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**Via Electronic Mail and 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 2018 Capital Budget Application**

1 We write on behalf of the Island Industrial Customer (IIC) Group, Corner Brook Pulp & Paper  
2 Limited, NARL Refining Limited Partnership, and Vale Newfoundland and Labrador Limited.

3 The following are the comments and submissions of the IIC Group on this Application.

4 **Hydro's Response to IC-NLH-011: Specifically Assigned Charges**

5 The IIC Group note that Hydro filed its revised response to IC-NLH-011 on October 5, 2017.  
6 The revision removed from consideration two substantial capital expenditures with the target  
7 budget year of 2018, which were proposed by Hydro to be specifically assigned to Vale. By  
8 Hydro's covering letter accompanying the filing of IC-NLH-011 (Revision 1), Hydro stated that  
9 these two substantial capital expenditures had been incorrectly identified as having been  
10 specifically assigned to the IIC Group. The IIC Group now understands that no part of the  
11 capital expenditure on these projects, "Replace Breaker B1L08 – Western Avalon" (\$1,744.4  
12 million) and "Upgrade TL 208 Protection – Western Avalon/Vale Termination Station" (\$178.4  
13 million), will be specifically assigned to Vale (or for that matter to any of the island industrial  
14 customers), regardless of whether they are expended in the target year 2018 or in a subsequent  
15 budget year. Based on that understanding, the IIC Group does not oppose these projects.

16 The IIC Group also does not oppose the two capital projects, with the target year of 2018,  
17 identified in IC-NLH-011 as being in relation to the Corner Brook Frequency Converter. The IIC  
18 Group would however reserve the right to argue, in the 2017 General Rate Application (and  
19 future General Rate Applications and Cost of Service proceedings), the correctness of the  
20 specific assignment of the Frequency Converter to Corner Brook Pulp and Paper Limited in the  
21 first instance.

22 With respect to the other projects identified in Hydro's response IC-NLH-011 (Revision 1) for  
23 future target years (2019 and 2021), the IIC Group does not accept that Hydro's summary  
24 statement as "Justification" for these projects of "Refer to Terminal Station Asset Management  
25 Overview" provides Hydro's detailed (or sufficient) justification for the projected expenditures

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1 and most particularly does not accept that Hydro has provided a detailed (or sufficient)  
2 justification for their proposed specific assignment to an island industrial customer, as requested  
3 by IC-NLH-011. It is the IIC Group's understanding that Hydro will be applying to the Board, in  
4 future capital budget applications relating to the target years for these projects, for approval of  
5 these projects.

6 The IIC Group reserve all of their rights to make further requests for information in relation to  
7 these target year 2019 and 2021 projects, and to make submissions in respect of same, in  
8 Hydro's future applicable capital budget applications and, in respect of their proposed specific  
9 assignment to members of the IIC Group, in the current 2017 General Rate Application and  
10 future Hydro General Rate Applications and Cost of Service proceedings, as applicable. The IIC  
11 Group, however, would make the further point that Hydro has not yet engaged in direct  
12 communications with the individually affected IIC Group members regarding the rationale for  
13 these future projects and their proposed specific assignment, and urges Hydro, in keeping with  
14 its commitment to better communicate with its industrial customers, to commence such direct  
15 communications as early as practicable. The IIC Group would suggest that it should be possible  
16 for Hydro to commence such direct communications with its industrial customers well before  
17 Hydro makes application for the approval of such projects and for their specific assignment to  
18 the affected industrial customer, and that early and proactive communications by Hydro would  
19 best ensure that all issues and options are considered, as between Hydro and its affected  
20 industrial customer, in a timely and informed manner.

21 The IIC Group would also submit that it would be reasonable for the Board to order Hydro, for its  
22 future Capital Budget applications, to clearly identify planned or projected capital expenditures  
23 that Hydro will be proposing be specifically assigned to its industrial customers, and to provide a  
24 detailed justification in such future applications for the expenditure and for its specific  
25 assignment to the affected industrial customer.

## 26 **The Brief of Argument of Newfoundland Power and other Capital Projects**

27 The IIC Group have had the opportunity to review and consider the submissions of  
28 Newfoundland Power, filed on October 6, 2017, in relation to the following capital projects:

- 29 • Increase Fuel and Water Treatment System Capacity (Holyrood)
- 30 • Turbine Hot Gas Path Level 2 Inspection and Overhaul (Holyrood)
- 31 • Installation of Access Hatch (Holyrood Gas Turbine)
- 32 • Install Plant Heater System – Holyrood Thermal Generating Station
- 33 • Hardwoods and Stephenville Gas Turbine Projects
- 34 • Hydraulic Generation Refurbishment and Modernization

35 The IIC Group find Newfoundland Power's submissions on the above projects to be carefully  
36 reasoned and reasonable, and IIC Group would also support the measures proposed by  
37 Newfoundland Power in respect to these projects.

1 The IIC Group takes no position with respect to the other project commented upon by  
2 Newfoundland Power, "Muskrat Falls to Happy Valley Interconnection".

3 The IIC Group have no further comment with respect to other capital expenditures proposed to  
4 be approved for the 2018 Capital Budget year.

5 **Costs**

6 The IIC Group submit that their participation in these proceedings has been necessary,  
7 reasonable, and measured. In particular, the IIC Group note that their intervention by IC-NLH-  
8 011 was necessary to (a) identify those project expenditures that Hydro will be proposing be  
9 specifically assigned to members of the IIC Group and (b) to identify and correct a very  
10 substantial error in their specific assignment, as evidenced by Hydro's response IC-NLH-011  
11 (Revision 1). The IIC Group would note in this regard that, by their representatives' direct  
12 consultation with Hydro in relation to the original response to IC-NLH-011, the IIC Group  
13 contributed to an effective and efficient resolution of this issue for the 2018 projects, minimizing  
14 the further incurring of regulatory costs by all parties, and would submit that by these  
15 submissions it has made proposals which should contribute to the effective and efficient  
16 resolution of issues relating to specifically assigned charges in future proceedings.

17 The IIC Group repeat the foregoing and respectfully submit that their intervention in these  
18 proceedings warrants an award of costs.

19 We trust these comments and submissions will be found to be in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/kmcd

- c. Tracey L. Pennell, Senior Counsel, Regulatory, Newfoundland and Labrador Hydro  
Gerard Hayes, Newfoundland Power  
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