

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

AN ORDER OF THE BOARD

NO. P.U. 23(2014)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** an application by Newfoundland
8 and Labrador Hydro for approval of a capital expenditure
9 to supplement the Allowance for Unforeseen Items for the
10 construction and purchase of certain improvements and
11 additions to its property pursuant to section 41 of the *Act*.
12

13
14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
15 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and
16 is also subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** in Order No. P.U. 42(2013) the Board approved, *inter alia*, Hydro’s 2014 Capital
19 Budget, which included an amount of \$1,000,000 as an Allowance for Unforeseen Items; and
20

21 **WHEREAS** section 41 of the *Act* states that a public utility shall not proceed with the
22 construction, purchase or lease of improvements or additions to its property where:
23

- 24 a) the cost of construction or purchase is in excess of \$50,000; or
 - 25 b) the cost of the lease is in excess of \$5,000 in a year of the lease
- 26

27 without prior approval of the Board; and
28

29 **WHEREAS** the Capital Budget Guidelines (the “Guidelines”) issued by the Board in October
30 2007 permit a utility to apply for approval of a supplementary amount provided the utility shows
31 that usage of the Allowance for Unforeseen Items has been consistent with the Guidelines; and
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33 **WHEREAS** on April 11, 2014 Hydro filed an application with the Board requesting approval of
34 a supplementary amount of \$680,000 to be added to the 2014 Allowance for Unforeseen Items
35 (the “Application”); and

1 **WHEREAS** the Application states that Hydro anticipates depleting the approved Allowance for
2 Unforeseen Items of \$1,000,000 by \$680,000 in 2014 as a result of expenditures for: i) the
3 refurbishment of the Unit 3 east forced draft fan motor at the Holyrood Thermal Generating
4 Station; ii) the B1L03 230 kV breaker overhaul at the Sunnyside Terminal Station; iii) the
5 B1L17 230 kV breaker overhaul at the Holyrood Terminal Station; and, iv) the replacement of
6 the transformer at Bay d’Espoir Unit 6.
7

8 **WHEREAS** Hydro submits that it is prudent to maintain an Allowance for Unforeseen Items of
9 \$1,000,000 to permit Hydro to address unforeseen events that may arise during the remainder of
10 2014, and requests that the Board approve a supplementary amount of \$680,000 for that purpose;
11 and
12

13 **WHEREAS** on April 14, 2014 the Board requested comments from: Newfoundland Power Inc.
14 (“Newfoundland Power”); the Consumer Advocate; Corner Brook Pulp and Paper Limited,
15 North Atlantic Refining Limited and Teck Resources Limited (the “Industrial Customer
16 Group”); Vale Newfoundland & Labrador Limited (“Vale”); and Praxair Canada Inc. (“Praxair”);
17 and
18

19 **WHEREAS** on April 15, 2014 Newfoundland Power filed correspondence stating that no
20 evidence appears to have been filed regarding the unforeseen expenditures described in the
21 Application and that, for this reason, it was not in a position to provide meaningful comment on
22 the Application; and
23

24 **WHEREAS** on April 21, 2014, in response to Newfoundland Power’s correspondence, Hydro
25 provided the reports which were previously filed with the Board on the expenditures related to
26 the Holyrood Thermal Generating Station refurbishment of the Unit 3 east forced draft fan motor
27 and the Sunnyside 230 kV breaker overhaul, and also advised that reports were not complete for
28 the other two projects (the Holyrood 230 kV breaker overhaul and the Bay d’Espoir Unit 6
29 transformer); and
30

31 **WHEREAS** on April 22, 2014 the Consumer Advocate filed correspondence stating that, while
32 he does not take exception to Hydro’s desire to replenish the Allowance for Unforeseen Items, it
33 would be appropriate for Hydro to first file a proper evidentiary basis to ground its application;
34 and
35

36 **WHEREAS** on May 5, 2014 Hydro filed an additional report related to the Holyrood 230 kV
37 breaker overhaul, and further submitted that the three reports filed with respect to the use of the
38 Allowance for Unforeseen Items in 2014 provide sufficient evidence for the Board to address the
39 Application to approve a supplementary allowance of \$680,000 for 2014; and
40

41 **WHEREAS** on May 8, 2014 and May 9, 2014 Newfoundland Power, the Industrial Customer
42 Group and the Consumer Advocate advised that they were satisfied that Hydro had filed
43 evidence which would permit the Board to determine whether Hydro’s usage of the Allowance
44 for Unforeseen Items was consistent with the Guidelines; and

1 **WHEREAS** the Board finds, based on the reports filed, that the use of the Allowance for
2 Unforeseen Items was consistent with the Guidelines with respect to the expenditures for the
3 Holyrood Unit 3 east forced draft fan motor and the Sunnyside and Holyrood breaker overhauls
4 and that the approximate expenditures associated with of these projects is \$580,000; and
5

6 **WHEREAS** the Board is satisfied that the 2014 Allowance for Unforeseen Items should be
7 replenished by \$580,000 effective immediately to allow Hydro to proceed expeditiously with
8 emergency capital expenditures where the nature of these expenditures is such that an application
9 under s. 41 of the *Act* for prior approval is not practical or possible; and
10

11 **WHEREAS** the Board finds that, as the events and circumstances surrounding the projects
12 related to the in-service failure of the Holyrood Unit 3 east forced draft fan and the failures of the
13 Sunnyside and Holyrood 230 kV breakers are currently under review as part of the Board's
14 ongoing Investigation and Hearing into the Supply Issues and Power Outages, no determination
15 will be made at this time as to how the costs of these projects should be treated from a regulatory
16 perspective; and
17

18 **WHEREAS** Hydro will be required to separate and record the costs associated with the Unit 3
19 east forced draft fan motor refurbishment at the Holyrood Thermal Generating Station and the
20 overhauls of the Sunnyside B1L03 230 kV breaker and the Holyrood B1L17 230 kV breaker in
21 an account and, Hydro may subsequently file an application for the recovery of these costs; and
22

23 **WHEREAS** based on the information filed to date in relation to the replacement of the Bay
24 d'Espoir Unit 6 transformer the Board will not approve an addition to the Allowance for
25 Unforeseen Items by the approximate \$100,000 estimated for this project at this time.
26
27

28 **IT IS THEREFORE ORDERED THAT:**
29

- 30 1. The addition of a supplementary amount of \$580,000 to the 2014 Allowance for
31 Unforeseen Items is approved.
32
- 33 2. Hydro will establish a separate account to record the expenditures associated with the
34 Unit 3 east forced draft fan motor refurbishment at the Holyrood Thermal Generating
35 Station, the overhaul of the Sunnyside B1L03 230 kV breaker and the overhaul of the
36 Holyrood B1L17 230 kV breaker, with the recovery of these expenditures to be addressed
37 in a subsequent order of the Board following a further application by Hydro.
38
- 39 3. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 27th day of June, 2014.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

James Oxford
Commissioner

Cheryl Blundon
Board Secretary