

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

AN ORDER OF THE BOARD

NO. P.U. 11(2021)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1
3 (the “*EPCA*”) and the *Public Utilities Act*,
4 RSNL 1990, Chapter P-47 (the “*Act*”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for an
9 Order approving, pursuant to sections 41 and
10 78 of the *Act*:

- 11 (a) its 2021 capital purchases and
12 construction projects in excess of
13 \$50,000;
14 (b) its 2021 Capital Budget; and
15 (c) its average rate base for 2017, 2018,
16 and 2019; and
17

18 **IN THE MATTER OF** Order No. P.U. 2(2021) in
19 relation to Newfoundland and Labrador Hydro’s
20 2021 Capital Budget Application; and
21

22 **IN THE MATTER OF** Newfoundland and Labrador
23 Hydro’s request for approval of proposed expenditures
24 associated with a project to replace personal computers
25 and a project to replace a diesel genset at Nain.
26
27

28 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
29 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
30 and is also subject to the provisions of the *EPCA*; and
31

32 **WHEREAS** on August 4, 2020 Hydro filed its 2021 Capital Budget Application with the Board
33 of Commissioners of Public Utilities (the “Board”); and
34

35 **WHEREAS** on January 15, 2021 the Board issued Order No. P.U. 2(2021) approving Hydro’s
36 2021 Capital Budget in the amount of \$103,986,400 which excluded expenditures associated with

1 two projects: i) *Replace Hydro Personal Computers 2021*, and ii) *Diesel Genset Replacements*
2 *2021-2022* on the basis that further information was required in relation to these projects; and

3
4 **WHEREAS** with respect to the *Replace Hydro Personal Computers 2021* project the Board
5 requested that Hydro provide a reconciliation with respect to personal computer replacements for
6 the 2014-2020 period setting out the proposed and actual number of units purchased with an
7 explanation as to variances from plan as well as the amount of the proposed expenditures which
8 relate to the identified 128 desktop replacements for 2021; and

9
10 **WHEREAS** with respect to the *Diesel Genset Replacements 2021-2022* project, which involves
11 replacement of Unit 574 at the Nain Diesel Generating Station, the Board requested that Hydro
12 provide additional information in relation to the issues with the unit and the available alternatives,
13 including:

- 14 (i) the actual and forecasted loads for Nain for the past five years as well as the forecasted
15 loads for the next five years;
- 16 (ii) the amount of load that can be curtailed during periods of peak demand;
- 17 (iii) the basis for Hydro's conclusion that an overhaul would not be helpful;
- 18 (iv) the details of the work which has been done to date and whether there are other
19 measures which may be available to address the overheating issues;
- 20 (v) the reliability of the unit if it continues to be operated with a derated capacity and
21 whether the unit may serve some other purpose if it is replaced;
- 22 (vi) the costs and considerations associated with the option of augmenting the existing
23 derated unit with a smaller diesel genset; and
- 24 (vii) Hydro's plans with respect to the derivation of an appropriate capacity contribution
25 figure for the Nain Wind Micro Grid Project; and

26
27 **WHEREAS** on February 25, 2021, pursuant to Order No. P.U. 2(2021), Hydro filed additional
28 documentation relating to the two projects; and

29
30 **WHEREAS** on February 26, 2021 the Board advised the Consumer Advocate, Dennis Browne,
31 Q.C.; Newfoundland Power Inc. ("Newfoundland Power"); a group of Island Industrial customers:
32 Corner Brook Pulp and Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador
33 Limited; and the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush and Labrador
34 City that further submissions may be filed regarding the additional documentation filed by Hydro;
35 and

36
37 **WHEREAS** on March 4, 2021 Newfoundland Power advised that it had no comments on the
38 additional information filed pursuant to Order No. P.U. 2(2021); and

39
40 **WHEREAS** on March 10, 2021 in its reply submission Hydro noted that Newfoundland Power
41 had no comments with respect to the projects or Hydro's additional information, observed that
42 there were no comments forthcoming from any other party, and requested that the Board approve
43 the projects as submitted; and

44
45 **WHEREAS** the Board finds that the additional information filed by Hydro with respect to the
46 proposed expenditures for *Replace Hydro Personal Computers 2021*, including confirmation of

1 the proposed expenditure to replace desktops and the variance analysis, addresses the issues related
 2 to the planned purchases of computing devices in 2021 raised by the Board in Order No. P.U.
 3 2(2021) and demonstrates the project is justified on the basis of operational requirements; and
 4

5 **WHEREAS** the Board finds that the additional information filed by Hydro with respect to the
 6 proposed *Diesel Genset Replacements 2021-2022* project for Nain addresses the issues raised by
 7 the Board in Order No. P.U. 2(2021) and demonstrates that the project is justified in the
 8 circumstances on the basis that:

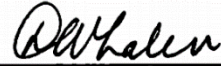
- 9 • the number of residential and general service customers and associated energy use on the
 10 Nain diesel generating system has increased over the past ten years;
- 11 • the Nain isolated load is forecast to increase in the period until 2025, with system gross
 12 peak projected to exceed firm capacity in 2022;
- 13 • there is no opportunity for customer load curtailment in Nain;
- 14 • there is no least-cost, viable, timely alternative to address the expected firm capacity
 15 shortfall;
- 16 • diesel generation will continue to be required in the Nain isolated system in the near-term
 17 to provide firm capacity, even with the possibility of future firm capacity from projects
 18 such as the Nain Micro Wind Grid Project development, until there is adequate operating
 19 history available; and
- 20 • the operating history of Unit 574 shows the unit to be unreliable with extended unit
 21 outages and an unacceptable risk of future failure; and
 22

23 **WHEREAS** the Board is satisfied that the proposed capital expenditures in relation to the *Replace*
 24 *Hydro Personal Computers 2021* project and the *Diesel Genset Replacements 2021-2022* project
 25 are reasonable and necessary to ensure the continued provision of a safe and reliable electricity
 26 supply to Hydro's customers and should be approved.
 27
 28

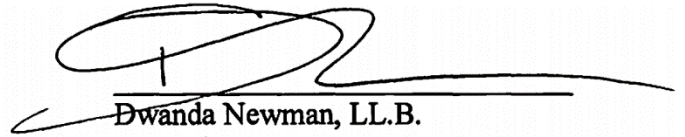
29 **IT IS THEREFORE ORDERED THAT:**
 30

- 31 1. Hydro's proposed capital expenditures for the *Replace Hydro Personal Computers 2021*
 32 project, in the amount of \$905,400 in 2021, and the *Diesel Genset Replacements 2021-2022*
 33 project, in the amount of \$2,560,600 in 2021 and \$525,000 in 2022, are approved.
 34
- 35 2. Hydro's multi-year construction and purchase of improvements or additions to its property in
 36 excess of \$50,000 to begin in 2021 approved in Order No. P.U. 2(2021) are amended, as set
 37 out in Schedule A to this Order.
 38
- 39 3. Hydro's 2021 Capital Budget for improvements or additions to its property approved in Order
 40 No. P.U. 2(2021) is amended, as set out in Schedule B to this Order.
 41
- 42 4. Hydro shall pay all expenses of the Board arising from this application.

DATED at St. John's, Newfoundland and Labrador, this 29th day of March, 2021.



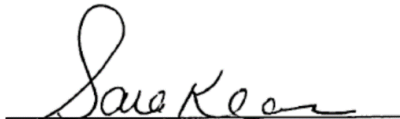
Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



Dwanda Newman, LL.B.
Vice-Chair



Christopher Pike, LL.B., FCIP
Commissioner



Sara Kean
Assistant Board Secretary

Schedule A
Order No. P.U. 11(2021)
Multi-Year Projects over \$50,000
Issued: March 29, 2021

NEWFOUNDLAND AND LABRADOR HYDRO
2021 CAPITAL BUDGET
PROJECTS OVER \$50,000
MULTI-YEAR PROJECTS
(\$000)

Multi-year Projects Commencing in 2021

PROJECT DESCRIPTION	2021	2022	2023	2024	2025	Total
Multi-Year Projects over \$50,000 approved in Order No. P.U. 2(2021)	28,896.1	38,335.4	10,747.4	3,674.7	0.0	81,653.6
Diesel Genset Replacements (2021-2022)	2,560.6	525.0				3,085.6
Total Multi-Year Projects over \$50,000 commencing in 2021	31,456.7	38,860.4	10,747.4	3,674.7	0.0	84,739.2

Schedule B
Order No. P.U. 11(2021)
2021 Capital Budget
Issued: March 29, 2021

NEWFOUNDLAND AND LABRADOR HYDRO
2021 CAPITAL BUDGET
(\$000)

2021 Capital Budget approved in Order No. P.U. 2(2021)	\$	103,986.4
Diesel Genset Replacements (2021-2022)		2,560.6
Replace Hydro Personal Computers (2021)		<u>905.4</u>
Approved 2021 Capital Budget	\$	<u><u>107,452.4</u></u>