

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 47(2014)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 "*EPCA*") and the *Public Utilities Act, RSNL 1990*,
4 Chapter P-47 (the "*Act*"), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** an application by Newfoundland
8 and Labrador Hydro for approval of revisions, on an
9 interim basis, to the Utility rate charged to Newfoundland
10 Power Inc. pursuant to sections 70 and 71 of the *Act*.
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12

13 **The Application**
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15 On September 19, 2014 Hydro filed an application (the "Application") with the Board requesting
16 approval, on an interim basis, of a revised Utility rate to be charged to Newfoundland Power Inc.
17 ("Newfoundland Power") with a revised calculation of billing demand to include a curtailable
18 credit to provide for the efficient use of the Newfoundland Power curtailable load.
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20 The Application was circulated to Newfoundland Power, the Consumer Advocate, a group of
21 three Island Industrial customers: Corner Brook Pulp and Paper Limited, North Atlantic Refining
22 Limited and Teck Resources Limited (the "Industrial Customer Group"), Vale Newfoundland
23 and Labrador Limited ("Vale"), and Praxair Canada Inc. ("Praxair").
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25 Requests for information in relation to the Application were issued and were answered by Hydro
26 on October 20, 2014.
27

28 The Board received comments from Newfoundland Power, the Consumer Advocate, the
29 Industrial Customer Group and Vale on or before October 27, 2014. Hydro filed comments on
30 October 31, 2014.
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32 **Background**
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34 The approved Utility rate that Hydro charges to Newfoundland Power includes annual demand
35 charges which are calculated based on Newfoundland Power's highest demand in the months of
36 December through March. The billing demand is adjusted to reflect normal peak day weather
37 less a credit for Newfoundland Power's generation (the "Generation Credit"). The Generation

1 Credit avoids the incentive for Newfoundland Power to operate its generation at its peak to
2 reduce billing demand.

3
4 This Application proposes to provide a credit in the billing demand for Newfoundland Power's
5 curtailable load (the "Curtailable Credit") to avoid the incentive for Newfoundland Power to try
6 to reduce its peak through its curtailable load. The curtailable load associated with the curtailable
7 service option which Newfoundland Power offers to its General Service customers is generally
8 in the range of 8 to 10 MW.

9
10 Hydro states that the existing Utility rate contributes to curtailable requests which provide no
11 system benefits. Further Hydro explains that the frequency of curtailment requests can result in
12 higher participation costs for the customers, which may discourage participation. Hydro states
13 that it would be more efficient to use a curtailable credit in determining Newfoundland Power's
14 billing demand allowing Hydro to request that Newfoundland Power curtail customer load at
15 times when the system requires it. Hydro states that the proposed Utility rate contributes to a
16 higher level of winter readiness for the 2014-2015 winter season to meet system peak demand
17 requirements.

18 **Submissions**

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21 Newfoundland Power supports the Application and submits that approval would help ensure the
22 availability of curtailable load for the upcoming winter season. Newfoundland Power notes that
23 the proposed change was agreed to in principle by Hydro and Newfoundland Power six years
24 ago but, because there has not been a general rate application since that time, it was not
25 implemented. Newfoundland Power submits that further review, if necessary, could be
26 undertaken as part of Hydro's outstanding general rate application.

27
28 The Consumer Advocate recommends approval of the Application subject to the following
29 conditions: (i) the change is interim and is subjected to full review during the general rate
30 application; and (ii) the interruptible load of Island Industrial customers is treated in a consistent
31 and fair manner relative to Newfoundland Power's curtailable load.

32
33 The Consumer Advocate states that he believes that the proposal would be better addressed in
34 the context of Hydro's general rate application but acknowledges that the general rate application
35 will not likely be concluded prior to this winter when there is a risk of capacity shortages. The
36 Consumer Advocate states that he wants to avoid a repeat of the power outages experienced
37 during the last two winters and approval of the Application would assist in this regard. The
38 Consumer Advocate acknowledges that the proposed Utility rate would free up the curtailable
39 load for situations when there is a clear and urgent need for capacity on the system, which would
40 increase the value of the curtailable load. The Consumer Advocate notes that this approach was
41 agreed to by Newfoundland Power, Hydro and the Consumer Advocate following Hydro's last
42 general rate application.

43
44 The Industrial Customer Group submits that the Application should not be approved. The
45 Industrial Customer Group states the ideal disposition of the Application would be to subject all
46 the issues raised by the Application to a full review in Hydro's general rate application.

1 Nevertheless the Industrial Customer Group agrees that issues associated with Newfoundland
2 Power's curtailable load must be addressed prior to the upcoming winter season to ensure the
3 curtailable load is available for its proper and intended use in helping address system
4 emergencies. The Industrial Customer Group states that the curtailable load of Newfoundland
5 Power can provide a modest yet beneficial capacity resource to the system but it is only of value
6 if it is available for reliability enhancing interruption purposes. The Industrial Customer Group
7 states that the use of the curtailable load to reduce Newfoundland Power's billing demand can
8 undermine the availability of this resource. The Industrial Customer Group submits that the
9 economic incentive for Newfoundland Power to distort the curtailable service option is excessive
10 and must be corrected.

11
12 The Industrial Customer Group submits that the Board should prohibit the inefficient and
13 inappropriate use of the curtailable service option and Newfoundland Power's ability to profit
14 from it. The Industrial Customer Group sets out specific changes to the Schedule of Rates, Rules
15 and Regulations for both Hydro and Newfoundland Power to the effect that: (i) the curtailable
16 load should not lead to a reduction in the amount that Newfoundland Power pays in demand
17 charges; and/or (ii) curtailments should be prohibited where there is no bona fide system
18 constraint that threatens delivery of power to firm service customers.

19
20 The Industrial Customer Group also suggests that it is a reasonable expectation that Hydro will
21 offer curtailable service options of a similar or equivalent nature to its Island Industrial
22 customers.

23
24 Vale states that it supports Hydro's efforts to manage its system load requirements in an efficient
25 manner. Vale's position is that the demand cost allocation in Hydro's cost of service should be
26 made without any adjustments to each customer group's native peak. Vale explains that it has
27 several concerns in relation to the Application. Firstly, it is concerned that Newfoundland Power
28 has an opportunity to provide curtailable load when all members of the Island Industrial
29 customer class have not been provided the same opportunity. Vale submits that the treatment of
30 all curtailable/capacity assistance for cost of service purposes should become part of the
31 upcoming general rate application. Secondly, Vale is concerned that even where members of the
32 Island Industrial customer class have the opportunity to provide curtailable or capacity
33 assistance, the benefits provided by Island Industrial customers to system demands are treated
34 differently in the cost of service. Vale submits that the proposed utility rate is inherently unfair to
35 Island Industrial customers. Thirdly, Vale states that it has concerns in relation to the value of the
36 Curtailable Credit and submits that it should not be treated the same as the Generation Credit.
37 Vale argues that the Curtailable Credit is disproportional to the curtailable credit which
38 Newfoundland Power offers its customers and to what Hydro previously offered the Island
39 Industrial customers for curtailable arrangements. Vale further requests that the Board award
40 Vale its costs for participating in the Application.

41
42 Hydro submits that the purpose of the proposed changes to the Utility rate is to remove the
43 incentive for Newfoundland Power to seek a curtailment of its customers' loads to achieve a
44 lower billing demand at times when generation capacity is not constrained. Hydro disagrees with
45 Vale's assertion that there is a lack of fair treatment in the cost of service and states that the
46 proposed treatment of Newfoundland Power's curtailable load is broadly similar to the treatment

1 of the Island Industrial customer interruptible load. Hydro submits that the treatment of the
 2 curtailable load and the Island Industrial customer interruptible load is equivalent and fair. Hydro
 3 believes that the suggestions of the Industrial Customer Group to provide additional safeguards
 4 to prevent Newfoundland Power from reducing its demand charge are unnecessary as there is a
 5 billing demand risk to Newfoundland Power if it is unable to provide the degree of curtailment
 6 required by Hydro.

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 8 **Board Decision**
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10 The Board believes that the proposals in this Application raise issues which should be considered
 11 in the broad context of a full consideration of the cost of service issues raised for all Hydro
 12 customers. The Consumer Advocate, the Industrial Customer Group and Vale submit that the
 13 issues raised by this Application should be addressed during Hydro's general rate application.
 14 The Board agrees and notes that the proposed changes to the Utility rate are addressed in the
 15 amended general rate application that Hydro filed on November 10, 2014. This will provide an
 16 opportunity for the parties to seek more information in relation to the impacts of the proposals
 17 and to address areas of concern.
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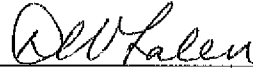
19 While there are significant issues which remain to be addressed in relation to the proposed
 20 Utility rate, the Board believes that approval of immediate changes in relation to Newfoundland
 21 Power's curtailable load may be beneficial. Both the Consumer Advocate and the Industrial
 22 Customer Group submit that efforts should be made to ensure that Newfoundland Power's
 23 curtailable load is available prior to the upcoming winter. The Board agrees that the proposed
 24 Utility rate would help ensure the availability of curtailable load and would contribute to a higher
 25 level of winter readiness for the 2014-2015 winter season. The Board believes that it is critical to
 26 ensure that all sources of capacity are available to support the Island Interconnected system for
 27 the 2014-2015 winter season and therefore curtailment should only be requested from
 28 Newfoundland Power customers where there is a bona fide system constraint.
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30 The Board will approve the proposed Utility rate for the December 1, 2014 to March 31, 2015
 31 period, on an interim basis. Hydro will be required to file revised rate sheets to reflect the
 32 Board's findings.
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34 **IT IS THEREFORE ORDERED THAT:**
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- 36 1. Hydro's proposal to revise its Utility rate, on an interim basis, to include a revised
 37 calculation of billing demand to reflect a curtailable credit is approved for the period
 38 December 1, 2014 to March 31, 2015.
 39 2. Hydro shall within 7 days file revised Utility rate sheets in accordance with the findings
 40 of the Board.
 41 3. Vale Newfoundland and Labrador Limited is entitled to an award of costs in an amount
 42 to be fixed by the Board, with cost submissions to be filed within 30 days of this Order.
 43 4. Leave is granted to the Industrial Customer Group to apply within 30 days of this Order
 44 for an award of costs.
 45 5. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador this 27th day of November 2014.



Darlene Whalen, P.Eng.
Vice-Chair



James Oxford
Commissioner



Cheryl Blundon
Board Secretary