NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 23(2014)

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

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

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

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

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

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

without prior approval of the Board; and

WHEREAS the Capital Budget Guidelines (the “Guidelines”) issued by the Board in October
2007 permit a utility to apply for approval of a supplementary amount provided the utility shows
that usage of the Allowance for Unforeseen Items has been consistent with the Guidelines; and

WHEREAS on April 11, 2014 Hydro filed an application with the Board requesting approval of
a supplementary amount of $680,000 to be added to the 2014 Allowance for Unforeseen Items
(the “Application”); and
WHEREAS the Application states that Hydro anticipates depleting the approved Allowance for Unforeseen Items of $1,000,000 by $680,000 in 2014 as a result of expenditures for: i) the refurbishment of the Unit 3 east forced draft fan motor at the Holyrood Thermal Generating Station; ii) the B1L03 230 kV breaker overhaul at the Sunnyside Terminal Station; iii) the B1L17 230 kV breaker overhaul at the Holyrood Terminal Station; and, iv) the replacement of the transformer at Bay d’Espoir Unit 6.

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

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

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

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

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

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

WHEREAS on May 8, 2014 and May 9, 2014 Newfoundland Power, the Industrial Customer Group and the Consumer Advocate advised that they were satisfied that Hydro had filed evidence which would permit the Board to determine whether Hydro’s usage of the Allowance for Unforeseen Items was consistent with the Guidelines; and
WHEREAS the Board finds, based on the reports filed, that the use of the Allowance for Unforeseen Items was consistent with the Guidelines with respect to the expenditures for the Holyrood Unit 3 east forced draft fan motor and the Sunnyside and Holyrood breaker overhauls and that the approximate expenditures associated with these projects is $580,000; and

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

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

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

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

IT IS THEREFORE ORDERED THAT:

1. The addition of a supplementary amount of $580,000 to the 2014 Allowance for Unforeseen Items is approved.

2. Hydro will establish a separate account to record the expenditures associated with the Unit 3 east forced draft fan motor refurbishment at the Holyrood Thermal Generating Station, the overhaul of the Sunnyside B1L03 230 kV breaker and the overhaul of the Holyrood B1L17 230 kV breaker, with the recovery of these expenditures to be addressed in a subsequent order of the Board following a further application by Hydro.

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.

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Andy Wells
Chair & Chief Executive Officer

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Darlene Whalen, P.Eng.
Vice-Chair

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Dwanda Newman, LL.B.
Commissioner

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James Oxford
Commissioner

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Cheryl Blundon
Board Secretary