

1 Q. **Re: NLH Evidence, Section 1.2.2, page 1.6 to 1.8**

2 Please indicate more specifically what steps, if any, NLH intends to take to
3 implement Integrated Resource Planning.

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6 A. At this time, Hydro does not intend to implement Integrated Resource Planning,
7 unless requested to do so by the Board. As noted in Board Order P.U. 8(2007),
8 Section 5 Integrated Resource Planning, pages 58 – 60 (see IN-NLH-152 Attachment
9 1), following are some points from Hydro's position:

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- 11 • *Hydro already prepares an annual system planning report, which reviews the*
12 *latest long term load forecast, generation expansion requirements, options,*
13 *costs and issues;*
- 14 • *The BC Hydro model referred to by Mr. Douglas Bowman demonstrates the*
15 *scope and enormity of the process;*
- 16 • *The Board does not have an accurate estimate of the costs of an IRP;*
- 17 • *It accepts the Board's finding in Order No. P. U. 14(2004) at page 149 that*
18 *such an exercise should be coordinated with the involvement of both utilities*
19 *and is best addressed in the context of a generic process;*
- 20 • *Hydro could meet with the Board and Intervenors within a reasonable period*
21 *following the release of the Province's Energy Plan to discuss the*
22 *appropriateness of an IRP. If the Board believes an IRP is appropriate, it*
23 *would discuss the participants, timing and scope of such an exercise.*

The proposed conservation and demand management potential study will provide information that will assist the utilities in identifying cost-effective conservation programs, thereby fulfilling the policy objectives of the EPCA to ensure least cost reliable power. The coordinated approach with other stakeholders will ensure that conservation benefits are maximized and programs are delivered in an effective manner.”

In oral submission Hydro clarified its position on the issue of conservation and the Consumer Advocate’s request for an education plan:

Hydro, with the co-operation of Newfoundland Power, has issued an RFP and the consultant who is hired will identify a host of initiatives relative to conservation, and not only will they identify the list, but they will also indicate to the utilities where they expect to get the best results based on best practices from other jurisdictions.

(Transcript, February 13, 2007, pg. 89-90)

The issue of energy conservation has been a recurring theme before the Board in prior hearings and the Board commends both Hydro and NP for their joint initiative in this area. The Board agrees with the Consumer Advocate that Hydro can play an important role with regard to educating consumers concerning energy usage and improved efficiency and also about the relative costs of alternate energy sources by comparison to electricity. However, in light of the prospective and joint initiative being funded by both utilities, the Board finds that it would be prudent and practical to await the results of the CDM study. The consultant is expected to catalogue CDM technologies, identify applicable technologies, develop program concepts as well as complete a market and economic analysis for the residential, commercial and industrial sectors. The study will also provide a list of initiatives and expected results for each initiative based on experience in other jurisdictions. In the Board’s view this comprehensive information will be valuable in determining what energy conservation programs and demand management techniques can be employed by each utility in satisfying the needs of their respective customers. It is the Board’s understanding that these initiatives will have both a short-term and long-term focus and consequently may prove valuable in impacting demand and hence future supply considerations to be determined within the context of the Integrated Resource Plan, considered below.

Hydro will be required to file, no later than June 30, 2008, a report outlining its five-year strategic plan with respect to energy conservation initiatives, which should include a description, timing and cost of the program elements to be implemented by Hydro and a copy of the CDM Potential Study.

5. Integrated Resource Planning

Both the Industrial Customers and the Consumer Advocate raised the issue of Hydro’s long term system planning and the importance of commencing work on an integrated resource planning (IRP) process in 2007.

Mr. Douglas Bowman, the Consumer Advocate’s witness, submitted that:

“...demand and supply procurement decisions have long-term effects on the cost of power. An integrated resource plan with full public input is necessary to properly assess the risks of such

decisions and provide confidence that consumers are gaining maximum value from both cost and social-economic perspectives.”

(Douglas Bowman, Pre-filed Evidence, pg. 19/15-18)

The Industrial Customers’ expert witnesses stated:

“In its Order for this proceeding, the Board should ensure that there is a firm submission timeline set for a long-term Island Interconnected System Resource Plan and clarify that Hydro has the lead role in preparing that plan for PUB review.”

