

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

**AN ORDER OF THE BOARD**

**NO. P.U. 32(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  
8 Newfoundland and Labrador Hydro for approval  
9 of capital expenditures for the replacement of the tap  
10 changer on transformer T5 at the Western Avalon  
11 Terminal Station pursuant to section 41 of the *Act*.  
12

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

17 **WHEREAS** subsection 41(3) of the *Act* states that a public utility shall not proceed with the  
18 construction, purchase or lease of improvements or additions to its property where:  
19

- 20 a) the cost of construction or purchase is in excess of \$50,000; or  
21 b) the cost of the lease is in excess of \$5,000 in a year of the lease  
22

23 without prior approval of the Board; and  
24

25 **WHEREAS** in Order No. P.U. 42(2013) the Board approved Hydro's 2014 Capital Budget in  
26 the amount of \$97,805,300; and  
27

28 **WHEREAS** in Order No. P.U. 16(2014) the Board approved Hydro's proposal to proceed with  
29 the purchase and installation of 100 MW of combustion turbine generation at the Holyrood  
30 Thermal Generating Station, with cost recovery to be determined by the Board in a future Order;  
31 and  
32

33 **WHEREAS** in Order No. P.U. 23(2014) the Board approved a supplementary amount of  
34 \$580,000 to the Allowance for Unforeseen Items related to expenditures for the Holyrood Unit 3  
35 east forced draft fan motor and the Sunnyside and Holyrood breaker overhauls and ordered that  
36 recovery of these expenditures would be addressed upon receipt of a further application from  
37 Hydro; and

1 **WHEREAS** in Order No. P.U. 29(2014) the Board approved capital expenditures in the amount  
2 of \$7,197,800 in 2014 and \$1,266,400 in 2015 for the purchase and replacement of the  
3 Sunnyside T1 transformer and associated equipment, modification to the protection relay system  
4 and addition of a 230 kV breaker at the Sunnyside Terminal Station and ordered that recovery of  
5 these expenditures would be addressed in a subsequent order of the Board following a further  
6 application by Hydro; and  
7

8 **WHEREAS** on June 19, 2014 Hydro filed an application with the Board requesting approval of  
9 a supplemental capital expenditure in the amount of \$1,452,500 to replace the on load tap  
10 changer on transformer T5 at the Western Avalon Terminal Station (the “Application”); and  
11

12 **WHEREAS** Hydro explains that in January, 2014 the T5 transformer experienced a phase-to-  
13 phase fault resulting in damage to the on load tap changer; and  
14

15 **WHEREAS** the T5 transformer remains out of service due to the damaged tap changer; and  
16

17 **WHEREAS** Hydro states that replacement of the T5 transformer tap changer is necessary to  
18 ensure sufficient transformer capacity in the Western Avalon-Holyrood 138 kV loop to meet the  
19 transmission planning criteria; and  
20

21 **WHEREAS** the Application was circulated to Newfoundland Power Inc. (“Newfoundland  
22 Power”), the Consumer Advocate, a group of three Island Industrial customers: Corner Brook  
23 Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources Limited (the  
24 “Industrial Customer Group”), Vale Newfoundland and Labrador Limited (“Vale”), Praxair  
25 Canada Inc. (“Praxair”), Grand Riverkeeper Labrador, Inc. and Danny Dumaresque; and  
26

27 **WHEREAS** Newfoundland Power issued a request for information which was answered by  
28 Hydro on July 21, 2014;  
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30 **WHEREAS** Newfoundland Power, the Consumer Advocate, the Industrial Customer Group,  
31 Vale and Mr. Dumaresque advised the Board in writing that they did not have any comment on  
32 the Application; and  
33

34 **WHEREAS** the Board did not receive any comment from the Praxair or Grand Riverkeeper  
35 Labrador, Inc.; and  
36

37 **WHEREAS** the Board finds that the proposed expenditures are consistent with the Board’s May  
38 15, 2014 report in relation to the Supply Issues and Power Outages on the Island Interconnected  
39 System and the recommendations set out in The Liberty Consulting Group report dated April 24,  
40 2014; and  
41

42 **WHEREAS** the Board is satisfied that the proposed capital expenditures should be approved but  
43 finds that, as the events and circumstances surrounding the failure of the Western Avalon T5  
44 transformer are currently under review as part of the Board’s ongoing Investigation and Hearing  
45 into the Supply Issues and Power Outages on the Island Interconnected System, no determination

1 will be made at this time as to how the costs of the proposed work should be treated from a  
2 regulatory perspective; and

3  
4 **WHEREAS** Hydro will be required to separate and record the costs associated with the  
5 proposed work in an account and Hydro may subsequently file an application for the recovery of  
6 these costs.

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8  
9 **IT IS THEREFORE ORDERED THAT:**

- 10  
11 1. The proposed capital expenditure in the amount of \$1,452,500 to replace the T5  
12 transformer on load tap changer at the Western Avalon Terminal Station is approved.  
13  
14 2. Hydro will establish a separate account to record the capital expenditure to replace the T5  
15 transformer on load tap changer at the Western Avalon Terminal Station, with the  
16 recovery of the expenditure to be addressed in a subsequent order of the Board following  
17 a further application by Hydro.  
18  
19 3. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador this 1<sup>st</sup> day of August 2014.

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Andy Wells  
Chair & Chief Executive Officer

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Dwanda Newman, LL.B.  
Commissioner

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Cheryl Blundon  
Board Secretary