

October 13, 2016

The Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. Cheryl Blundon**  
**Director Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro's 2017 Capital Budget Application**

Following is Hydro's submission with regard to the above noted application.

### **1.0 Application Background**

On August 29, 2016, Newfoundland and Labrador Hydro ("Hydro") filed its 2017 Capital Budget Application ("Application") with the Board of Commissioners of Public Utilities (the "Board") seeking approval under Section 41 of the *Public Utilities Act* (the "Act") of \$271.4 million in capital expenditures. On August 31, 2016, Hydro withdrew the Bay d'Espoir component of the 2017 project "*Overhaul Turbine/Generators - Bay d'Espoir and Cat Arm*" from the 2017 Capital Budget Application (Volume I, D-31).

Hydro seeks approval of its 2016 Capital Budget projects and in support of that Application makes the following submissions.

### **2.0 Legislative Framework**

Section 37 of the Act requires Hydro to provide electrical service and facilities that are safe and adequate and just and reasonable. Section 41 of the Act also requires that Hydro obtain approval from the Board for its annual capital budget. In addition, Section 3 of the *Electrical Power Control Act, 1994* requires that Hydro provide electrical service that is efficient, that is provided such that its customers have equitable access to an adequate supply of power, and that is provided at least cost consistent with reliable service.

Hydro submits that all of its projects that are before the Board in this Application are reasonably required to meet Hydro's obligations under the Act and the *Electrical Power Control Act, 1994* to provide power and service to its customers that is reasonably safe and adequate and at the lowest possible cost consistent with reliable service.

### 3.0 Intervenor Submissions

The Consumer Advocate, in its letter dated October 7, 2016, stated that having reviewed the documentation, that he did not have any submissions on Hydro's application.

Newfoundland Power Inc., in its letter dated October 7, 2016, did not object to any project in Hydro's application. Newfoundland Power has requested that the Board, in addition to approving Hydro's proposed expenditures relating to its Stephenville and Hardwoods gas turbines, should order Hydro to complete a comprehensive analysis of short and long term options related that the gas turbines as part of the report to be filed by Hydro by November 30, 2016.

The Industrial Customers, in their letter dated October 7, 2016, also stated that they do not object to any individual project proposed by Hydro and noted that Hydro and Corner Brook Pulp and Paper Limited are currently discussing the schedule of project C-53: Upgrade Corner Brook Frequency Converter.

### 4.0 Hydro's Response

Hydro submits that the parties have not objected to any of the projects proposed in its Application.

With respect to Newfoundland Power's request that Hydro complete a comprehensive short and long term analysis of the Stephenville and Hardwoods gas turbines, Hydro respectfully submits that it is currently performing an analysis with respect to these assets. The Board has already ordered Hydro to perform such an analysis. In Board Order No. P.U.22(2016) at page 3, lines 16 to 21, the Board stated:

***WHEREAS** the Board notes that the long-term strategy for Hardwoods and Stephenville will be addressed as a part of the ongoing Phase II review process and the Board is satisfied that Hydro should, following the completion of the proposed refurbishment at Hardwoods and Stephenville, file a report addressing the cause of the failures and how the causes and any other relevant findings may impact unit reliability in the short term as well longer term considerations.*

As such, Hydro submits that there is no need for the Board to order Hydro to provide any further report at this time.

In relation to the project C-53: Upgrade Corner Brook Frequency Converter, Hydro confirms that there are on-going discussions with Corner Brook Pulp and Paper Limited regarding the timing of specific elements of the project. Hydro is continuing to work with this customer to determine the optimal schedule for this project, taking into account Hydro's requirement to provide safe and adequate, low cost and reliable service while attempting to address the concerns of the customer.

### **5.0 Conclusion**

In summary, Hydro states that the capital works for which Hydro has sought approval in the present application are necessary to ensure that Hydro can continue to provide service which is safe and adequate and just and reasonable as required by Section 37 of the Act. Hydro respectfully requests that the Board approve Hydro's application, as submitted.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



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Tracey L. Pennell  
Senior Counsel, Regulatory

TLP/bs

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey Stirling Scales  
Sheryl Nisenbaum – Praxair Canada Inc.

Thomas Johnson – Consumer Advocate  
Thomas J. O'Reilly, Q.C. – Cox & Palmer  
Larry Bartlett – Teck Resources Limited