

Date : 7/21/2010 11:35:44 AM

From : "Bazeley, Dave"

To : "Bown, Charles W."

Subject : FW: Integrated Resource Planning

Attachment : NLH IRP letter to PUB 11-12-08.pdf;

In looking for something else, this caught my eye and I re-read it. I am a bit concerned that Hydro takes the view that PUB cannot take any part in future planning where Lower Churchill is involved, even to the point of its use for Island supply. I don't believe that was the original intent of the exemption order on which Hydro relies for this position.

Can we discuss?

From: JChisamore@nlh.nl.ca [mailto:JChisamore@nlh.nl.ca]

Sent: November 12, 2008 4:04 PM

To: cblundon@pub.nf.ca; ito@pub.nf.ca; skean@pub.nl.ca

Cc: ghayes@newfoundlandpower.com; myoung@newfoundlandpower.com; jhutchings@pa-law.ca; tjohnson@odeaearle.nf.ca; pcoxworthy@smss.com; ADunphy@nlh.nl.ca; GMitchell@nlh.nl.ca; GYoung@nlh.nl.ca; Bazeley, Dave; JHaynes@nlh.nl.ca; JMallam@nlh.nl.ca

Subject: Integrated Resource Planning

Attached is an electronic copy of Hydro's submission regarding Integrated Resource Planning. Paper copies will follow.

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File No. _____

NEWFOUNDLAND AND LABRADOR HYDRO

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November 12, 2008

Board of Commissioners
of Public Utilities
P.O. Box 21040
St. John's, NF
A1A 5B2

**Attention: Cheryl Blundon – Director of Corporate Services
and Board Secretary**

Dear Ms. Blundon:

Re: Integrated Resource Planning

This is further to a meeting of counsel on November 4, 2008 at which time it was requested that the attending parties provide an update as to their respective positions as to Integrated Resources Planning (IRP).

Hydro has no objection to participating in appropriate processes to assist the Board in carrying out its responsibility to ensure that adequate planning takes place. To that end, Hydro has filed with the Board and upon interested parties information on planning matters, such as the *Generation Planning Issues 2008 Mid Year Update* that was filed in conjunction with Hydro's 2009 Capital Budget Application. However, in Hydro's view, the Board and the parties are constrained from undertaking a full ranging IRP because, (1) under the Province's Energy Plan, the Province's preferred view is to meet the longer term electrical generation needs through the development of the Lower Churchill Project, and (2) the Board's jurisdiction to review Hydro's planning and surrounding this project is ousted by the Labrador Hydro Project Exemption Order.

The Lower Churchill Project is a 2800 MW project comprising two hydro-electric sites, and a transmission link between Labrador and the Island and perhaps other locations on the mainland of Canada. The cost of this project is estimated to be between \$6 and \$9 billion. The targeted sanction date for the project is 2009; the targeted in-service date is 2015.



Were time and money unlimited, it would be possible to carry out full planning and engineering processes for two possible contingencies: a future where the island's long term needs are met by the Lower Churchill Project and an HVDC link, and a future where the Island Interconnected System remains an isolated electrical system (the Isolated Island case). Though it is clear from the *Labrador Hydro Project Exemption Order* that the Board cannot participate in that planning process, the Board, the parties, and the general public in the Province would be aware that, obviously, considerable planning and analysis is being carried out with regard to that project. The question remains whether it is of value to the ratepayer to do the analysis and planning required for an IRP process for the Isolated Island case at this time.

In Hydro's view, this would unavoidably involve a considerable amount of engineering and support work to prepare for a future that, very likely, will not materialize. Hydro understands that there is a requirement for two parallel generation expansion plans to be developed; its *Generation Planning Issues 2008 Mid Year Update* provides the analysis at the appropriate level of detail of the In-feed and the Isolated Island cases. The question is to what level of detail this work should be done in advance of a decision on which of these paths the Province's electrical energy will take. Carrying out this work to the level proposed by the Industrial Customers and the Consumer Advocate is a very expensive proposition that would draw heavily upon scarce engineering and financial resources.

Prudent planning includes the prudent expenditure of funds and effort in the planning process. A thorough consideration of the issues raised by the various aspects of the Isolated Island Case would require a considerable amount of effort which would represent a waste of the ratepayers' money. In this regard, we would point the Board to the Industrial Customers' and Consumer Advocate's joint Terms of Reference submission filed on April 7, 2008. On pages 6 and 7 of that document is found the IRP Process Timeline which delineates the proposed activities to take place over a 39 week period.

Hydro notes that the Industrial Customers submission also contains an ostensibly scaled-back version or IRP "preparatory work" (see pages 6 ff. under the heading, *A Proposal for the Way Forward*). It is not clear what the outcomes of this process would be or what the advantages of such a process would have over the present planning process already carried on by Hydro, the outcomes of which are included in the aforementioned *Generation Planning Issues 2008 Mid Year Update* and its predecessor documents. However, if it would please the Board and the parties, Hydro would be happy to conduct a technical conference on Hydro's generation planning processes and related issues, insofar as the Board's dealings with that information are not constrained by the *Labrador Hydro Project Exemption Order*. This may assist the Board to determine whether adequate



planning is being carried out in accordance to section 6 of the Electrical Power Control Act, 1994 or whether further analysis and information ought to be provided.

Thereafter, if the Board determines that it would be worthwhile to pursue a formal IRP process, Hydro would be willing to engage with the parties and the Board to discuss how an IRP process might be structured and the appropriate scope and timing of such a process.

Yours truly,

**NEWFOUNDLAND AND
LABRADOR HYDRO**

A handwritten signature in black ink, appearing to read "Geoffrey P. Young".

Geoffrey P. Young
Senior Legal Counsel

cc. Mr. Gerard Hayes, Newfoundland Power
Mr. Joseph Hutchings, Q.C., &
Mr. Paul Coxworthy, Industrial Customers
Mr. Thomas Johnson, Consumer Advocate