application.

We trust you find the foregoing satisfactory

Yours very truly,

POOLE ALTHOUSE

Dean A. Porter

DAP/lp
Enclosures
J:\Clients\4648-18\NLBCPU, ltr 3.doc
cc: Mr. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
Mr. Thomas J. Johnson, Consumer Advocate
Mr. Gerard Hayes, Newfoundland Power
Mr. Peter Alteen, QC, Newfoundland Power
Mr. Paul Coxworthy, Stewart McKelvey
Mr. Raman Balakrishnan, Consumer Advocate

IN THE MATTER OF the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the Act) as amended; and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro, for an Order approving: (1) its 2016 capital budget, pursuant to s. 41(1) of the Act; (2) its 2016 capital purchases, and construction projects in excess of $50,000 pursuant to s. 41(3)(a) of the Act; (3) its leases in excess of $5,000 pursuant to s. 41(3)(b) of the Act; and (4) its estimated contributions in aid of construction for 2016 pursuant to s. 41(5) of the Act.

WRITTEN SUBMISSION OF THE ISLAND INDUSTRIAL CUSTOMERS GROUP

Introduction

These are the written submissions of Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited, and Teck Resources Limited (the "Island Industrial Customers") in relation to Hydro's 2016 Capital Budget Application (the "Application").

Electrical Power Control Act, 1994

Hydro's Capital Budget process is governed by the *Electrical Power Control Act*, 1994 (the "EPCA"). Section 3(b) of the EPCA states:

> *Power policy*
>
> *3. It is declared to be the policy of the province that …*
>
> *(b) all sources and facilities for the production, transmission and distribution of power in the province should be managed and operated in a manner*
>
> *(i) that would result in the most efficient production, transmission and distribution of power,*
>
> *(ii) that would result in consumers in the province having equitable access to an adequate supply of power,*
>
> *(iii) that would result in power being delivered to consumers in the province at the lowest possible cost consistent with reliable service.*

> *(iv) that would result in, subject to Part III, a person having priority to use, other than for resale, the power it produces, or the power produced by a producer which is its wholly-owned subsidiary,*
>
> *(v) where the objectives set out in subparagraphs (i) to (iv) can be achieved through alternative sources of power, with the least possible interference with existing contracts,*
>
> *and, where necessary, all power, sources and facilities of the province are to be assessed and allocated and re-allocated in the manner that is necessary to give effect to this policy;*

Section 4 of the EPCA charges this Board with the responsibility of implementing the power policy set out in section 3.

Implementation of power policy must not only be "consistent with reliable service" but must also ensure that power is produced, transmitted and distributed in the "most efficient" manner at the "lowest possible cost". Focus should not be lost on each of these principles of the power policy and each must be balanced against each other, often requiring the making of difficult decisions by this Board.

Hydro's Proposed and Projected Capital Expenditures for 2016

The Island Industrial Customers have in past Capital Budged Applications taken great exception to the growing nature of Hydro's capital expenditure demands.

In its Overview, the Application states that its Capital Plan contained a primary consideration of least cost, reliable generation, transmission and distribution of electricity while maintaining and enhancing safety environmental performance.

The Application proposes 86 new projects in 2016 with a corresponding 2016 Capital Budget in the amount of approximately $183.7 million. The proposed 2016 Capital Budget is almost two times the average annual capital expenditure approved over the period of 2010 to 2014, of $96 million.

The Island Industrial Customers submit that in the context of this extraordinary escalation in capital expenditure, the "lowest possible cost" principle can only be given meaningful effect if Hydro's justifications for its proposed capital expenditures are subjected to rigorous scrutiny, so that Hydro's customers, including the Island Industrial Customers, can be assured that they are being provided power in accordance with section 3(b) of the EPCA.

Individual 2016 Capital Budget Projects

The Island Industrial Customers comment below on some of the individual projects proposed by Hydro's Application. The Island Industrial Customers would note that the fact that they have not passed comment on a particular project does not necessarily indicate endorsement of that project. The Island Industrial Customers anticipate, based

on past experience, that the other Intervenors and the Board will also exercise their own due scrutiny of the Application, informed by their respective perspectives and mandates.

D-248 Install Hydrometeorological Equipment – Various Sites

- ***Proposed Capital Expenditure: $314.1 thousand***

At page D-248 of the Application, Hydro seeks approval of this Project to continue to improve the hydrometeorological network in Hydro's reservoir basins. Hydro's hydrometeorological program started in 2008 and to date, seven stations, either hydrometric, meteorological, or both, are in operation.

