

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

AN ORDER OF THE BOARD

NO. P.U. 42(2019)

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*,
4 RSNL 1990, Chapter P-47 (the “*Act*”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for
9 approval of an interruptible load service
10 agreement with Labrador Lynx Limited.
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12

13 **Background**
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15 In Order No. P.U. 37(2018) the Board approved an application from Hydro for an interruptible
16 load service agreement with Labrador Lynx Limited for the period December 1, 2018 through
17 March 31, 2019 (the “2018 Agreement”). The 2018 Agreement provided for 5,500 kW of
18 interruptible load to be available to Hydro to address forecast capacity shortfalls for the Labrador
19 East system for the 2018-2019 winter season.
20

21 The Muskrat Falls to Happy Valley Interconnection project was approved by the Board in Order
22 No. P.U. 9(2019) and is scheduled for completion in the fall of 2020. This project was expected to
23 provide additional capacity for the Labrador East system in the winter of 2019-2020 with the
24 completion of L1303 and expansion of the Muskrat Falls Terminal Station 2 in December 2019.
25 Hydro advised the Board on November 12, 2019 that an analysis completed by Hydro has
26 determined that the Muskrat Falls to Happy Valley interconnection cannot be established until the
27 first generation unit at Muskrat Falls is released for service due to issues with voltage deviations.
28 As a result the increase in system capacity provided by the interconnection is not expected in 2019.
29

30 **Application**
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32 On November 21, 2019 Hydro filed an application (the “Application”) for approval of an
33 interruptible load service agreement with Labrador Lynx Limited (“Labrador Lynx”) for the period
34 December 1, 2019 through to the earlier of March 31, 2020 or the in-service date of Transmission
35 Line L1303 (the “2019 Agreement”). The 2019 Agreement would provide between approximately
36 1650 kW and 6000 kW of interruptible load to be available to Hydro. Under the terms of the 2019
37 Agreement, Hydro can interrupt Labrador Lynx Limited’s service up to 20 times during the winter

1 period for up to six hours each time, to a maximum of 100 hours. Hydro would provide Labrador
2 Lynx with a credit of \$10 per kW per winter month for its maximum monthly demand for an
3 approximate total cost of \$166,500. The proposed credit is consistent with the 2018 Agreement
4 and will be allocated on a pro rata basis based on the number of valid creditable days in the month
5 and the total number of days in the month. According to Hydro an interruptible load service
6 agreement with Labrador Lynx will enable Hydro to meet customer demand requirements during
7 peak winter periods through a contractually binding ability to interrupt load for required periods
8 to lessen any risk of capacity shortfall in Labrador East for the 2019-2020 winter season.

9
10 The Application was copied to: Newfoundland Power Inc.; the Consumer Advocate, Dennis
11 Browne, Q.C.; Hydro's Island Industrial customers: Corner Brook Pulp and Paper Limited, NARL
12 Refining Limited Partnership, and Vale Newfoundland and Labrador Limited; the communities of
13 Sheshatshui, Happy Valley-Goose Bay, Wabush and Labrador City (the "Labrador Interconnected
14 Group"); Iron Ore Company of Canada; Teck Resources Limited; and Praxair Canada Inc.

15
16 On December 2, 2019 requests for information ("RFIs") were filed in relation to the Application
17 by the Labrador Interconnected Group. Hydro filed responses to the RFIs on December 9, 2019.
18 On December 11, 2019 the Labrador Interconnected Group submitted comments. On December
19 13, 2019 Hydro filed a reply submission. No other submissions were filed in relation to the
20 Application.

21 22 **Submissions**

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24 The Labrador Interconnected Group noted Hydro's statement that the agreement will "enable
25 Hydro to meet customer demand requirements during peak winter periods through a contractually
26 binding ability to interrupt load for required periods to lessen any risk of capacity shortfall in
27 Labrador East for the 2019-2020 winter season."¹ The Labrador Interconnected Group also noted
28 that, based on Hydro's P90 forecast, January 2020 is the only month during the winter season
29 forecast to exceed the 76 MW transfer capacity limit to Labrador East. The Labrador
30 Interconnected Group stated it was unclear why an interruptible agreement with Labrador Lynx
31 was required for any of the remaining winter months.

32
33 The Labrador Interconnected Group stated that the credit formula is linked with Labrador Lynx's
34 demand meaning that Labrador Lynx will receive significant credit payments for months in which
35 no need for interruption of service is forecasted. The Labrador Interconnected Group further stated
36 that only \$30,000 of the total cost appears to be potentially supported by Hydro's forecast with the
37 remaining \$136,500 entirely unsupported. The Labrador Interconnected Group submitted that this
38 amounts to an unnecessary cost to Hydro's customers and an unjustified benefit to Labrador Lynx.

