



October 8, 2014

Ms. G. Cheryl Blundon
Board of Commissioners of Public Utilities
120 Torbay Road, P.O. Box 12040
St. John's, NL A1A 5B2

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro 2015 Capital Budget Application

Please find enclosed the original and twelve (12) copies of the Consumer Advocate's Submission in relation to the above noted Capital Budget Application.

A copy of the letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the filing, please contact the undersigned at your convenience.

Yours very truly,

O'DEA, EARLE



THOMAS JOHNSON

TJ/cel
Encl.

cc: Newfoundland & Labrador Hydro
Attention: Geoffrey P. Young, Senior Legal Counsel

Newfoundland Power
Attention: Gerard Hayes, Senior Legal Counsel/Liam P. O'Brien

Island Industrial Customers
Attention: Paul Coxworthy, (Stewart McKelvey)

Vale Newfoundland and Labrador Limited
Attention: Mr. Thomas O'Reilly, Q.C. (Cox & Palmer)

IN THE MATTER OF the Public Utilities Act,
R.S.N.L. 1990, c. P-47 (the “Act”); and

IN THE MATTER OF an
Application by Newfoundland and
Labrador Hydro for an Order
approving: (1) its 2015 capital budget,
pursuant to s. 41(1) of the Act; (2) its 2015
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 2015 pursuant to s. 41(5) of the Act.

SUBMISSIONS BY THE CONSUMER ADVOCATE

1 Newfoundland and Labrador Hydro (“Hydro”) filed its 2015 Capital Budget Application (“the
2 Application”) with the Board of Commissioners of Public Utilities (“the Board”) on August 1,
3 2014. In the Application, Hydro is seeking approval for, *inter alia*, 2015 capital expenditures of
4 \$79.9 million dollars. Hydro advises that approval of its 2013 Rate Base will be brought under
5 a separate application.

6
7 The following are the Consumer Advocate’s submissions with respect to the Application.

8
9 The Public Utilities Act. RSNL. c. P-47., as amended:

10 Section 37(1) of the Public Utilities Act (“the Act”) sets out that a public utility shall provide
11 service and facilities that are reasonably safe and adequate, and just and reasonable. The
12 Board is empowered to, with or without notice, make an order that a public utility be
13 examined/investigated for the purposes of ascertaining whether service reasonably safe and
14 adequate and just and reasonable is being supplied.

15
16 As part of its ongoing obligations, a utility is also required, pursuant to section 41 of the Act, to
17 submit annually a capital budget of proposed improvements or additions to its property, which
18 must be approved by the Board. In addition to the Board approving capital budgets submitted
19 by a utility, the Board also has the authority to determine and fix the rate base for the service
20 provided or supplied to the public by the utility, and the ability to revise that rate base pursuant
21 to section 78 of the Act.

22

1 These sections of the Act outline the overview power the Board has in regulation of a utility to
2 ensure a utility is proposing expenditures and improvements that meet the utility's mandate in
3 providing safe and adequate services to customers and maintaining its facilities.

4
5 Electrical Power Control Act, 1994, SNL1994 c. E-5.1., as amended:

6 Section 3(b) of the Electrical Power Control Act 1994 ("the EPCA") outlines that all sources and
7 facilities for the production, transmission, and distribution of power in the province should be
8 managed and operated in a manner that would result in:

- 9
10 (i) the most efficient production, transmission, and distribution of power;
11 (ii) consumers in the province having equitable access to an adequate supply of
12 power, and;
13 (iii) power being delivered to customers in the province at the lowest possible cost
14 consistent with reliable service.

15
16 A utility bears the onus of establishing to the Board that the expenditures proposed are
17 necessary for the year in which they are proposed, and that the expenditures represent the least
18 cost alternative for providing electricity in the province. As such, in the Application, the Board
19 must determine whether Hydro's proposed capital projects for 2015 are reasonably required for
20 Hydro to meet its statutory obligations to provide reasonably safe and adequate least cost
21 service to its customers.

