

December 11, 2014

VIA COURIER and ELECTRONIC MAIL

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

Attention: Ms. G. Cheryl Blundon
Board Secretary

Dear Ms. Blundon:

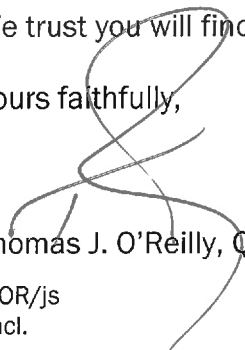
Re: Newfoundland and Labrador Hydro's Application for the Interim Approval of Customer Electricity Rates for 2015

Enclosed are the original and twelve (12) copies of the Written Submissions of Vale Newfoundland & Labrador Limited in respect of the above-noted Application.

We have provided a copy of this correspondence together with enclosures to all concerned parties.

We trust you will find the enclosed satisfactory.

Yours faithfully,



Thomas J. O'Reilly, Q.C.

TJOR/js
Encl.

c.c. Geoffrey P. Young, Senior Legal Counsel, Newfoundland & Labrador Hydro
Gerard Hayes, Senior Legal Counsel, Newfoundland Power
Thomas J. Johnson, Q.C., O'Dea Earle
Paul Coxworthy, Stewart McKelvey
Edward M. Hearn, Q.C., Miller & Hearn
Nancy Kleer, Olthuis, Leer, Townshend LLP
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IN THE MATTER OF the *Electrical Power Control Act, 1994*, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47 (the Act) and regulations thereunder;

AND IN THE MATTER OF an application by Newfoundland and Labrador Hydro, pursuant to Sections 70 and 75 of the Act, for the interim approval of customer electricity rates for 2015 (the "Application").

TO: The Board of Commissioners of Public Utilities ("the Board")

1 WRITTEN SUBMISSIONS OF VALE NEWFOUNDLAND & LABRADOR LIMITED

2 The following are the submissions of Vale Newfoundland and Labrador Limited ("Vale")
3 in relation to Newfoundland and Labrador Hydro's ("Hydro") Application before the
4 Board seeking an Order for interim rates for Island Industrial Customers effective
5 January 1, 2015.

6 Vale is prepared to accept that Hydro may require some form of interim rate relief
7 subject to Hydro demonstrating through evidence filed as part of Hydro's Amended
8 2013 General Rate Application (the "GRA") that its proposed rates accurately reflect
9 its Cost of Service. However, Vale is concerned that an Order granting interim relief
10 has the potential to cause further delays in the general rate application process.

11 In separate Applications, Hydro is seeking interim relief for its stated 2014 revenue
12 shortfall and interim rates chargeable to Newfoundland Power effective February 1,

1 2015. Should Hydro be provided with all or even part of the interim relief requested,
2 Vale is concerned that a sense of urgency to proceed expeditiously with the GRA will be
3 lost. While the immediate effect on Industrial Customer's will be significantly offset by
4 a phase-in of rates using the balance in the Industrial Customers RSP Surplus account,
5 there could be indirect consequences to Industrial Customers should the granting of
6 interim rates delay the setting of final rates.

7 In the first schedule set by the Board for Hydro's 2013 General Rate Application (the
8 "2013 GRA"), it was contemplated that public hearings would have begun on February
9 11, 2014. Instead, at the beginning of June 2014, with the negotiation period set to
10 commence and public hearings still a month away, Hydro informed the Board that it
11 was not proceeding with the 2013 GRA. In November 2014, Hydro filed an amended
12 GRA seeking rates based on a 2015 test year. Given the delays in the GRA process to
13 date, it is not reasonable to expect that a Board Order setting rates following the GRA
14 will be filed before the middle of 2015 (i.e. two years after the Order in Council that
15 directed Hydro to proceed with a general rate application).

16 Regardless of the reasons for the delays in the general rate application process, the
17 fact is that eight years between general rate applications, which is five years longer
18 than sound utility practice requires (see IR-PUB-NLH-75), is far too long. Vale notes
19 that industrial customer rates have been interim since January 1, 2008 (P.U.
20 34(2007)). Interim rates should be the exception rather than the rule yet, in the
21 present Application, Hydro is seeking interim rates that could be in place for up to a
22 year.

1 Delays in the general rate application process have had a significant impact on Hydro's
2 rate of return, which has caused Hydro to file a number of Applications seeking interim
3 relief. While Hydro is able to mitigate the effects of delays in the rate making process
4 through applications for interim relief, the continued use of interim rates negatively
5 affects industrial customers such as Vale as such rates create uncertainty in
6 budgeting and revenue forecasting. Further, the process of engaging in general rate
7 and interim rate applications requires industrial customers to divert resources (time
8 and money) away from their primary business focus. As such, the Board should be
9 very cautious in granting any relief that may have the effect of delaying the general
10 rate making process.

11 Subject to the Board approving the phase in of rates as outlined in the response to IC-
12 NLH-132 (revision 1), Vale does not oppose the setting of Industrial Customer interim
13 rates. However, as interim rates could reduce the urgency of proceeding with the GRA,
14 Vale takes the position that the interim rates should only be in effect until September
15 1, 2015. If the GRA is not completed by September 1, 2015, Hydro should be
16 required to reapply for a further order for interim rates or else have rates revert to pre-
17 interim rate Application levels, including the freeze on RSP rules imposed in Board
18 Order PU 40 (2013).

19 Issue 3: Costs

20 Vale requests that the Board award Vale costs on the within Application on the same
21 basis as any award of costs made in favor of the Consumer Advocate and/or the

1 Industrial Customer Group. An award of costs in favor of Vale is justified based on the
2 fact that:

3 1. Vale's energy consumption is steadily increasing with time and, when
4 Vale's Long Harbour processing facility completes production ramp up, Vale will
5 be the single largest industrial customer of Hydro. As such, Vale had a
6 significant interest in participating in the within Application; and

7 2. Vale's interests in the within Application are discreet from the interests
8 of the Industrial Customer Group. In particular, Vale and the Industrial
9 Customer group may not be aligned on the manner of, *inter alia*, the drawdown
10 of the Industrial Customer RSP Surplus.

11 The within Application was made necessary by the complexity of and delays in the
12 general rate application process as a result of the fact that Hydro elected to allow
13 seven years between GRAs. For this reason, Vale submits that all or a significant
14 percentage of the costs of the within Application should be borne by Hydro and should
15 not form part of Hydro's rate base.

DATED at St. John's, in the Province of Newfoundland and Labrador, this 11th day
of December, 2014.

COX & PALMER

Per: _____

Thomas J. O'Reilly, Q.C.

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Attention: Board Secretary

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Attention: Gerard Hayes
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North Atlantic Refining Limited
and Teck Resources Limited
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Attention: Paul Coxworthy

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Attention: Nancy Kleer

TO: House of Commons
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Attention: Yvonne Jones, MP Labrador