

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

AN ORDER OF THE BOARD

NO. P.U. 38(2013)

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

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval
9 of capital expenditures and for deferral of lease costs
10 associated with the installation of diesel units at the
11 Holyrood Thermal Generating Station for the purpose
12 of black start, pursuant to sections 41, 49, 78 and 80
13 of the *Act*.
14
15

16 **WHEREAS** Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and
17 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and
18 is subject to the provisions of the *EPCA*; and
19

20 **WHEREAS** in Order Nos. P.U. 2(2013) and P.U. 4(2013) the Board approved Hydro's 2013
21 Capital Budget; and
22

23 **WHEREAS** subsection 41(3) of the *Act* states that a public utility shall not proceed with the
24 construction, purchase or lease of improvements or additions to its property where:
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- 26 a) the cost of construction or purchase is in excess of \$50,000; or
27 b) the cost of the lease is in excess of \$5,000 in a year of the lease
28

29 without prior approval of the Board; and
30

31 **WHEREAS** the Board approved supplementary 2013 capital expenditures in:
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- 33 (i) Order No. P.U. 1(2013) in the amount of \$284,100 for the refurbishment of the
34 stop logs at the Burnt Dam Spillway;
35 (ii) Order No. P.U. 12(2013) in the amount of \$5,198,000 for the refurbishment of the
36 marine terminal at the Holyrood Thermal Generating Station;
37 (iii) Order No. P.U. 14(2013) in the amount of \$12,809,700 for the refurbishment and
38 repairs to Unit 1 at the Holyrood Thermal Generating Station;

- 1 (iv) Order No. P.U. 15(2013) in the amount of \$3,823,600 for 2013 to install
2 additional 230 kV transformer capacity at the Oxen Pond Terminal Station;
3 (v) Order No. P.U. 20(2013) in the amount of \$8,015,800 for the replacement of the
4 alternator on the Hardwoods Gas Turbine;
5 (vi) Order No P.U. 25(2013) in the amount of \$11,741, plus HST, for the lease of
6 vehicles;
7 (vii) Order No. P.U. 31(2013) in the amount of \$207,000 as a supplementary amount to
8 the Allowance for Unforeseen Items; and
9 (viii) Order No. P.U. 33(2013) in the amount of \$388,700 for the replacement of a
10 breaker at Hinds Lake generating station; and
11

12 **WHEREAS** on November 22, 2013 Hydro filed an application with the Board requesting
13 approval of a capital expenditure in the amount of \$1,124,100 and for the deferral of estimated
14 lease costs of \$5,724,200 (the "Application"); and
15

16 **WHEREAS** the capital and lease expenditures are proposed to procure infrastructure required to
17 ensure black start capability at the Holyrood Thermal Generating Station which will involve the
18 installation of: i) eight 1.825 MW mobile diesel generators with a 480V diesel operational
19 voltage; and ii) transformers and other infrastructure to convert the 480V diesel generator output
20 to 4160V; and
21

22 **WHEREAS** on November 25, 2013 the Board requested comments from Newfoundland Power
23 Inc. ("Newfoundland Power"), the Consumer Advocate, a group of three Island Industrial
24 customers: Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck
25 Resources Limited (the "Industrial Customer Group"), and Vale Newfoundland and Labrador
26 Limited ("Vale"); and
27

28 **WHEREAS** on November 28, 2013 the Consumer Advocate filed comments submitting that the
29 expenditure be approved by the Board on an expedited basis; and
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31 **WHEREAS** on November 28, 2013 Newfoundland Power filed comments submitting that the
32 time allotted for review of the Application was insufficient for it to fully consider the options and
33 that it could not comment as to whether the recommended option is the least cost solution; and
34

35 **WHEREAS** Newfoundland Power also submits that to ensure timely consideration cost
36 recovery should be addressed as a part of Hydro's General Rate Application which is currently
37 before the Board; and
38

39 **WHEREAS** on November 28, 2013 the Industrial Customer Group filed comments submitting
40 that in the circumstances Hydro's proposed solution cannot be reasonably subjected to full prior
41 scrutiny without placing service reliability for Hydro's customers at potential risk; and
42

43 **WHEREAS** the Industrial Customer Group lists several issues of concern and submits that these
44 issues be addressed in a separate process to determine to what extent the capital costs and
45 deferred lease costs of the diesel unit solution should be recovered from Hydro's customers; and

1 **WHEREAS** on November 29, 2013 Vale advised the Board that they would not be commenting
2 on the Application; and

3
4 **WHEREAS** on November 29, 2013 Hydro filed a revision to the Application amending the
5 capital cost estimate to \$1,263,400 and the lease cost estimate to \$5,763,200; and

6
7 **WHEREAS** Hydro submits that the proposed expenditures are necessary to ensure that the
8 Holyrood Thermal Generating Station can continue to provide service that is reasonably safe and
9 adequate and just and reasonable; and

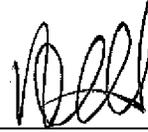
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11 **WHEREAS** the Board finds that the proposed installation of mobile diesel units, transformers
12 and other infrastructure at the Holyrood Thermal Generating Station is necessary to ensure
13 continued reliability of service and should proceed on an expedited basis; and

14
15 **WHEREAS** the Board is satisfied that the proposed capital expenditures should be approved but
16 finds that the issues of prudence and cost recovery in relation to the proposed expenditures
17 should not be addressed until there has been a full review with an opportunity for the parties to
18 issue requests for information and make submissions.

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21 **IT IS THEREFORE ORDERED THAT:**

- 22
23 1. The proposed capital expenditure of \$1,263,400 to install a 16 MW diesel plant and other
24 necessary infrastructure to ensure black start capability at the Holyrood Thermal
25 Generating Station is approved.
26
27 2. The creation of a deferral account for lease costs associated with the 16 MW diesel plant
28 and other necessary infrastructure to ensure black start capability at the Holyrood
29 Thermal Generating Station is approved, with recovery of these costs to be determined by
30 the Board in a future Order.
31
32 3. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador this 29th day of November, 2013.



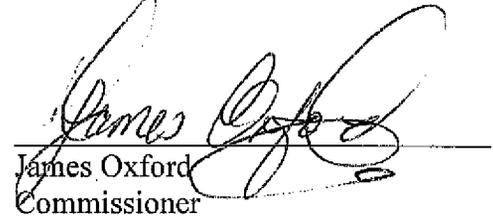
Andy Wells
Chair & Chief Executive Officer



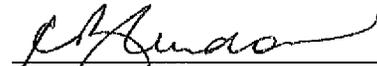
Darlene Whalen, P.Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



James Oxford
Commissioner



Cheryl Blundon
Board Secretary