

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

AN ORDER OF THE BOARD

NO. P.U. 34(2017)

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

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval
9 of a revised Capacity Assistance Agreement with
10 Corner Brook Pulp and Paper Limited pursuant to
11 section 70(1), 71 and 80 of the *Act*.
12
13

14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
15 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
16 and is also subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** on October 13, 2017 Hydro filed an application for approval of a revised capacity
19 assistance agreement with Corner Brook Pulp and Paper Limited, to be effective November 1,
20 2017, which would provide for up to 90 MW of winter capacity assistance to Hydro, and for
21 approval of the recovery of purchased power expenses arising therefrom (the “Application”); and
22

23 **WHEREAS** Hydro and Corner Brook Pulp and Paper Limited are parties to a service agreement
24 whereby Hydro sells electrical power and energy to Corner Brook Pulp and Paper Limited upon
25 terms and conditions and at rates approved by the Board; and
26

27 **WHEREAS** Hydro and Corner Brook Pulp and Paper Limited also have two winter capacity
28 assistance agreements under which Corner Brook Pulp and Paper Limited is willing to curtail its
29 load in order to provide electrical capacity to Hydro (the “Capacity Assistance Agreements”):

- 30 i) an agreement for 60 MW of capacity assistance, which commenced on December 1, 2014
31 and expires on March 31, 2018, providing a reduction in the overall island electrical system
32 demand during peak hours and periods of system constraint, approved by the Board in
33 Order No. P.U. 49(2014); and
34 ii) a supplemental agreement, which also expires on March 31, 2018, providing for up to an
35 additional 30 MW of capacity assistance during peak hours through a further interruption
36 of mill operations by Corner Brook Pulp and Paper Limited of its operating load that is
37 normally provided by its hydro generating facilities; and

38 **WHEREAS** the Application proposes to combine the Capacity Assistance Agreements into one
39 single revised agreement (the “Revised Capacity Assistance Agreement”), which would provide
40 up to 90 MW of capacity assistance to Hydro, and would extend the term to the earlier of April 30,
41 2022 or the commissioning of the Muskrat Falls Generating Plant; and
42

43 **WHEREAS** the Application explained that the Revised Capacity Assistance Agreement provides
44 increased flexibility on a cost-effective basis to deal with unanticipated generation or load events
45 that may otherwise require the implementation of a customer outage program to provide peak load
46 management in order to maintain system integrity; and
47

48 **WHEREAS** the Application further explained that the Revised Capacity Assistance Agreement
49 provides: i) operational flexibility for six months of the year instead of four months, ii) improved
50 response time with a 10-minute notification period instead of 20 minutes, and iii) increased
51 security for long-term planning due to the extended term; and
52

53 **WHEREAS** the Application was copied to: Newfoundland Power Inc.; the Consumer Advocate,
54 Dennis Browne, Q.C.; a group of Island Industrial customers: Corner Brook Pulp and Paper
55 Limited, NARL Refining LP and Vale Newfoundland and Labrador Limited; Praxair Canada Inc.;
56 and Teck Resources Limited; and
57

58 **WHEREAS** on October 23, 2017 Hydro answered requests for information from Newfoundland
59 Power and the Board; and
60

61 **WHEREAS** on October 25, 2017 Newfoundland Power submitted that the Revised Capacity
62 Assistance Agreement is reasonable and should be approved; and
63

64 **WHEREAS** on October 26, 2017 Corner Brook Pulp and Paper Limited and NARL Refining LP
65 submitted that the Revised Capacity Assistance Agreement is reasonable and should be approved
66 at this time; and
67

68 **WHEREAS** on October 30, 2017 Vale Newfoundland and Labrador Limited advised that they
69 support the submission of Corner Brook Pulp and Paper Limited; and
70

71 **WHEREAS** the Consumer Advocate, Praxair Canada Inc., and Teck Resources Limited did not
72 file comments; and
73

74 **WHEREAS** in its October 27, 2017 submission Hydro requested that the Board approve the
75 Application as submitted; and
76

77 **WHEREAS** the Board notes that the purchased power expenses arising from the Revised Capacity
78 Assistance Agreement have been included in the proposed 2018 and 2019 test year revenue
79 requirements in Hydro’s general rate application currently before the Board and therefore the
80 recovery of the purchased power expenses will not be approved at this time; and
81

82 **WHEREAS** the Board is satisfied that the proposed Revised Capacity Assistance Agreement will
83 provide cost-effective flexibility to deal with unanticipated generation or load events that may
84 otherwise require the implementation of a customer outage program and will provide
85 enhancements to the reliability of the Island Interconnected system and should be approved.

86 **IT IS THEREFORE ORDERED THAT:**

- 87
- 88 1. The Revised Capacity Assistance Agreement between Hydro and Corner Pulp and Paper
89 Limited, to be effective as of November 1, 2017, is approved.
- 90
- 91 2. Hydro shall file a report no later than May 30 of each year during the term of the Revised
92 Capacity Assistance Agreement setting out for the latest winter period:
- 93 i) the capacity assistance requested and provided, including dates, times and duration;
- 94 ii) the system conditions at the time of the capacity assistance request, including
95 generation available and calculation of system reserve; and
- 96 iii) payments made.
- 97
- 98 3. Hydro shall pay all expenses of the Board arising from this Application.

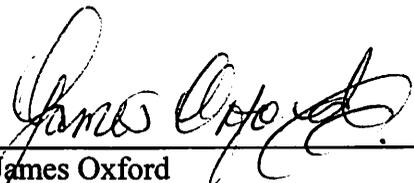
DATED at St. John's, Newfoundland and Labrador, this 31st day of October, 2017.



Darlene Whalen, P. Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



James Oxford
Commissioner



Cheryl Blundon
Board Secretary