

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P. U. 38(2009)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act*, RSNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”), as amended;

5
6 **AND**

7
8 **IN THE MATTER OF** an Application by
9 Newfoundland Power Inc. (“Newfoundland
10 Power”) for approval of a capital expenditure
11 allowance for unforeseen items for the
12 construction and purchase of certain improvements
13 and additions to its property pursuant to Subsection 41(3)
14 of the *Act* (the “Application”).
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16

17 **WHEREAS** Newfoundland Power is a corporation duly organized and existing under the laws of
18 the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is
19 also subject to the provisions of the *EPCA*; and
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21 **WHEREAS** on September 16, 2009 Newfoundland Power filed the Application with the Board for
22 approval of an additional amount of \$375,000 to be added to the Allowance for Unforeseen Items
23 account; and
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25 **WHEREAS** Subsection 41(3) of the *Act* states that a public utility shall not proceed with the
26 construction, purchase or lease of improvements or additions to its property where:

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28 (a) the cost of the construction or purchase is in excess of \$50,000; or
29 (b) the cost of the lease is in excess of \$5,000 in a year of the lease,
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31 without the prior approval of the Board; and
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33 **WHEREAS** in Order No. P. U. 27(2008) issued November 12, 2008 the Board approved, *inter alia*,
34 Newfoundland Power’s 2009 Capital Budget of \$61,571,000, which included an Allowance for
35 Unforeseen Items Account in the amount of \$750,000; and

1 **WHEREAS** in Order No. P. U. 29(2009) the Board approved supplementary 2009 capital
2 expenditures in the amount of \$710,000 to the Allowance for Unforeseen Items account; and

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4 **WHEREAS** Newfoundland Power's Seal Cove Plant (the "Plant") produces approximately 8.5
5 GWh of electricity on an annual basis, or approximately 2% of the total hydroelectric production of
6 Newfoundland Power; and

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8 **WHEREAS** on March 17, 2009 a piece of concrete became lodged in the turbine wicket gates of the
9 Plant's Generating Unit No. 2 ("Unit No. 2"); and

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11 **WHEREAS** this prevented the generator from shutting down properly and caused an overspeed
12 condition that damaged the turbine shaft and other essential components of Unit No. 2; and

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14 **WHEREAS** through subsequent inspections and engineering analysis, Newfoundland Power
15 determined that the turbine shaft and the stationary seal must be replaced, and other components of
16 the Plant's generating equipment must be refurbished; and

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18 **WHEREAS** Newfoundland Power subsequently made arrangements for the rehabilitation of Unit
19 No. 2 in accordance with the Allowance for Unforeseen Items approved by the Board in Order No.
20 P. U. 27(2008) as part of Newfoundland Power's 2009 Capital Budget; and

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22 **WHEREAS** the estimated capital expenditure associated with returning Unit No. 2 to service is
23 \$375,000 which significantly reduced the balance in the Allowance for Unforeseen Items account;
24 and

25
26 **WHEREAS** the Capital Budget Application Guidelines issued by the Board in October 2007
27 permits a utility to apply for approval of an additional amount in the Allowance for Unforeseen
28 Items account provided the utility shows that usage of the account has been consistent with the
29 Guidelines; and

30
31 **WHEREAS** the Board is satisfied that the use of the Allowance for Unforeseen Items by
32 Newfoundland Power was in accordance with the Guidelines and that the proposed additional
33 amount for this account should be approved.

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35 **IT IS THEREFORE ORDERED THAT:**

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37 1. The Board approves the proposed addition of a supplementary amount of \$375,000 to the
38 Allowance for Unforeseen Items Account approved in Order No. P. U. 27(2008).
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40 2. Newfoundland Power shall pay all the expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador this 9th day of October 2009.

Andrew Wells
Chair & Chief Executive Officer

Cheryl Blundon
Board Secretary