

# POOLE ALTHOUSE

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October 7, 2016

***Via Electronic Mail & Courier***

Newfoundland and Labrador Board  
of Commissioners of Public Utilities  
120 Torbay Road  
P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. G. Cheryl Blundon**  
**Director of Corporate Services and Board Secretary**

Dear Ms. Blundon:

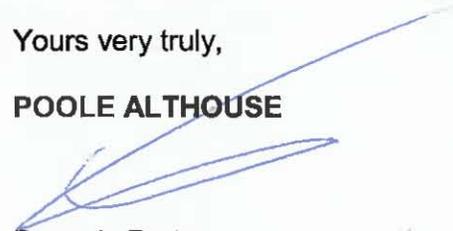
**Re: Newfoundland and Labrador Hydro - 2017 Capital Budget Application**

Please find enclosed one original and twelve (12) copies of the Submissions of the Island Industrial Customers Group in relation to the above noted Application.

We trust you find the foregoing satisfactory

Yours very truly,

**POOLE ALTHOUSE**

  
Dean A. Porter

DAP/lp

Enclosure

J:\Clients\4648-24\NLBCPU, ltr 3.doc

cc: Ms. Tracey Pennell, Senior Legal Counsel - Newfoundland and Labrador Hydro  
Mr. Thomas J. Johnson, Consumer Advocate  
Mr. Gerard Hayes, Newfoundland Power  
Mr. Paul Coxworthy, Stewart McKelvey  
Mr. Thomas O'Reilly, Q.C., Cox & Palmer

Dean A. Porter

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**IN THE MATTER OF** the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the Act) as amended; and

**IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro, for an Order approving: (1) its 2017 capital budget, pursuant to s. 41(1) of the Act; (2) its 2017 capital purchases, and construction projects in excess of \$50,000 pursuant to s. 41(3)(a) of the Act; (3) its leases in excess of \$5,000 pursuant to s. 41(3)(b) of the Act; and (4) its estimated contributions in aid of construction for 2017 pursuant to s. 41(5) of the Act.

## **WRITTEN SUBMISSION OF THE ISLAND INDUSTRIAL CUSTOMERS GROUP**

### 1 **Introduction**

2 These are the written submissions of Corner Brook Pulp and Paper Limited and NARL  
3 Refining LP (the "Island Industrial Customers Group") in relation to Hydro's 2017 Capital  
4 Budget Application (the "Application").

### 5 **Electrical Power Control Act, 1994**

6 Hydro's Capital Budget process is governed by the *Electrical Power Control Act*, 1994  
7 (the "EPCA"). Section 3(b) of the EPCA states:

8 *Power policy*

9 3. *It is declared to be the policy of the province that ...*

10 (b) *all sources and facilities for the production, transmission and*  
11 *distribution of power in the province should be managed and operated in*  
12 *a manner*

13 (i) *that would result in the most efficient production,*  
14 *transmission and distribution of power,*

15 (ii) *that would result in consumers in the province having*  
16 *equitable access to an adequate supply of power,*

1                   (iii) that would result in power being delivered to consumers in  
2 the province at the lowest possible cost consistent with reliable  
3 service.

4                   (iv) that would result in, subject to Part III, a person having priority  
5 to use, other than for resale, the power it produces, or the power  
6 produced by a producer which is its wholly-owned subsidiary,

7                   (v) where the objectives set out in subparagraphs (i) to (iv) can  
8 be achieved through alternative sources of power, with the least  
9 possible interference with existing contracts,

10                   and, where necessary, all power, sources and facilities of the  
11 province are to be assessed and allocated and re-allocated in the  
12 manner that is necessary to give effect to this policy;

13 Section 4 of the EPCA charges the Board with the responsibility of implementing the  
14 power policy set out in section 3.

15 Implementation of power policy must not only be “consistent with reliable service” but  
16 must also ensure that power is produced, transmitted and distributed in the “most  
17 efficient” manner at the “lowest possible cost”.

