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, pursuant to section 41 of the Act, of capital expenditures at the Sunnyside Terminal Station in 2014 and 2015 for the purchase and installation of the Sunnyside T1 transformer and associated equipment, modifications to the protection relay system, and the addition of a 230 kV breaker.

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 subject to the provisions of the EPCA; and

WHEREAS subsection 41(3) 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 in Order No. P.U. 42(2013) the Board approved Hydro’s 2014 Capital Budget in the amount of $97,805,300; and

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

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

WHEREAS on June 19, 2014 Hydro filed an application with the Board requesting approval of a supplemental multi-year capital expenditure in the amount of $8,424,200 to i) purchase and replace the Sunnyside T1 transformer and associated equipment, including the 138kV breaker, 230 kV disconnect switch and the station service transfer switch and ii) modify the protection relay system and purchase and install an additional 230 kV breaker at the Sunnyside Terminal Station (the “Application”); and

WHEREAS Hydro explains that on January 4, 2014 an internal fault occurred in the Sunnyside T1 transformer resulting in a fire and damaging the transformer and associated equipment; and

WHEREAS Hydro states that the Sunnyside T1 transformer is required to be returned to service to meet system planning criteria in the event of another transformer failure at the Sunnyside Terminal Station; and

WHEREAS Hydro submits that the installation of a 230 kV breaker and modifications to the protection relay system will increase the overall reliability of the Hydro system; and

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

WHEREAS the Board, Newfoundland Power and the Industrial Customer Group issued Requests for Information which were answered by Hydro on July 15, 2014; and

WHEREAS Newfoundland Power, the Consumer Advocate, the Industrial Customer Group and Vale advised the Board in writing that they did not have any comment on the Application; and

WHEREAS the Board did not receive any comment from the Praxair, Grand Riverkeeper Labrador, Inc. or Danny Dumaresque; and

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

WHEREAS the Board is satisfied that the proposed 2014 and 2015 capital expenditures should be approved but finds that, as the events and circumstances surrounding the Sunnyside T1 transformer failure are currently under review as part of the Board’s ongoing Investigation and Hearing into the Supply Issues and Power Outages on the Island Interconnected System, no determination will be made at this time as to how the costs of the proposed work should be treated from a regulatory perspective; and
WHEREAS Hydro will be required to separate and record the costs associated with the proposed work in an account and Hydro may subsequently file an application for the recovery of these costs.

IT IS THEREFORE ORDERED THAT:

1. The proposed capital expenditures at the Sunnyside Terminal Station in the amount of $7,197,800 in 2014 and $1,266,400 in 2015 for the purchase and installation of the Sunnyside T1 transformer and associated equipment, modification to the protection relay system and addition of a 230 kV breaker are approved.

2. Hydro will establish a separate account to record the capital expenditures for the purchase and installation of the Sunnyside T1 transformer and associated equipment, modification to the protection relay system and addition of a 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 30th day of July 2014.

________________________________________
Andy Wells
Chair & Chief Executive Officer

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Dwanda Newman, LL.B.
Commissioner

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Cheryl Blundon
Board Secretary