

HAND DELIVERED

October 8, 2014

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

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Re: Newfoundland and Labrador Hydro's 2015 Capital Budget Application – Brief of Argument

Enclosed are the original and 12 copies of Newfoundland Power's Brief of Argument.

For convenience, the Brief of Argument is provided on three-hole punched paper.

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

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

Yours very truly,



Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

Dean Porter
Poole Althouse

Thomas Johnson
O'Dea Earle Law Offices

Thomas O'Reilly, QC
Vale Newfoundland and Labrador Limited

Danny Dumaresque

IN THE MATTER OF the *Public Utilities Act*, (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..

**BRIEF OF ARGUMENT
OF
NEWFOUNDLAND POWER INC.**

OCTOBER 8, 2014

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1 **1.0 INTRODUCTION**

2 Newfoundland and Labrador Hydro's ("Hydro") 2015 Capital Budget Application (the
3 "Application") was filed with the Board of Commissioners of Public Utilities (the "Board") on
4 August 1st 2014. Newfoundland Power filed a Notice of Intention to Participate in the hearing of
5 the Application on August 25th, 2014.

6

7 This is Newfoundland Power's submission with respect to the Application.

8

9 **2.0 LEGISLATIVE FRAMEWORK**

10 Section 37(1) of the *Public Utilities Act* states that a public utility shall provide service and
11 facilities that are reasonably safe and adequate and just and reasonable. Section 37(1) is a
12 cornerstone of Hydro's and Newfoundland Power's obligation to serve their customers.

13

14 Section 3(b) of the *Electrical Power Control Act, 1994* states that all sources and facilities for the
15 production, transmission, and distribution of power in the province should be managed and
16 operated in a manner that would result in:

- 17 (i.) the most efficient production, transmission, and distribution of power,
18 (ii.) consumers in the province having equitable access to an adequate supply of
19 power, and
20 (iii.) power being delivered to customers in the province at the lowest possible cost
21 consistent with reliable service.

22

23 Section 3(b) does not create a hierarchy between these three principles; rather, each is equally
24 important in the management and operation of electrical facilities in the province.

1 **3.0 2015 CAPITAL BUDGET**

2 **3.1 General**

3 The principal question for the Board in its consideration of this proceeding is whether Hydro's
4 proposed capital expenditures in 2015 and 2016 are reasonably required for Hydro to meet its
5 statutory obligation to provide reasonably safe and adequate, least cost service to its customers,
6 including Newfoundland Power.

7

8 Newfoundland Power's submission on Hydro's proposed 2015 capital expenditures focuses on
9 Hydro's proposed 2015 and 2016 capital expenditures of \$1,550,800 to replace the
10 accommodations facility and septic system at its Ebbegunbaeg control structure.

11

12 **3.2 Replace Accommodations and Septic System - Ebbegunbaeg**

13 ***Background***

14 The *Replace Accommodations and Septic System - Ebbegunbaeg* project included in Hydro's
15 2015 Capital Budget proposes expenditures in 2015 and 2016 totalling an estimated \$1,550,800
16 to replace worker accommodations and the associated septic system at Hydro's Ebbegunbaeg
17 control structure.

18 Reference: Volume I, Section C, page C-48.

19

20 The existing worker accommodations at the Ebbegunbaeg site consist of two permanently
21 installed mobile units providing a total of six bedrooms, three washrooms, a kitchen, a dining
22 area and a living room.

23 Reference: Volume II, Tab 20, page 1.

1 Hydro states that the condition of the existing facility has been deemed unsatisfactory as a result
2 of concerns regarding the deteriorating building structure, mould growth and damage to the
3 interior plumbing system which has left the facility without water. As a result, employees no
4 longer stay at the facility, but are transported to the site daily via helicopter. The replacement of
5 the existing accommodations and septic system is proposed in order to provide accommodation
6 facilities which, according to Hydro, meet the expected level of employee safety and comfort.

7 Reference: Volume II, Tab 20, page *i*; pages 1 – 4.

8

9 Hydro proposes to replace the existing accommodations with a new six person, double module
10 accommodations complex. The proposed accommodations complex will contain a
11 kitchen/dining area, a common washroom, laundry facilities and a common/recreational area.
12 Each of the six bedrooms in the proposed facility will have a dedicated washroom. In total, the
13 facility will contain seven separate washrooms.

