

P.U. 32(2006)

1
2
3
4
5 **IN THE MATTER OF** the
6 **PUBLIC UTILITIES ACT**,
7 RSNL 1990, c. P-47, as amended
8 (the “*Act*”)

9 AND

10
11 **IN THE MATTER OF** an
12 Application by Newfoundland and
13 Labrador Hydro (“Hydro”) for approval of
14 the cost to be recovered through the
15 Rate Stabilization Plan charged to
16 Newfoundland Power Inc. and the
17 Island Industrial Customers of
18 consuming No. 6 Fuel not exceeding
19 1% Sulphur by weight (the “Application”).
20
21

22 **WHEREAS** Hydro is a statutory body corporate existing pursuant to the *Hydro Corporation Act*, c.
23 H-16 of the Revised Statutes of Newfoundland and Labrador, as amended, and is a public utility
24 within the meaning of the *Act*; and
25

26 **WHEREAS** by Order No. P.U. 40(2003) the Board set out the manner by which Hydro recovers
27 through rates charged to Newfoundland Power Inc. and the Island Industrial Customers by operation
28 of Rate Stabilization Plan (“RSP”) the costs associated with burning fuel at the Holyrood Thermal
29 Generating Station to generate electricity; and
30

31 **WHEREAS** the fuel costs associated with the Holyrood Thermal Generating Station collected
32 through the operation of the RSP are the costs of No. 6 fuel with a sulphur content of 2%; and

1 **WHEREAS** on September 14, 2006 the Minister of the Department of Environment and
2 Conservation (the “Minister”) issued an amendment to the Certificate of Approval #AA06-025458
3 governing the operation of the Holyrood Thermal Generating Station which prohibits Hydro from
4 burning any fuel with sulphur content greater than 1% by weight; and

5

6 **WHEREAS** paragraph 114(1)(e) of the *Environmental Protection Act* makes it an offence to
7 contravene a term or condition of an approval issued under that Act; and

8

9 **WHEREAS** on September 18, 2006 Hydro applied to the Board requesting that it be permitted to
10 recover through the RSP the costs it incurs to burn No. 6 fuel oil at the Holyrood Thermal
11 Generating Station with a fuel sulphur content not exceeding 1% by weight in compliance with the
12 Certificate of Approval; and

13

14 **WHEREAS** on October 5, 2006, both the Consumer Advocate and the Island Industrial Customers
15 filed written submissions acknowledging that Hydro has demonstrated that it is obliged to burn fuel
16 with a sulphur content of no more than 1% by weight at Holyrood Thermal Generating Station; and

17

18 **WHEREAS** both the Consumer Advocate and the Island Industrial Customers expressed the view
19 that the costs of the reduced sulphur content fuel should not be recovered until after an order of the
20 Board approving the expense; and

1 **WHEREAS** Hydro filed a further submission on October 9, 2006 clarifying that fuel costs are
2 recognized as being expensed at the time fuel is burned and not at the time that it is purchased and
3 further, by virtue of the provisions of the RSP, the fuel expense would be the average cost of fuel oil
4 inventory in Hydro's storage at the time the fuel is burned regardless of when the inventory was
5 actually purchased; and

6
7 **WHEREAS** the Consumer Advocate filed a further submission on October 11, 2006 asking that the
8 Board's Order be conditional on a submission by Hydro of a complete accounting of RSP
9 calculations for 2006 to the date of the Board's Order; and

10
11 **WHEREAS** the Board has considered the materials and information filed with it in connection with
12 this Application and the written submissions filed thereafter and is satisfied that approval of the
13 recovery of the costs associated with burning the reduced sulphur content fuel is appropriate in the
14 circumstances.

15
16 **IT IS THEREFORE ORDERED THAT:**

- 17
- 18 1. The Board hereby approves as an operating expense to be recovered through the RSP,
19 Hydro's costs of burning 1% sulphur content No. 6 fuel at its Holyrood Thermal Generating
20 Station after October 20, 2006.
 - 21
22 2. The costs of the fuel shall be calculated in accordance with the usual operation of the RSP
23 from October 20, 2006 or a date thereafter determined by Hydro.
 - 24
25 3. Hydro shall pay all costs and expenses of the Board incurred in connection with this
26 Application.

DATED at St. John's, Newfoundland and Labrador, this 20th day of October 2006.

Robert Noseworthy,
Chair & Chief Executive Officer

Darlene Whalen, P. Eng.,
Vice-Chairperson.

G. Cheryl Blundon,
Board Secretary.