NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 49(2014)

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 a Capacity Assistance Agreement with Corner Brook Pulp and Paper Limited pursuant to sections 70, 71 and 80 of the Act.

WHEREAS Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and existing under the Hydro Corporation Act, is a public utility within the meaning of the Act, and is subject to the provisions of the EPCA; and

WHEREAS in January 2014 the Board commenced an investigation and hearing into the supply issues and power outages on the Island Interconnected system in late December 2013 and early January 2014 (the "Investigation"); and

WHEREAS Hydro, the Board's consultant for the Investigation, The Liberty Consulting Group ("Liberty"), and the Board prepared interim reports as part of the Investigation; and

WHEREAS Hydro's interim report, filed on March 24, 2014, addressed several options which were under consideration for meeting peak winter demand in 2015; and

WHEREAS Liberty's interim report, filed on April 24, 2014, recommended that Hydro continue discussions with Industrial Customers to secure economically available interruptible loads; and

WHEREAS the Board's interim report, issued on May 15, 2014, identified the pursuit of interruptible contracts as a priority action; and

WHEREAS on October 28, 2014 the Board received an application from Hydro requesting approval of a Capacity Assistance Agreement (the "Agreement") with Corner Brook Pulp and Paper Limited ("CBPP"), commencing December 1, 2014 and ending March 31, 2018 (the "Application"); and
WHEREAS the Agreement provides for payments to be made to CBPP for its ability to provide capacity assistance to Hydro during peak periods; and

WHEREAS the Application was circulated to Newfoundland Power Inc. ("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"), Praxair Canada Inc. ("Praxair"); Mr. Danny Dumaresque and Grand Riverkeeper Labrador, Inc.; and

WHEREAS the Board, Newfoundland Power, the Consumer Advocate and Mr. Danny Dumaresque issued Requests for Information which were answered by Hydro by November 17, 2014; and

WHEREAS the Industrial Customer Group filed an Intervenor Submission but did not file any Requests for Information or submissions; and

WHEREAS Newfoundland Power and the Consumer Advocate filed written submissions on November 19, 2014, and Hydro filed a written submission on November 20, 2014; and

WHEREAS Newfoundland Power submits that, in light of the Board’s recommendation in its Interim Report, the Board should approve the Agreement but that the matter of the recovery of purchased power expenses associated with the Agreement should be deferred for consideration as part of the comprehensive review of costs in Hydro’s General Rate Application; and

WHEREAS the Consumer Advocate states that the Agreement would help to avoid a repeat of the outage events of the last two years and that the Agreement will be needed, at least for the 2014-2015 winter period, if the 120 MW combustion turbine is unavailable for the upcoming winter period; and

WHEREAS the Consumer Advocate submits that the Agreement should be approved but the need for capacity assistance beyond the 2014-2015 winter should be subject to further review pending recommendations stemming from the Investigation and the recovery of purchased power expenses should be deferred for consideration as part of the Hydro General Rate Application; and

WHEREAS Mr. Dumaresque submits that Hydro has failed to maintain its generating assets and appears to have failed to have the 100 MW generator in service for December 6, 2014 and requests that the Board reject the Application and ask Hydro to conclude a one year agreement only; and

WHEREAS Hydro notes that the Intervenors are generally supportive of the Agreement and have not taken issue with the implementation of the Agreement; and

WHEREAS Hydro submits that the Agreement provides Hydro with increased flexibility, on a cost effective basis, to deal with unanticipated generation or load events that may occur
throughout the winter seasons and maintain system flexibility, and does not object to cost recovery being deferred for consideration as part of Hydro’s General Rate Application; and

WHEREAS the Board is satisfied that the Agreement between Hydro and CBPP will provide additional reliability to the Island Interconnected system and that consideration of cost recovery for the purchased power expense should be deferred to Hydro’s General Rate Application; and

WHEREAS the Board will require Hydro to file with the Board no later than April 15 of the year following each winter period December 1-March 31, a report setting out the dates, times, duration and system conditions, including generation available and calculation of system reserve, under which capacity assistance was requested, the capacity assistance requested and provided, and the capacity and variable payments made.

IT IS THEREFORE ORDERED THAT:

1. The proposed Capacity Assistance Agreement with Corner Brook Pulp and Paper Limited, effective December 1, 2014, is approved.

2. Hydro will establish a separate account to record the purchased power expenses, with the recovery of the expenditure to be addressed in Hydro’s General Rate Application.

3. Hydro shall file with the Board, no later than April 15 of the year following each winter period December 1-March 31 while the agreement is in place, a report setting out the dates, times, duration and system conditions, including generation available and calculation of system reserve, under which capacity assistance was requested, the capacity assistance requested and provided, and the capacity and variable payments made.

4. Hydro shall pay all expenses of the Board arising from this Application.
DATED at St. John's, Newfoundland and Labrador this 28th day of November 2014.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

James Oxford
Commissioner

Cheryl Blundon
Board Secretary