14 Reference: Volume II, Tab 20, page 2.
15 Response to Request for Information NP-NLH-040.

16

17 Hydro states that six bedrooms are required to house enough workers to perform typical annual
18 maintenance activities at the Ebbegunbaeg site.

19 Reference: Response to Request for Information CA-NLH-066.

20

21 Hydro states that the existing six bedroom, three washroom facility does not meet current
22 industry standards for camp facilities. Hydro states that modern day standards for such facilities
23 provide adequate levels of comfort and privacy through the allocation of single room occupancy,
24 with individual washroom facilities, the availability of separate male and female

1 accommodations and the provision of modern communication systems, including internet access.

2 Reference: Volume I, Section C, page C-49; Volume II, Tab 20, page 6.

3

4 According to Hydro's report filed in support of the project, there is no established standard for

5 onsite accommodation facilities. The only written Canadian standards are the Alberta and

6 British Columbia provincial standards, which require that workers be provided with "a single

7 room of not less than eighty square feet". Hydro did not prepare a cost estimate for

8 accommodations containing fewer rooms with double occupancy.

9 Reference: Volume II, Tab 20, page 6; Response to Requests for Information CA-NLH-066
10 and IC-NLH-043.

11

12 Hydro states that its Cat Arm accommodations complex, which provides single room occupancy

13 with individual washrooms, was developed to meet the construction norm of modern day camp

14 facilities. In addition, Hydro states that modern day facilities in Muskrat Falls, Bull Arm and the

15 majority of construction camps in British Columbia and Alberta include single room occupancy

16 with dedicated washroom facilities.

17 Reference: Response to Request for Information NP-NLH-044.

18

19 Hydro is unable to provide details regarding the number of staff and the times of overnight visits

20 to the Ebbegunbaeg site for the five years prior to the use of the existing accommodation facility

21 being discontinued in 2013. Hydro does not maintain data relating to the occupancy of its

22 remote site accommodations.

23 Reference: Response to Request for Information CA-NLH-065.

1 Hydro is unable to provide details regarding the number of days employees have been
2 transported to or from the Ebbegunbaeg site via helicopter in 2013 and 2014 because helicopter
3 requests often do not contain specific information regarding all locations visited.

4 Reference: Response to Request for Information IC-NLH-041.

5

6 Hydro states that the typical duration of stay at the Ebbegunbaeg site depends on the nature of
7 the work. Maintenance crews typically stay at the Ebbegunbaeg site to perform planned
8 maintenance two to four times a year, with a typical stay of between four and eight days. To
9 perform unplanned/emergency maintenance, crews typically visit the site between one and four
10 times a year, with duration of stay ranging between a few hours and four days.

11 Reference: Response to Request for Information PUB-NLH-027.

12

13 ***Submission***

14 Based on the limited information provided by Hydro with respect to historic usage of the existing
15 Ebbegunbaeg accommodation facility, the requirement for worker accommodations at
16 Ebbegunbaeg is occasional and intermittent. This contrasts with worker accommodations at
17 construction sites such as Bull Arm and Muskrat Falls, and in Alberta and British Columbia,
18 which tend to be occupied on a continuous basis throughout the duration of a construction
19 project.

20

21 The evidence presented in support of this project outlines typical standards for worker
22 accommodations that are occupied on a continuous basis. Hydro has not addressed the issue of
23 whether generally accepted standards exist for intermittently used worker accommodations such
24 as appear to be required at the Ebbegunbaeg site. At most, the evidence provided in support of

1 the project establishes only that the existing accommodations have reached the end of their
2 useful service life.

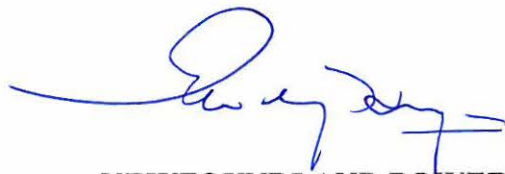
3
4 It is Newfoundland Power's submission that Hydro has not shown that it has considered all
5 reasonable alternatives for providing worker accommodation at the Ebbegunbaeg site. It has
6 therefore not been established that the proposed expenditures are reasonable in the
7 circumstances.

8
9 In Newfoundland Power's submission, the proposal presented with the Application is not
10 consistent with the least cost provision of service to Hydro's customers and should not be
11 approved.

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14 **RESPECTFULLY SUBMITTED** at St. John's, Newfoundland and Labrador, this 8th day of
15 October, 2014.

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