(P. Bowman and A. McLaren, Pre-filed Evidence, pg. 42/26-28)

In final submissions both the Consumer Advocate and the Industrial Customers asked that the Board make an Order that any party shall have leave to bring an application to the Board seeking directions on the IRP process at any time after 60 days following the public release of the Energy Plan in the event that it is released on or before the 30th of June, 2007, or at any time after should the Energy Plan not be released by June 30, 2007 or should it become apparent that it will not be released by that date.

Hydro submits that its ongoing system planning analysis and annual “Report on Generation Planning Issues” assesses the various potential sources of meeting future load requirements and allows the Board to meet its obligations under s. 4 of the *EPCA*. Hydro’s position was summarized in its written submission (pg. 30):

- *“Hydro already prepares an annual system planning report, which reviews the latest long term load forecast, generation expansion requirements, options, costs and issues;*
- *Demand side management is a key element of an IRP and a study of the technical and economic potential for conservation in the Province will be underway in 2007;*
- *The Board addressed an IRP for Hydro in Order No. P. U. 14(2004) and expressed its preference for a generic process;*
- *The BC Hydro model referred to by Mr. Douglas Bowman demonstrates the scope and enormity of the process;*
- *The Board does not have an accurate estimate of the costs of an IRP; and*
- *Most importantly the Province’s Energy Plan, which will establish provincial policy for the supply of energy, has not yet been released but is anticipated in the coming months.”*

With respect to the appropriateness of an IRP Hydro submitted:

- “1. *The Board should await the release of the Province’s Energy Plan;*
2. *It accepts the Board’s finding in Order No. P. U. 14(2004) at page 149 that such an exercise should be coordinated with the involvement of both utilities and is best addressed in the context of a generic process; and*
3. *Hydro could meet with the Board and Intervenors within a reasonable period following the release of the Province’s Energy Plan to discuss the appropriateness of an IRP. If the Board believes an IRP is appropriate, it would discuss the participants, timing and scope of such an exercise.”*

In Order No. P. U. 14(2004) the Board addressed the issue of an IRP in the context of Hydro’s future generation planning. The Board confirmed that it has the authority and

responsibility to ensure that adequate planning occurs for the production, transmission and distribution of least cost power in the Province, pursuant to sections 3, 4 and 6 of the *EPCA*. In addressing the question of whether Hydro should be required to undertake an integrated resource planning exercise, the Board noted (pg. 149):

“...implementation of Integrated Resource Planning may present sound opportunities for coordinated planning and improved regulation involving both utilities. This process brings together strategic planning, future supply and demand, least cost analysis, demand side management options and environmental considerations.”

The Board concluded, however, that more detailed information was required before the Board can move forward with an IRP, including a marginal cost study. The Board found that this matter should be considered as part of a generic process involving both utilities and other interested parties.

The Board notes that a marginal cost study is now complete and has been filed with the Board and the parties as part of this proceeding. As well Hydro and the parties have agreed as part of the settlement process to undertake rate design reviews for both NP and the Industrial Customers. As noted in the previous section on Energy Conservation Initiatives Hydro and NP are also currently undertaking a joint study of conservation and demand management potential in the Province. In addition, Government is currently in the process of finalizing the Energy Plan, which is expected to set out provincial policy for the supply of energy over the short and long term. It is understood that the Energy Plan may be released during the first half of 2007, although there is uncertainty as to the actual release date.

The Board is not prepared to proceed with an IRP exercise given the pending release of the Energy Plan and completion of the various rate design reviews and conservation and demand management studies currently underway. In the Board's view the Province's future policy direction respecting energy supply will be a key ingredient in formulating an IRP. As well these various studies/reviews would also comprise important inputs needed to stimulate informed discussion and debate contributing to a comprehensive IRP acceptable to all stakeholders.

In terms of the Board's ongoing role with respect to ensuring adequate planning Hydro prepares an annual system planning report, which reviews the latest long-term load forecast, generation expansion requirements, options, costs and other important issues. The 2005 report was filed on November 27, 2006 (Schedule JRH-Supplementary 1) and the 2006 report was filed on December 8, 2006. This report provides fundamental information regarding future supply issues in the Province and is valuable to the Board in meeting its responsibilities under s. 4 of the *EPCA*. The Board remains convinced that an IRP undertaken as part of a generic process as described in Order No. P. U 14(2004) is an important planning tool and would enhance the information available to the Board and other parties regarding future generation and supply options in the Province. The Board will convene a meeting of stakeholders including Hydro and the parties to this proceeding to discuss the scope of an IRP process with the timing of such an exercise to be determined by the Board.

The Board will not establish at this time a process with respect to the commencement of an IRP exercise.