18 The Island Industrial Customers submit that the “lowest possible cost” principle can only  
19 be given meaningful effect if Hydro’s justifications for its proposed capital expenditures  
20 are subjected to rigorous scrutiny, so that Hydro’s customers, including the Island  
21 Industrial Customers, can be assured that they are being provided power in accordance  
22 with section 3(b) of the EPCA.

23 **Individual 2017 Capital Budget Projects**

24 The Island Industrial Customers Group do not object to any individual project proposed  
25 by Hydro’s Application. The Island Industrial Customers Group would, however, note  
26 that the fact that they have not passed comment on a particular project does not  
27 necessarily indicate endorsement of that project and anticipate that the Board will  
28 exercise its own due scrutiny of the merits of each project proposed before deciding  
29 whether to approve (or disallow) any given project.

30 **Project C-53: Upgrade Corner Brook Frequency Converter**

31       ➤ ***Proposed Capital Expenditure: \$2,943,800.00 (17/18)***

32 At page C-53 of the Application, Hydro seeks approval of this Project to upgrade the  
33 Corner Brook Frequency Converter at an estimated cost of \$2,943,800.00 over two (2)  
34 years (17/18).

35 Under current Board approved methodology, capital expenditures on the Frequency  
36 Converter are specifically assigned to Corner Brook Pulp and Paper Limited.

1 In the September 28<sup>th</sup>, 2015 Settlement Agreement between the parties in the 2013  
2 Amended General Rate Application (filed in that proceeding as "Consent 2"), it was  
3 agreed, *inter alia*, that:

4 "The Cost of Service Methodology Review to be completed in 2016 will include a  
5 review of: (i) all matters related to the functionalization, classification and  
6 allocation of transmission and generation assets and power purchases (including  
7 the determination whether assets are specifically assigned and the allocation of  
8 costs to specifically assigned assets) and (ii) the approach to CDM cost  
9 allocation and recovery."

10 Though the Island Industrial Customers Group do not object to the approval of the  
11 Project, this should not be taken as tacit approval of the specific assignment of the costs  
12 related to the project (or any part thereof or of prior projects to upgrade Frequency  
13 Converter). To the contrary, the Island Industrial Customers Group specifically reserve  
14 the right to object to same (and the specific assignment of costs related to earlier  
15 projects related to the Frequency Converter) when cost of service issues are next  
16 considered by the Board (the 2016 Cost of Service Methodology Review envisioned by  
17 the Settlement Agreement now being delayed beyond 2016).

18 Further, Corner Brook Pulp and Paper Limited confirms ongoing discussions continue  
19 with Hydro regarding the timing of the specific elements of the Project and it is expected  
20 that this will continue through 2016 to ensure that the optimal schedule for the Project,  
21 both from the point of view of Hydro and Corner Brook Pulp and Paper Limited, is  
22 respected (this is particularly important when the long term future of the Frequency  
23 Converter is in question).

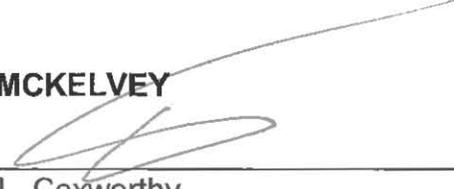
All of which is respectfully submitted.

**DATED** at Corner Brook, in the Province of Newfoundland and Labrador, this 7 day of  
October, 2016.

**POOLE ALTHOUSE**

Per:   
\_\_\_\_\_  
Dean A. Porter

**STEWART MCKELVEY**

Per:   
\_\_\_\_\_  
Paul L. Coxworthy

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Suite E210, Prince Charles Building  
120 Torbay Road  
P.O. Box 21040  
St. John's, NL A1A 5B2

Attention: Board Secretary

TO: Newfoundland & Labrador Hydro  
P.O. Box 12400  
500 Columbus Drive  
St. John's, NL A1B 4K7

Attention: Tracey Pennell,  
Senior Legal Counsel

TO: Thomas Johnson, Consumer Advocate  
O'Dea, Earle Law Offices  
323 Duckworth Street  
St. John's, NL A1C 5X4

TO: Newfoundland Power Inc.  
P.O. Box 8910  
55 Kenmount Road  
St. John's, NL A1B 3P6  
Attention: Gerard Hayes,  
Senior Legal Counsel