NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 32(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 capital expenditures for the replacement of the tap changer on transformer T5 at the Western Avalon Terminal Station 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 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 in Order No. P.U. 29(2014) the Board approved capital expenditures in the amount of $7,197,800 in 2014 and $1,266,400 in 2015 for the purchase and replacement of the Sunnyside T1 transformer and associated equipment, modification to the protection relay system and addition of a 230 kV breaker at the Sunnyside Terminal Station and ordered that recovery of these expenditures would be addressed in a subsequent order of the Board following a further application by Hydro; and

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

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

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

WHEREAS Hydro states that replacement of the T5 transformer tap changer is necessary to ensure sufficient transformer capacity in the Western Avalon-Holyrood 138 kV loop to meet the transmission planning criteria; 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 Newfoundland Power issued a request for information which was answered by Hydro on July 21, 2014; and

WHEREAS Newfoundland Power, the Consumer Advocate, the Industrial Customer Group, Vale and Mr. Dumaresque 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 or Grand Riverkeeper Labrador, Inc.; 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 capital expenditures should be approved but finds that, as the events and circumstances surrounding the failure of the Western Avalon T5 transformer 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 expenditure in the amount of $1,452,500 to replace the T5 transformer on load tap changer at the Western Avalon Terminal Station is approved.

2. Hydro will establish a separate account to record the capital expenditure to replace the T5 transformer on load tap changer at the Western Avalon Terminal Station, with the recovery of the expenditure 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 1st 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