22
23 With these observations in mind, the Consumer Advocate wishes to make submissions
24 regarding the following projects in the Application:

25
26 A: Refurbish Generation Unit, Snook's Arm, page D-49;

27 B: Tab 20: Replace Accommodations and Septic System, Ebbegunbaeg.

28
29 A: Refurbish Generation Unit, Snook's Arm, page D-49

30 This project is to "...fully identify the required scope of the refurbishment of the generating
31 facility." The projected cost for this assessment is \$352,900.00. While Hydro states that it is
32 applying at this time to determine if Snook's Arm (along with Venam's Bight) should remain as
33 is, be refurbished, replaced or decommissioned (NP-NLH-013; CA-NLH-023), the project's
34 Justification outlines that Hydro views Snook's Arm as requiring refurbishment to provide safe,

1 least-cost reliable service to the Island Interconnected System.

2
3 Snook's Arm has been de-rated since 2008. There have been no inspections of the
4 components on the Snook's Arm turbine since a 2002 inspection (NP-NLH-021), nor has the
5 electrical equipment been assessed since 2003 (NP-NLH-022). Many of the components are
6 beyond their useful lives according to Hydro (NP-NLH-014).

7
8 The estimated cost of retiring Snook's Arm is \$2,298,500.00 (NP-NLH-015).

9
10 Hydro states that at the moment, it does not intend to retire any hydraulic generation facilities on
11 the Island, but will continue to evaluate its facilities in accordance with its mandate of providing
12 least cost, reliable power (IC-NLH-003). Further, Hydro states that its hydraulic facilities are
13 required to meet Island load, and will not be used to meet other demand outside the province
14 (IC-NLH-005).

15
16 The Snook's Arm facility was, along with Venam's Bight, designed with a short lifespan in mind
17 for a mining company (Page D-77). Due to this, and the "relatively small output" of the two
18 plants, sophisticated testing was not completed in 1993 (Appendix B, Page D-69).

19
20 The Consumer Advocate submits that this project must be carefully considered and therefore
21 deferred until further information is provided by Hydro as to its long term plans for Snook's Arm,
22 which appear to be complete refurbishment. The Consumer Advocate submits that some
23 clarification is required as to what Hydro is seeking to accomplish with this project.

24
25 On the one hand, in the "Project Description" at D-49, Hydro states that:

26
27 **"The scope of work proposed for this project is to assess the Snook's Arm**
28 **generating facility fully to identify the required scope of the refurbishment**
29 **of the generating facility."**
30

31 Hydro further states:

32
33 **"This project is justified on the requirement to refurbish the generating**
34 **facility at the Snook's Arm Generating Facility in order for Hydro to provide**
35 **safe, least-cost, reliable electrical service to the Island Interconnected**
36 **System."**

1 In a similar vein at Page D-61, Hydro states:

2
3 **“This assessment is needed to properly identify the full list of parts that is**
4 **required for the rehabilitation of the Snook’s Arm Generating Station.”**
5

6 This is at a cost in excess of \$350,000.00.

7
8 On the other hand, in Reply to CA-NLH-023, Hydro states that it is seeking approval for a study
9 to compare and consider the options of status quo, refurbishment, replacement, or
10 decommissioning so it can evaluate the economic feasibility of Snook’s Arm. The question is
11 begged whether it is necessary for Hydro to expend \$350,000.00 to fully identify the required
12 scope of the refurbishment of the generating facility if, as it states in CA-NLH-023, it is seeking
13 to compare and consider the options of status quo, refurbishment, replacement or
14 decommissioning.

15
16 The Consumer Advocate submits that given Hydro’s stated intentions as set out in the project
17 proposal, versus what they state in their Reply to CA-NLH-023, it is unclear what the actual
18 scope or aim of this project is. The Consumer Advocate is therefore concerned about an
19 expenditure in excess of \$350,000.00 for a detailed refurbishment plan in the absence of any
20 evidence that this facility will in fact be required in the future, and in the absence of any
21 evidence that Hydro requires such an in depth study in order to compare options for the facility.