Currently, Hydro completes manual snow surveys when weather permits and completes snow core sampling 2-3 times during winter months for the purposes of collecting snow water equivalent information. The 2016 project proposes to broaden the coverage of Hydro's hydrometeorological program through the installation of four new snow water equivalent sensors in the Victoria, Hinds Lake, Granite and Cat Arm watersheds. Hydro contends that the proposed installation will monitor snow water equivalent only and will allow for "real time" data collection. Currently, Hydro has one snow water equivalent sensor, which was installed on the Cat Arm reservoir in the 2008/2009 program.

In response to RFI IC-NLH-57, which requested details of the existing hydrometeorological gauges rate of accuracy (Hydro had noted that the gauges sometimes experience missing or erroneous data points due to harsh conditions), Hydro responded that it does not track the rates of accuracy for the hydrometric gauges currently installed.

Further, in response to RFI IC-NLH-58, Hydro confirmed that no comparative cost estimate has been undertaken for the alternative snow water equivalent sensors to date.

In response to RFI IC-NLH-58, Hydro also provided an article entitled, *Frozen Potential: The ability to predict snow water equivalent is essential* and authored by Matt Wright (2013). The article summarizes the various types of snow measurement devises and the advantages of using each type. The article discusses snow pillow gauges, CS725 gauge, manual snow core measurements and precipitation gauges and states:

> *"...Due to the various errors associated with each measurement technique, there is no single ideal method for measuring SWE* [snow water equivalent]*, thus, in most situations the choice of measurement technique often comes down to cost".*

The Island Industrial Customers submit that this Project should not be approved as Hydro has not yet demonstrated that the snow water equivalent sensor that it has selected is the most cost effective. Based on the article appended to the response to RFI IC-NLH-58, the choice of selecting the technique for such snow water equivalent measurements "often comes down to cost" and Hydro has advised that it has not

completed a comparative cost estimate for the alternative snow water equivalent sensors to date. The Island Industrial Customers submit that until Hydro is able to ensure that the proposed 2016 hydrometeorological project is the most cost efficient alternative, it cannot ensure that the Project aligns with the EPCA's power policy of providing the "most efficient" power at the "lowest possible cost". Additionally, the 2016 Project is not of an urgent nature as Hydro currently has facilities in place to collect snow water equivalent information.

E-71 Refresh Security Software (Hydro Place)

At page E-71 of the Application, Hydro seeks approval to refresh Hydro's Information Security and Cyber Safety tools to improve Hydro's cyber threat detection and mitigation of capabilities.

In response to RFI IC-NLH-73, Hydro provided the maintenance schedule of its Information Security and Cyber Safety tools for 2010 through 2014. The schedule provided the following:

- E-mail security solution implemented prior to 2010 with no refresh in 2010-2014;
- Firewalls implemented prior to 2010, refresh in 2013;
- Endpoint security solution implemented prior to 2010, including encryption software in 2010 with refresh in 2014;
- Intrusion prevention solution implemented 2010, no refresh 2010-2014;
- Network authentication and remote access solutions implemented prior to 2010 with no refresh 2010-2014;
- Security monitoring solutions implemented prior to 2010 with refresh 2013; and
- Patch management solution implemented in 2012, refresh in 2014.

The Island Industrial Customers submit it might be appropriate that only certain components of the Information Security and Cyber Safety tools be approved for this 2016 project, namely those tools which have not been refreshed or updated since 2010, including: the e-mail security solution tools, the intrusion prevention solution tools; and the network authentication component.

The Island Industrial Customers question the request to refresh the remaining components of the Information Security and Cyber Safety tools, as according to the maintenance schedule Hydro submitted in its response to RFI IC-NLH-73, these components have been refreshed throughout 2013 and/or 2014 and the cost associated with refreshing these components may not be necessary, nor cost efficient. To allow the approval of all components of Hydro's Information Security and Cyber Safety tools without further information on this issue would not ensure that the Project aligns with the EPCA's power policy of providing power at the "lowest possible cost".

All of which is respectfully submitted.

DATED at Corner Brook, in the Province of Newfoundland and Labrador, this 14th day of October, 2015.

POOLE ALTHOUSE

Per: _____
Dean A. Porter

STEWART MCKELVEY

Per: _____
Paul L. Coxworthy

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