

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

AN ORDER OF THE BOARD

NO. P.U. 37(2018)

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 On July 28, 2017 Newfoundland and Labrador Hydro (“Hydro”) filed its 2018 Capital Budget
16 Application which included a project to address both forecast capacity shortfalls and reliability
17 issues on the Labrador East system.¹ In Order No. P.U. 43(2017) the Board deferred consideration
18 of this project on the basis that the evidence did not demonstrate that it was necessary and
19 consistent with the least-cost provision of service. Following the filing of additional information
20 by Hydro the Board found in Order No. P.U. 9(2018) that further information was required before
21 the proposed work in Labrador East would be approved. The Board acknowledged the reliability
22 concerns in Labrador East for 2018-2019 and stated:
23

24 Based on the record it appears that, despite the size of the forecast load increase relative to
25 the existing loads on the system and the costs associated with addressing this increase,
26 Hydro has not completed a comprehensive plan to address load growth and reliability on
27 the Labrador Interconnected system. In particular Hydro did not demonstrate that it has
28 explored options to manage load in the context of additional demand.²
29

30 As part of the application for approval of such a significant project Hydro is required to
31 demonstrate that it conducted appropriate planning for the system in a comprehensive
32 manner which would include development of reasonable planning criteria, identification
33 of needs on the system and assessment of reasonable alternatives. This planning must
34 address both Labrador East and Labrador West as they are both part of the Labrador
35 Interconnected system. In addition, Hydro would be expected to address its obligation to

¹ The Muskrat Falls to Happy Valley Interconnection Project, 2018 Capital Budget Application, Volume I, page C-44

² Order No. P.U. 9(2018), page 8

1 provide least cost reliable service, considering the impact on existing customers of meeting
2 new loads which may affect adequacy or reliability on the system.³
3

4 The Board directed Hydro to file a proposed plan in relation to the provision of reliable service in
5 Labrador East in 2018-2019 as well as a proposal in relation to the process and timelines for further
6 consideration of the proposed Labrador East project.
7

8 On April 16, 2018 and April 24, 2018 Hydro filed correspondence setting out its plan to ensure
9 the provision of reliable service in Labrador East, which included options to mitigate the forecast
10 capacity deficit for Labrador East. Hydro's plan included an investigation of a curtailable and/or
11 interruptible rate program for larger customers.
12

13 **Application** 14

15 On August 31, 2018 Hydro filed an application (the "Application") for approval of an interruptible
16 load service agreement in Labrador East with Labrador Lynx Limited for the period December 1,
17 2018 through March 31, 2019 (the "Agreement"). The Agreement would provide approximately
18 5,500 kW of interruptible load to be available to Hydro. Under the terms of the Agreement, Hydro
19 can interrupt Labrador Lynx Limited's service up to 20 times during the winter period for up to six
20 hours each time, to a maximum of 100 hours. Hydro would provide Labrador Lynx Limited with
21 a credit of \$10 per kW per winter month for its maximum monthly demand for an approximate
22 total cost of \$220,000. According to Hydro an interruptible load service agreement with Labrador
23 Lynx Limited, a cryptocurrency customer, will enable Hydro to reduce demand during peak winter
24 periods to address the forecast capacity shortfall in Labrador East for the 2018-2019 winter season.
25

26 The Application explained that the interruptible service option allows Hydro to interrupt customer
27 loads when loading conditions dictate (e.g., to reduce peak demand) while a curtailable program
28 relies on the customer to voluntarily curtail its demand. Hydro submitted that an interruptible
29 arrangement provides Hydro with greater control over its peak load in the region as curtailable
30 programs present the risk that the customer may refuse to curtail load.
31

32 The Application was copied to: Newfoundland Power Inc.; the Consumer Advocate, Dennis
33 Browne, Q.C.; Hydro's Island Industrial customers: Corner Brook Pulp and Paper Limited, NARL
34 Refining Limited Partnership, and Vale Newfoundland and Labrador Limited; the communities of
35 Sheshatshui, Happy Valley-Goose Bay, Wabush, and Labrador City (the "Labrador Interconnected
36 Group"); Iron Ore Company of Canada ("IOC"); Teck Resources Limited; and Praxair Canada
37 Inc.
38

39 On September 10, 2018 requests for information ("RFIs") were filed in relation to the Application
40 by IOC. On September 13, 2018 the Labrador Interconnected Group and the Board submitted RFIs.
41 Hydro filed its responses to the RFIs on September 19, 2018. On September 26, 2018 the Labrador
42 Interconnected Group and IOC submitted comments. On September 28, 2018 Hydro filed its reply
43 submission. No other submissions were filed in relation to the Application.

