NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 34(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 excitation transformers at Bay d’Espoir 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 the Board approved supplementary 2014 capital expenditures in:

(i) Order No. P.U. 29(2014) 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;

(ii) Order No. P.U. 32(2014) in the amount of $1,452,000 to replace the tap changer on the T5 transformer at the Western Avalon Terminal Station; and

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 in Order No. P.U. 33(2014) the Board approved a supplementary capital expenditure in the amount of $3,632,200 to replace insulators on transmission lines TL-201 and TL-2013; and

WHEREAS on June 19, 2014 Hydro filed an application with the Board requesting approval of a multi-year supplemental capital expenditure in the amount of $996,700 to replace the excitation transformers on each of the seven generating units at the Bay d’Espoir generating station (the “Application”); and

WHEREAS Hydro states that replacement of excitation transformers was included in Hydro’s five-year capital plan to begin in 2016; and

WHEREAS Hydro advises that in December 2013 fluid analysis was performed on all seven excitation transformers in-service as a condition assessment activity to align transformer replacement based on asset condition; and

WHEREAS on January 30, 2014 the excitation transformer for Unit 6 failed and a spare excitation transformer was installed and the unit was returned to service on February 2, 2014; and

WHEREAS on February 17, 2014 the spare excitation transformer failed and the unit is out of service until a temporary transformer is fabricated and installed; and

WHEREAS Hydro states that the results of the fluid analysis were received in February 2014 and the results were poor; and

WHEREAS Hydro has determined that based on the recent failures and the poor fluid analysis results the replacement of the excitation transformers on all seven excitation transformers at the Bay d’Espoir generating station should be expedited; and

WHEREAS Hydro submits that as a result of efficiencies in engineering, project management, and bulk procurement, as well as disposal of the existing transformers and fluids, the overall cost is reduced when all transformers are replaced as part of one project; and
WHEREAS Hydro also submits that the project will improve the reliability of the Bay d’Espoir
generating station by replacing equipment that is at or is approaching the end of its useful life;
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 Industrial Customer Group issued requests for information which were
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 and Grand Riverkeeper
Labrador, Inc.; and
WHEREAS the Board is satisfied that the proposed 2014 and 2015 supplemental capital
expenditures to replace the excitation transformers at the Bay d’Espoir generating station are
necessary for Hydro to provide service and facilities which are reasonably safe and adequate and
just and reasonable.

IT IS THEREFORE ORDERED THAT:

1. The capital expenditures in the amount of $636,700 for 2014 and $360,000 for 2015 for
the replacement of the excitation transformers at the Bay d’Espoir generating station are
approved.

2. 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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Bobbi Sheppard
Assistant Board Secretary