

April 14, 2016

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Via Electronic Mail and Courier

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

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

Dear Ms. Blundon:

Re: Procurement of 12 MW of Diesel Generation at Holyrood (2016 Application)

1 These are the submissions of the Island Industrial Customers Group (Corner Brook Pulp and
2 Paper Limited, NARL Refining Limited Partnership and Teck Resources Limited) in relation to
3 the above Application.

4 The Island Industrial Customers (IIC) Group, after due consideration and on the basis further
5 explained below, has decided not to oppose Hydro's Application, as refiled February 22, 2016.
6 IIC Group does request an award of their costs of considering the refiled Application.

7 **Previous Application in 2015**

8 Hydro previously filed, on November 22, 2015, an Application for procurement of the 12 MW
9 diesels (the 2015 Application). The IIC Group opposed the 2015 Application, as did the other
10 intervenors in that Application. Hydro ultimately withdrew the 2015 Application, and filed the
11 2016 Application on the basis that it provided new information justifying the project.

12 The IIC Group continues to be of the view, as expressed in their December 16, 2015
13 submissions on the 2015 Application, that the black start and fuel savings benefits of the
14 proposed 12 MW diesels purchase, in the first case, should have been unnecessary (as the 100
15 MW CT was intended, and should have been tested, to fulfill the black start function), and in the
16 second case, are marginal and untested (despite the 12 MW diesels having been in operation at
17 Holyrood since January 2014)¹. In short, the evidence of these benefits was insufficient to
18 support the proposed capital expenditure.

¹ It is acknowledged that Hydro's response to DG-NP-NLH-013 provides evidence of some limited operational experience with the 12 MW diesels resulting in fuel savings. However, the IIC Group remain of the view that this is insufficient evidence of benefit, on its own, to justify the capital expenditure. Moreover, Hydro has revised, downward, the estimated 2016 and 2017 fuel savings from this project, per Hydro's response to DG-PUB-NLH-014.

1 The IIC Group were also of the view, as expressed in their December 16, 2015 submissions on
2 the 2015 Application, that there was insufficient evidence in the 2015 Application to justify the
3 need for the 10 MW of additional generation support that this project would provide. It is on this
4 issue, broadly construed, that the 2016 Application provides new information which materially
5 goes to the question of whether there is sufficient justification for this project.

6 **Additional Generation Support / Provision of a reliable electricity supply**

7 Having considered Hydro's new submissions and evidence in the 2016 Application, the IIC
8 Group are inclined to give Hydro the benefit of the doubt with respect to the 12 MW diesels
9 providing further (and apparently reasonably prudent) assurance of reliability of electricity supply
10 over the 2016 – 2020 period. The IIC Group would cite the following factors as inclining them
11 towards this view:

- 12 • Hydro's new analysis indicating that the 12 MW diesels are required (albeit only to
13 2018)² to ensure the adequacy of supply for a P90 peak loading condition on the Avalon
14 Peninsula in the event of a single worst-case contingency involving the loss of
15 transmission line TL201 or TL2016³;
- 16 • Hydro's notice, by the 2016 Application and otherwise, of an increase in availability
17 concerns regarding Hydro's thermal generation units (at Holyrood) increasing the risk of
18 a capacity shortfall⁴;
- 19 • Hydro's information, by the 2016 Application, that, on 20 occasions in the January-
20 February 2016 period the operation of the 12 MW diesels was required to ensure
21 adequate reserve levels, due to operational issues with Holyrood Units and with the
22 Hardwoods Gas Turbine⁵.

23 **Position of the IIC Group**

24 The Island Industrial Customers Group, in reliance upon Hydro's new submissions and
25 evidence, presented by the 2016 Application, that 12 MW diesels will provide further (and
26 apparently reasonably prudent) assurance of reliability of electricity supply, withdraw their
27 opposition to Hydro's purchase of the 12 MW diesels.

28 **Costs**

29 The IIC Group respectfully submit that their participation in this Application is consistent with the
30 IIC Group's interests arising from their having to pay, through rates, for their respective share of
31 capital expenditures in relation to Holyrood (including those proposed in the current Application),
32 and in respect of their fundamental interest in the reliability of electricity supply. The IIC Group

² Hydro's response to DG-NP-NLH-004

³ Hydro's Report to the Board in this Application "Purchase of 12 MW of Diesel Generation (Revised)" dated February 19, 2016, pp. 7-8; Hydro's response to DG-CA-NLH-001

⁴ Hydro's Report to the Board in this Application "Purchase of 12 MW of Diesel Generation (Revised)" dated February 19, 2016, p. 8; Hydro's separate report to the Board "Bi-weekly Energy Supply Report – April 11, 2016", Section 5.0 Unit De-Ratings, p. 5.

⁵ Hydro's Report to the Board in this Application "Purchase of 12 MW of Diesel Generation (Revised)" dated February 19, 2016, p. 9.

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1 submit that, notwithstanding their ultimate decision not to oppose this project, this decision could
2 only be reasonably arrived at, given the problematic nature of Hydro's original (and withdrawn)
3 2015 Application, after their due consideration of Hydro's new submissions and evidence
4 presented by this 2016 Application. The IIC Group submit that in this context an award of costs
5 in this Application to the IIC Group is reasonable and warranted.

6 We trust these submissions will be found to be in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/kmcd

- c. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
Thomas J. Johnson, Q.C. Consumer Advocate
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