

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

AN ORDER OF THE BOARD

NO. P.U. 8(2016)

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 2016 Allowance for Unforeseen Items for
10 the 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
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18 **WHEREAS** in Order No. P.U. 33(2015) the Board approved Hydro’s 2016 Capital Budget, in
19 the amount of \$183,082,800; 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** on February 24, 2016 Hydro filed an application with the Board requesting
30 approval of a supplementary amount of \$1,000,000 to be added to the 2016 Allowance for
31 Unforeseen Items (the “Application”); and
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33 **WHEREAS** the Application states that Hydro anticipates exceeding the approved Allowance for
34 Unforeseen Items as a result of unforeseen expenditures for:
35

- 36 i) the Western Avalon Terminal Station (WAV) – T5 Tap Changer failure;

- 1 ii) boiler tube replacement on Holyrood Thermal Generating Station Unit 2;
2 iii) boiler tube replacement on Holyrood Thermal Generating Station Unit 1; and
3 iv) transmission line TL 259 rerouting at Sally's Cove; and
4

5 **WHEREAS** Hydro submits that it is prudent to maintain a sufficient amount in the Allowance
6 for Unforeseen Items to permit Hydro to address unforeseen events that may arise during the
7 remainder of 2016, and requests that the Board approve a supplementary amount of \$1,000,000
8 for that purpose; and
9

10 **WHEREAS** the Application was copied to: Newfoundland Power Inc.; the Consumer Advocate,
11 Mr. Tom Johnson; Corner Brook Pulp and Paper Limited, NARL Refining Limited Partnership
12 and Teck Resources Limited; Vale Newfoundland & Labrador Limited; and Praxair Canada Inc.;
13 and
14

15 **WHEREAS** the Board did not receive any comments on the Application; and
16

17 **WHEREAS** the Capital Budget Guidelines (the "Guidelines") issued by the Board in October
18 2007 permit a utility to apply for approval of a supplementary amount provided the utility shows
19 that usage of the Allowance for Unforeseen Items has been consistent with the Guidelines; and
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21 **WHEREAS** interim reports of the use of the Allowance for Unforeseen Items have been
22 received and reviewed by the Board; and
23

24 **WHEREAS** the Board is satisfied that the 2016 Allowance for Unforeseen Items should be
25 replenished by \$1,000,000 effective immediately to allow Hydro to proceed expeditiously with
26 emergency capital expenditures where the nature of these expenditures is such that an application
27 under s. 41 of the *Act* for prior approval is not practical or possible; and
28

29 **WHEREAS** the Board finds that, until final reports are received on the projects and
30 expenditures, no determination will be made at this time as to how the costs of these projects
31 should be treated from a regulatory perspective; and
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33 **WHEREAS** Hydro will be required to separate and record the variance above the Allowance for
34 Unforeseen Items approved in Order No. P.U. 33(2015) associated with the expenditures in
35 relation to Western Avalon Terminal Station (WAV) – T5 Tap Changer failure; boiler tube
36 replacement on Holyrood Thermal Generating Station Units 1 and 2; and transmission line TL
37 259 rerouting at Sally's Cove in an account and, Hydro may subsequently file an application for
38 the inclusion of this variance in rate base; and

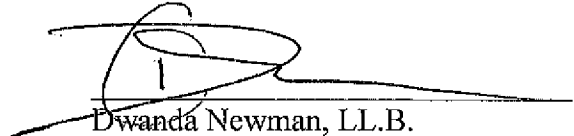
1 **IT IS THEREFORE ORDERED THAT:**
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- 3 1. The addition of a supplementary amount of \$1,000,000 to the 2016 Allowance for
 4 Unforeseen Items is approved.
 5
 6 2. Hydro will establish a separate account to record the variance above the \$1,000,000
 7 Allowance for Unforeseen items approved in Order No. P.U. 33(2015) associated with the
 8 expenditures related to:
 9
 10 i) the Western Avalon Terminal Station (WAV) – T5 Tap Changer failure;
 11 ii) boiler tube replacement on Holyrood Thermal Generating Station Unit 2;
 12 iii) boiler tube replacement on Holyrood Thermal Generating Station Unit 1; and
 13 iv) transmission line TL 259 rerouting at Sally's Cove;
 14
 15 with the recovery of this variance to be addressed in a subsequent order of the Board
 16 following a further application by Hydro.
 17
 18 3. Hydro shall pay all expenses of the Board arising from this Application.

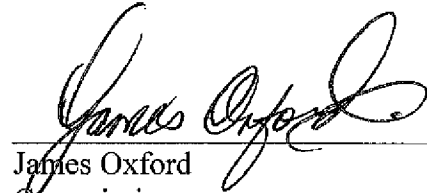
DATED at St. John's, Newfoundland and Labrador, this 22nd day of March 2016.




Darlene Whalen, P.Eng.
 Vice-Chair



Dwanda Newman, LL.B.
 Commissioner



James Oxford
 Commissioner



Cheryl Blundon
 Board Secretary