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BY EMAIL

October 17, 2018

Ms. Cheryl Blundon
Director Corporate Services & Board Secretary
Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2
email: cblundon@pub.nl.ca

Re: Newfoundland and Labrador Hydro ("NLH") 2019 Capital Budget Application

Dear Ms. Blundon:

On July 31, 2018, NLH petitioned for the approval of its 2019 Capital Budget pursuant to s. 41(1) of the *Public Utilities Act* and other ancillary orders. On August 24, 2018, IOC intervened.

On September 20, 2018, IOC addressed Requests for Information to NLH, who responded on October 3, 2018.

On October 9, 2018, NLH filed revisions to its 2019 Capital Budget Application.

On October 10, the Board informed the parties of an amendment to the schedule, allowing for submissions by October 17, 2018.

IOC hereby submits its comments on NLH's 2019 Capital Budget Application.

I. Labrador System Capacity

In response IOC-NLH-003, NLH states that notwithstanding a request to engage 30 m\$ over the coming year in a "Terminal Station Refurbishment and Modernization Program" that will impact transmission rates in Labrador, it is unable to gain a single megawatt of transmission capacity.

*"There is no capacity increase for either the Labrador West or Labrador East systems associated with the "Terminal Station Refurbishment and Modernization" project. The "Terminal Station Refurbishment and Modernization" project consolidates capital activities for sustaining terminal station assets based on Hydro's asset management strategies outlined in Hydro's "Terminal Station Asset Management Overview", found in Volume I, Tab 6 of this Application. Additions for load growth are not addressed within this project."*¹

¹ IOC-NLH-003, page 1.

IOC is concerned with the approach taken by NLH in its project definition and scope. As stated, the project will not drive value for customers. It is incumbent upon the utility, like is it for any privately owned company to drive value from significant capital commitments. Any such requests would otherwise be send back to the drawing board.

II. Impact of service to Tacora Resources

As mentioned in other observations submitted to the Board², IOC is greatly concerned by the position taken by NLH before the Board and in public engagements³ that it intends to curtail IOC's firm power to supply its competitor and newcomer Tacora Resources while the said competitor may have alternative self-generation on site.

In IOC-NLH-006, IOC questioned NLH on the impact the addition of such a significant load may have on its Capital Budget, and its timing – a vital issue for IOC's operations this coming winter.

NLH did not fully respond:

“Q. (A) Describe the impacts of the re-opening of the Wabush Mines by Tacora Resources on the 2019 capital expenditures? Similarly, what capital investments does NLH anticipate post-2019 resulting from the Wabush Mines re-opening?”

(B) Have NLH's expectations regarding the Wabush Mines re-opening changed over the last year? Please provide a timeline of the evolution of NLH's expectations (date, ramp-up, firm and non-firm power requirement, costs, etc.) up to now.

A. (A) The re-opening of the Wabush Mines by Tacora Resources has not had any impact on proposed 2019 capital expenditures.

As for anticipated post-2019 capital investments, Hydro is engaged in an expansion study of the Labrador Interconnected System, which is planned to be filed with the Board by October 31, 2018. Capital projects that may result from this study will be submitted to the Board in a future application.

(B) The details of commercial discussions between Hydro and Tacora Resources are subject to a Non-Disclosure Agreement. Moreover, pursuant to subsection 5.8(2) of the Electrical Power Control Act, 1994, the Public Utilities Act does not apply to the setting of rates to the industrial customers in Labrador other than their transmission components.”⁴

NLH did not answer the question about future foreseeable impacts of the service to Tacora Resources, nor did it answer the expected timing of its service, both of whom are within NLH's knowledge and none of whom are precluded by confidential agreements with the client.

² IOC submission dated July 6, 2018 in NLH 2018 Application for Temporary Service Agreement – BlockLab, where NLH also neglected to fully answer IOC's RFI IOC-NLH-007. Such concern was reaffirmed by IOC on July 24, 2018 in its submission on NLH 2018 Application for Temporary Period for Load Additions in Labrador East.

³ Most recently to IOC's knowledge this past September by Mr. Jim Haynes to the LabWest Taskforce.

⁴ IOC-NLH-006, page 1.

As a policy matter, it would be prudent for the Board to request NLH to fully disclose the information in the present proceedings as it will inform the Board on the adequacy of the investments in and facilitate the review of the coming expansion study of the Labrador transmission system.

It should also be required from NLH to provide a demonstration of any inability to completely answer questions. A simple allegation of confidentiality does not suffice⁵.

Regards,



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Director Energy, North America
Aluminium

Counsel to IOC

⁵ For example, Board Order P.U. 13 (2018), pages 4 to 6.