22
23 In the Consumer Advocate’s recent submissions on Newfoundland Power’s 2015 Capital
24 Budget Application, the Consumer Advocate noted that there may be a number of hydro
25 rehabilitation projects on the horizon for both Newfoundland Power and Hydro. In light of that,
26 and in light of the upcoming commissioning of Muskrat Falls, the Consumer Advocate
27 recommended that an evaluation framework and methodology be developed by Hydro and
28 Newfoundland Power in an effort to standardize and expedite the evaluation process for such
29 projects in the future. The Consumer Advocate reiterates that submission in this context.

30
31 B: Tab 20: Replace Accommodations and Septic System, Ebbegunbaeg

32 Hydro is seeking \$1,550,800.00 for this project to replace structures located in Ebbegunbaeg.
33 In particular, Hydro proposes to install a new, six person, double module complex with six
34 bedrooms, each with a dedicated washroom, a common washroom, kitchen/dining area, laundry
35 and common area to replace the current facilities.

1 Hydro states that employees, since 2013, no longer stay at the current facilities on site (page
2 4-5), however, Hydro is unable to provide either the frequency of use or number of employees
3 who made use of the current facilities over night for the past 5 years (CA-NLH-065). There is no
4 information at all on these matters.

5
6 Hydro notes that it compared current accommodations at other sites including Muskrat Falls,
7 Bull Arm and Long Harbour when considering this proposal (CA-NLH-066), and in particular for
8 Hydro's position that single person accommodations are required (NP-NLH-044). The
9 Consumer Advocate notes that the sites listed by Hydro are longer term work sites where
10 workers stay for extended periods of time, sometimes weeks. There is no evidence that
11 workers attending the Ebbegunbaeg site stay for such periods. In fact, Hydro outlines that the
12 most time spent on the site could be a maximum of 8 days, 2 to 4 times a year for maintenance
13 (PUB-NLH-027). Clearly, these are not facilities that are expected to receive sustained or
14 frequent use. Rather, the use is expected to be very infrequent and for short durations.

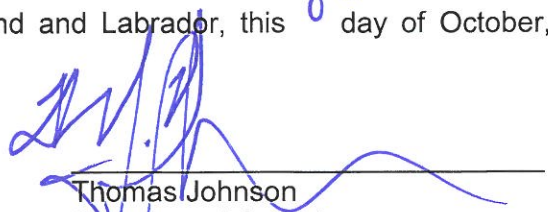
15
16 While both women and men attend the site, (IC-NLH-043), as previously outlined Hydro is
17 unable to provide any detail as to the frequency or trips and usage of the facility. While Hydro
18 has referred to frequently used worker accommodations such as Muskrat Falls and Alberta, it
19 has not provided any information as to the practices of other utilities who own and maintain such
20 remote and infrequently used accommodations.

21
22 The Consumer Advocate submits that Hydro has not considered all options that are available for
23 this site, particularly given that it may be used, at most, for 8 days a few times a year for
24 maintenance. In this matter, we have no data at all as to how many employees have stayed at
25 the site over the past 5 years and the duration of their stay. Greater consideration should be
26 given as to whether double accommodations are a viable, cost effective alternative to the single
27 units currently proposed by Hydro given the infrequent and short duration of use of the facilities.
28 Hydro has not considered the costs of fewer rooms with double occupancy (IC-NLH-043). The
29 current facilities consist of a four person trailer and a two person trailer. As such, the notion of
30 double occupancy would not be new for this site. Further, one should remain cognizant of the
31 fact that this facility will be unoccupied for the vast majority of its useful life (NP-NLH-043) and
32 as such, a complete evaluation of what is actually required at the site including double
33 occupancy accommodations should be considered.

1 The Consumer Advocate submits that this project should be rejected at this time. The
2 evidence provided depicts facilities which are infrequently used throughout the year, and the
3 number of employees attending at one time is unknown.

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Dated at St. John's in the Province of Newfoundland and Labrador, this ^{8th} day of October,
2014.



Thomas Johnson
Consumer Advocate
323 Duckworth Street
St. John's, NL A1C 5X4
Telephone: (709)726-3524
Facsimile: (709)726-9600
Email: tjohnson@odeaearle.ca