³ Order No. P.U. 9(2018), pages 8-9

1 Submissions

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3 IOC submitted that the *Act* requires the equal treatment of all ratepayers and Hydro's approach is
4 not consistent with section 73 of the *Act*. IOC argued that an interruptible load service agreement
5 must be accessible to all ratepayers and that if the conditions in the Agreement were to apply to all
6 customers they would be too restrictive. IOC stated that, considering the desire to ensure that there
7 is adequate supply to Labrador East, it would not object to the Agreement as proposed in the
8 Application but that it would object to the proposed rates and conditions of the Agreement should
9 it be extended beyond March 31, 2019.

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11 The Labrador Interconnected Group stated that Hydro's contract to serve Labrador Lynx Limited
12 is part of the capacity crunch caused by cryptocurrency customers which has created difficulties
13 in adequately serving Labrador East. The Labrador Interconnected Group stated:

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15 As the present Application provides relief from the capacity issues that Hydro has caused
16 by agreeing to serve customers whom it does not have sufficient capacity to serve, it will
17 be helpful to the Labrador East communities. To that extent, the LIG supports the
18 Application.⁴

19
20 The Labrador Interconnected Group submitted that the Application provides for financial rewards
21 to Labrador Lynx Limited and questioned the prudence of such an expenditure and reserved the
22 right to raise this issue in a future proceeding.

23
24 Hydro responded that the proposed approach is a short-term measure to alleviate forecast capacity
25 constraints in Labrador East for the winter of 2018-2019. As such, Hydro stated it did not see the
26 merits of a discussion surrounding the appropriateness or applicability of conditions in the
27 Agreement as they relate to future contracts or rate design. Hydro stated that both IOC and the
28 Labrador Interconnected Group acknowledged the need to provide reliable service to Labrador
29 East this upcoming winter. Hydro further stated that it is within this context that it has proposed
30 the Agreement and submitted that it has demonstrated that the Agreement is the least-cost option
31 for providing reliable service in the short term.

32 Board Findings


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35 The Agreement proposed in the Application is part of Hydro's response to the direction by the
36 Board in Order No. P.U. 9(2018) in relation to the provision of reliable service in Labrador East
37 in 2018-2019. The Labrador Interconnected Group supported the Application but questioned the
38 prudence of the associated expenditures. IOC did not object to the Agreement but commented that,
39 looking beyond the coming winter, it objected to the rates and conditions in the Agreement. The
40 Board is satisfied that the Agreement will enable Hydro to reduce demand during peak winter
41 periods to address the forecast capacity shortfall in Labrador East for the 2018-2019 winter season.
42 The Board believes that the Agreement is a reasonable measure for Hydro to take to ensure the
43 provision of reliable service in Labrador East in 2018-2019. The Board finds that the Agreement
44 is reasonable and necessary to ensure the continued provision of safe and reliable electricity supply
45 to Hydro's customers and should be approved.

⁴ Labrador Interconnected Group Submission, page 1


1 **IT IS THEREFORE ORDERED THAT:**
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- 3 1. The proposed Interruptible Load Service Agreement to be effective from December 1, 2018
4 to March 31, 2019 is approved.
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6 2. Hydro shall pay all expenses of the Board arising from this Application.

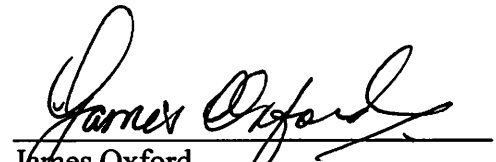
DATED at St. John's, Newfoundland and Labrador, this 11th day of October, 2018.



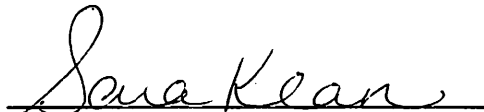
Darlene Whalen, P. Eng., FEC
Chair & CEO



Dwanda Newman, LL.B.
Vice-Chair



James Oxford
Commissioner



Sara Kean
Assistant Board Secretary