39
40 According to the Labrador Interconnected Group the Application is another example of the results
41 of Hydro's inadequate load planning in Labrador East and that, when Hydro entered into a service
42 agreement with Labrador Lynx in 2018, it was aware that the capacity in Labrador East remained
43 limited to existing infrastructure as the proposed Muskrat Falls to Happy Valley Interconnection
44 had not yet been approved. The Labrador Interconnected Group submitted that the decision to
45 provide service to Labrador Lynx without putting terms in place to recognize transmission capacity

¹ Application, paragraph 9

1 was questionable and has led to the current need for this agreement which, if approved, will result
2 in a cost to customers that ought not to have been incurred. The Labrador Interconnected Group
3 submitted that the Board should deny the Application
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5 In reply Hydro stated that the 2019 Agreement includes terms that limit compensation to the period
6 subsequent to the in-service date for Labrador Lynx, terminating once the Muskrat Falls to Happy
7 Valley Interconnection is in service. Hydro also stated that the costs of the 2019 Agreement are
8 not included in the 2019 test year costs and that it does not have a mechanism for cost recovery.
9 As a result the costs of the 2019 Agreement will not be recovered in rates payable by Hydro's
10 customers. Hydro also noted the load forecast provided in response to LAB-NLH-001 was
11 prepared in May 2019, reflected the expected distribution of monthly demand based on historical
12 records, did not reflect what the maximum demand in any particular month could be and indicated
13 that the peak demand in the winter months is approaching or exceeding the capacity limit. Hydro
14 also noted the Labrador Lynx's most recent forecast loads were not included in the forecast.
15

16 With respect to the Labrador Interconnected Group's comments on its actions in providing service
17 to Labrador Lynx in 2018, Hydro stated that it is constrained by the obligations imposed on it by
18 current legislation, which precludes Hydro from refusing service, absent Board direction,
19 legislative amendment, or Government intervention. Hydro submitted that it did not have any basis
20 upon which to deny Labrador Lynx's application for service. Hydro also noted that it has received
21 approval of a temporary load restriction in Labrador East which allows Hydro to refuse
22 applications for service requests greater than 100 kW.
23

24 Hydro submitted that the 2019 Agreement is a precautionary measure to protect against the
25 forecast capacity shortfall or shortfalls as a result of variances outside the expected distribution
26 reflected in the load forecast and ensures Hydro's ability to provide reliable service to Labrador
27 East for the 2019-2020 winter season.
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29 **Board Findings**

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31 The Labrador Interconnected Group has requested that the Board deny the Application since it was
32 unclear why an interruptible agreement was required for certain months for the 2019-2020 winter
33 season and that the amounts to be paid to Labrador Lynx are unnecessary cost to Hydro's
34 customers and unjustified benefit to Labrador Lynx. The Board notes there would be no cost to
35 Hydro customers associated with the 2019 Agreement since these amounts are not included in
36 Hydro's 2019 test year costs and therefore are not included in approved rates. Hydro also
37 confirmed that the peak demand for Labrador East for the 2019-2020 winter season is approaching
38 or exceeding the capacity limit and did not include Labrador's Lynx's most recent forecast loads.
39 The Board is satisfied that the 2019 Agreement will enable Hydro to address peak demand
40 requirements for the 2019-2020 winter season. The Board finds that the proposed 2019 Agreement
41 is reasonable and necessary to ensure the continued provision of safe and reliable electric supply
42 to Hydro's customers and should be approved.

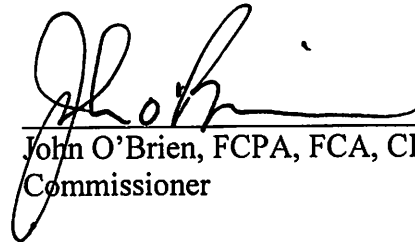
1 **IT IS THEREFORE ORDERED THAT:**

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- 3 1. The proposed Interruptible Load Service Agreement with Labrador Lynx Limited, to be
- 4 effective from December 1, 2019 through to the earlier of March 31, 2020 or the in-service
- 5 date of Transmission Line L1303, is approved.
- 6
- 7 2. Hydro shall pay all expenses of the Board arising from this Application.

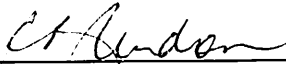
DATED at St. John's, Newfoundland and Labrador, this 20th day of December, 2019.



Darlene Whalen, P. Eng., FEC
Chair & CEO



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary