

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

AN ORDER OF THE BOARD

NO. P.U. 35(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*, 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 Firm Energy Power Purchase Agreement with
10 Corner Brook Pulp and Paper Limited pursuant to
11 sections 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 22, 2019 Hydro filed an application for approval of a Firm Energy Power
19 Purchase Agreement (“Firm Energy PPA”) with Corner Brook Pulp and Paper Limited (“CBPP”)
20 for a term to conclude on December 31, 2019 (the “Application”); and
21

22 **WHEREAS** the Application stated that CBPP has planned maintenance scheduled for a short
23 period beginning early November 2019 and, as a result, will have surplus capacity and energy that
24 Hydro proposes to purchase to serve customer load; and
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26 **WHEREAS** the Application stated that to secure hydrological storage for winter 2019-2020,
27 which is below minimum levels and historical averages, Hydro has increased thermal production
28 through the operation of Units 1 and 2 at the Holyrood Thermal Generating Station and is currently
29 making economic purchases over the Maritime Link; and
30

31 **WHEREAS** the Application stated that the purchases pursuant to the Firm Energy PPA will
32 supplement Hydro’s current efforts to secure hydrological storage via economic purchases over
33 the Maritime Link; and
34

35 **WHEREAS** the Application stated that the attributes of the capacity and energy to be purchased
36 pursuant to the Firm Energy PPA are distinct and more favorable than the provisions of the Revised
37 Capacity Assistance Agreement approved in Order No. P.U. 40(2018); and
38

39 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland Power”);

1 the Consumer Advocate, Dennis Browne, Q.C. (“the Consumer Advocate”); a group of Hydro’s
2 Island Industrial customers: Corner Brook Pulp and Paper Limited, NARL Refining Limited
3 Partnership (“NARL”), Vale Newfoundland and Labrador Limited (“Vale”); the communities of
4 Sheshatshui, Happy Valley-Goose Bay, Wabush, and Labrador City (the “Labrador Interconnected
5 Group”); Teck Resources Limited; and Praxair Canada Inc; and
6

7 **WHEREAS** on October 25, 2019 the Consumer Advocate advised that he would not be
8 intervening in the Application; and
9

10 **WHEREAS** on October 28, 2019 CBPP submitted that the capacity and energy to be purchased
11 pursuant to the Firm Energy PPA are more economical than that purchased pursuant to provisions
12 of the capacity assistance agreement between CBPP and Hydro and that the Application should be
13 approved; and
14

15 **WHEREAS** on October 28, 2019 Newfoundland Power submitted it was party to a Secondary
16 Energy Agreement with Hydro and CBPP which enables Newfoundland Power to purchase excess
17 energy generated by CBPP and that the Firm Energy PPA effectivity overlaps this agreement and
18 as a result requested Hydro to address its concern of whether the Firm Energy PPA will benefit its
19 customers; and
20

21 **WHEREAS** on October 30, 2019 Hydro, in its reply submission, acknowledged Newfoundland
22 Power’s concern and, to ensure Newfoundland Power’s customers are not disadvantaged,
23 proposed:

- 24 i. any savings resulting from the approval of the Firm Energy PPA be applied to the
25 Newfoundland Power Rate Stabilization Plan Current Plan balance; and
- 26 ii. the amount of savings be calculated based upon the difference between the cost of
27 purchases under the Firm Energy PPA and the cost of generation at Holyrood Thermal
28 Generating Station based on the approved 2019 Test Year No. 6 fuel cost; and
29

30 **WHEREAS** Hydro submitted the Application be approved as filed with the exception that any
31 savings resulting from the Firm Energy PPA be applied to the Current Plan balance of the Rate
32 Stabilization Plan for Newfoundland Power; and
33

34 **WHEREAS** on October 31, 2019 Newfoundland Power filed a reply stating it was satisfied with
35 Hydro’s proposal that any savings resulting from the Firm Energy PPA be applied to the
36 Newfoundland Power Rate Stabilization Plan Current Plan balance and that it is supportive of the
37 Application; and
38

39 **WHEREAS** on November 1, 2019 NARL and Vale filed a submission which supported the
40 Application as filed but stated that, in the absence of further information, it is not possible to
41 determine whether Hydro’s proposal to apply all savings achieved through the Firm Energy PPA
42 to Newfoundland Power’s Rate Stabilization Plan Current Plan balance treats all customers fairly;
43 and
44

45 **WHEREAS** NARL and Vale submitted that the savings associated with the Firm Energy PPA
46 should be placed in a deferral account with the equitable distribution of the savings to be the subject
47 of a further application by Hydro after the expiry of the Firm Energy PPA; and

1 **WHEREAS** the Board did not receive any other submissions; and

2

3 **WHEREAS** based on the information provided the Board is satisfied that costs of purchases
4 pursuant to the proposed Firm Energy PPA are favourable as compared to generation at the
5 Holyrood Thermal Generation Station; and

6

7 **WHEREAS** the Board is satisfied that the proposed Firm Energy PPA combined with the effects
8 of Hydro's current economic purchases via the Maritime Link will supplement or offset generation
9 at the Holyrood Thermal Generation Station while at the same time supporting Hydro's
10 hydrological storage position for winter 2019-2020; and

11

12 **WHEREAS** the Board is not satisfied that Hydro has demonstrated that the proposed application
13 of the savings associated with the proposed Firm Energy PPA to Newfoundland Power's Rate
14 Stabilization Plan Current Plan balance is appropriate in the circumstances; and

15

16 **WHEREAS** the Board finds that the proposed Firm Energy PPA should be approved and that
17 Hydro should file for the approval of the Board a proposal for a deferral account for the savings
18 resulting from the Firm Energy PPA, setting out how these savings are to be calculated and that
19 the disposition of the balance should be the subject of a further application by Hydro.

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21

22 **IT IS THEREFORE ORDERED THAT:**

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24 1. The proposed Firm Energy Power Purchase Agreement between Hydro and Corner Brook
25 Pulp and Paper Limited is approved.

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27 2. Hydro shall file for the approval of the Board a proposal for an account to defer the savings
28 associated with the Firm Energy Power Purchase Agreement.

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30 3. Hydro shall pay all expenses of the Board arising from this Application.

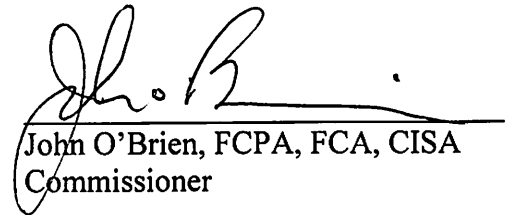
DATED at St. John's, Newfoundland and Labrador, this 1st day of November, 2019.



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



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Sara Kean
Assistant Board Secretary