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

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

The Application

On September 19, 2014 Hydro filed an application (the “Application”) with the Board requesting approval, on an interim basis, of a revised Utility rate to be charged to Newfoundland Power Inc. (“Newfoundland Power”) with a revised calculation of billing demand to include a curtailable credit to provide for the efficient use of the Newfoundland Power curtailable load.

The Application was circulated to Newfoundland Power, the Consumer Advocate, a group of three Island Industrial customers: Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources Limited (the “Industrial Customer Group”), Vale Newfoundland and Labrador Limited (“Vale”), and Praxair Canada Inc. (“Praxair”).

Requests for information in relation to the Application were issued and were answered by Hydro on October 20, 2014.

The Board received comments from Newfoundland Power, the Consumer Advocate, the Industrial Customer Group and Vale on or before October 27, 2014. Hydro filed comments on October 31, 2014.

Background

The approved Utility rate that Hydro charges to Newfoundland Power includes annual demand charges which are calculated based on Newfoundland Power’s highest demand in the months of December through March. The billing demand is adjusted to reflect normal peak day weather less a credit for Newfoundland Power’s generation (the “Generation Credit”). The Generation
Credit avoids the incentive for Newfoundland Power to operate its generation at its peak to reduce billing demand.

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

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

**Submissions**

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

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

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

The Industrial Customer Group submits that the Application should not be approved. The Industrial Customer Group states the ideal disposition of the Application would be to subject all the issues raised by the Application to a full review in Hydro’s general rate application.
Nevertheless the Industrial Customer Group agrees that issues associated with Newfoundland Power's curtailable load must be addressed prior to the upcoming winter season to ensure the curtailable load is available for its proper and intended use in helping address system emergencies. The Industrial Customer Group states that the curtailable load of Newfoundland Power can provide a modest yet beneficial capacity resource to the system but it is only of value if it is available for reliability enhancing interruption purposes. The Industrial Customer Group states that the use of the curtailable load to reduce Newfoundland Power's billing demand can undermine the availability of this resource. The Industrial Customer Group submits that the economic incentive for Newfoundland Power to distort the curtailable service option is excessive and must be corrected.

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

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

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

Hydro submits that the purpose of the proposed changes to the Utility rate is to remove the incentive for Newfoundland Power to seek a curtailment of its customers' loads to achieve a lower billing demand at times when generation capacity is not constrained. Hydro disagrees with Vale's assertion that there is a lack of fair treatment in the cost of service and states that the proposed treatment of Newfoundland Power's curtailable load is broadly similar to the treatment
of the Island Industrial customer interruptible load. Hydro submits that the treatment of the
curtailable load and the Island Industrial customer interruptible load is equivalent and fair. Hydro
believes that the suggestions of the Industrial Customer Group to provide additional safeguards
to prevent Newfoundland Power from reducing its demand charge are unnecessary as there is a
billing demand risk to Newfoundland Power if it is unable to provide the degree of curtailment
required by Hydro.

**Board Decision**

The Board believes that the proposals in this Application raise issues which should be considered
in the broad context of a full consideration of the cost of service issues raised for all Hydro
customers. The Consumer Advocate, the Industrial Customer Group and Vale submit that the
issues raised by this Application should be addressed during Hydro’s general rate application.
The Board agrees and notes that the proposed changes to the Utility rate are addressed in the
amended general rate application that Hydro filed on November 10, 2014. This will provide an
opportunity for the parties to seek more information in relation to the impacts of the proposals
and to address areas of concern.

While there are significant issues which remain to be addressed in relation to the proposed
Utility rate, the Board believes that approval of immediate changes in relation to Newfoundland
Power’s curtailable load may be beneficial. Both the Consumer Advocate and the Industrial
Customer Group submit that efforts should be made to ensure that Newfoundland Power’s
curtailable load is available prior to the upcoming winter. The Board agrees that the proposed
Utility rate would help ensure the availability of curtailable load and would contribute to a higher
level of winter readiness for the 2014-2015 winter season. The Board believes that it is critical to
ensure that all sources of capacity are available to support the Island Interconnected system for
the 2014-2015 winter season and therefore curtailment should only be requested from
Newfoundland Power customers where there is a bona fide system constraint.

The Board will approve the proposed Utility rate for the December 1, 2014 to March 31, 2015
period, on an interim basis. Hydro will be required to file revised rate sheets to reflect the
Board’s findings.

**IT IS THEREFORE ORDERED THAT:**

1. Hydro’s proposal to revise its Utility rate, on an interim basis, to include a revised
calculation of billing demand to reflect a curtailable credit is approved for the period
December 1, 2014 to March 31, 2015.
2. Hydro shall within 7 days file revised Utility rate sheets in accordance with the findings
of the Board.
3. Vale Newfoundland and Labrador Limited is entitled to an award of costs in an amount
to be fixed by the Board, with cost submissions to be filed within 30 days of this Order.
4. Leave is granted to the Industrial Customer Group to apply within 30 days of this Order
for an award of costs.
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