

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

**AN ORDER OF THE BOARD**

**NO. P.U. 23(2014)**

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 Newfoundland  
8 and Labrador Hydro for approval of a capital expenditure  
9 to supplement the Allowance for Unforeseen Items for the  
10 construction and purchase of certain improvements and  
11 additions to its property pursuant to section 41 of the *Act*.  
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13

14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and  
15 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and  
16 is also subject to the provisions of the *EPCA*; and  
17

18 **WHEREAS** in Order No. P.U. 42(2013) the Board approved, *inter alia*, Hydro’s 2014 Capital  
19 Budget, which included an amount of \$1,000,000 as an Allowance for Unforeseen Items; and  
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21 **WHEREAS** section 41 of the *Act* states that a public utility shall not proceed with the  
22 construction, purchase or lease of improvements or additions to its property where:  
23

- 24 a) the cost of construction or purchase is in excess of \$50,000; or
  - 25 b) the cost of the lease is in excess of \$5,000 in a year of the lease
- 26

27 without prior approval of the Board; and  
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29 **WHEREAS** the Capital Budget Guidelines (the “Guidelines”) issued by the Board in October  
30 2007 permit a utility to apply for approval of a supplementary amount provided the utility shows  
31 that usage of the Allowance for Unforeseen Items has been consistent with the Guidelines; and  
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33 **WHEREAS** on April 11, 2014 Hydro filed an application with the Board requesting approval of  
34 a supplementary amount of \$680,000 to be added to the 2014 Allowance for Unforeseen Items  
35 (the “Application”); and

1 **WHEREAS** the Application states that Hydro anticipates depleting the approved Allowance for  
2 Unforeseen Items of \$1,000,000 by \$680,000 in 2014 as a result of expenditures for: i) the  
3 refurbishment of the Unit 3 east forced draft fan motor at the Holyrood Thermal Generating  
4 Station; ii) the B1L03 230 kV breaker overhaul at the Sunnyside Terminal Station; iii) the  
5 B1L17 230 kV breaker overhaul at the Holyrood Terminal Station; and, iv) the replacement of  
6 the transformer at Bay d’Espoir Unit 6.

7  
8 **WHEREAS** Hydro submits that it is prudent to maintain an Allowance for Unforeseen Items of  
9 \$1,000,000 to permit Hydro to address unforeseen events that may arise during the remainder of  
10 2014, and requests that the Board approve a supplementary amount of \$680,000 for that purpose;  
11 and

12  
13 **WHEREAS** on April 14, 2014 the Board requested comments from: Newfoundland Power Inc.  
14 (“Newfoundland Power”); the Consumer Advocate; Corner Brook Pulp and Paper Limited,  
15 North Atlantic Refining Limited and Teck Resources Limited (the “Industrial Customer  
16 Group”); Vale Newfoundland & Labrador Limited (“Vale”); and Praxair Canada Inc. (“Praxair”);  
17 and

18  
19 **WHEREAS** on April 15, 2014 Newfoundland Power filed correspondence stating that no  
20 evidence appears to have been filed regarding the unforeseen expenditures described in the  
21 Application and that, for this reason, it was not in a position to provide meaningful comment on  
22 the Application; and

23  
24 **WHEREAS** on April 21, 2014, in response to Newfoundland Power’s correspondence, Hydro  
25 provided the reports which were previously filed with the Board on the expenditures related to  
26 the Holyrood Thermal Generating Station refurbishment of the Unit 3 east forced draft fan motor  
27 and the Sunnyside 230 kV breaker overhaul, and also advised that reports were not complete for  
28 the other two projects (the Holyrood 230 kV breaker overhaul and the Bay d’Espoir Unit 6  
29 transformer); and

30  
31 **WHEREAS** on April 22, 2014 the Consumer Advocate filed correspondence stating that, while  
32 he does not take exception to Hydro’s desire to replenish the Allowance for Unforeseen Items, it  
33 would be appropriate for Hydro to first file a proper evidentiary basis to ground its application;  
34 and

35  
36 **WHEREAS** on May 5, 2014 Hydro filed an additional report related to the Holyrood 230 kV  
37 breaker overhaul, and further submitted that the three reports filed with respect to the use of the  
38 Allowance for Unforeseen Items in 2014 provide sufficient evidence for the Board to address the  
39 Application to approve a supplementary allowance of \$680,000 for 2014; and

40  
41 **WHEREAS** on May 8, 2014 and May 9, 2014 Newfoundland Power, the Industrial Customer  
42 Group and the Consumer Advocate advised that they were satisfied that Hydro had filed  
43 evidence which would permit the Board to determine whether Hydro’s usage of the Allowance  
44 for Unforeseen Items was consistent with the Guidelines; and

1 **WHEREAS** the Board finds, based on the reports filed, that the use of the Allowance for  
2 Unforeseen Items was consistent with the Guidelines with respect to the expenditures for the  
3 Holyrood Unit 3 east forced draft fan motor and the Sunnyside and Holyrood breaker overhauls  
4 and that the approximate expenditures associated with of these projects is \$580,000; and  
5

6 **WHEREAS** the Board is satisfied that the 2014 Allowance for Unforeseen Items should be  
7 replenished by \$580,000 effective immediately to allow Hydro to proceed expeditiously with  
8 emergency capital expenditures where the nature of these expenditures is such that an application  
9 under s. 41 of the *Act* for prior approval is not practical or possible; and  
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11 **WHEREAS** the Board finds that, as the events and circumstances surrounding the projects  
12 related to the in-service failure of the Holyrood Unit 3 east forced draft fan and the failures of the  
13 Sunnyside and Holyrood 230 kV breakers are currently under review as part of the Board's  
14 ongoing Investigation and Hearing into the Supply Issues and Power Outages, no determination  
15 will be made at this time as to how the costs of these projects should be treated from a regulatory  
16 perspective; and  
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18 **WHEREAS** Hydro will be required to separate and record the costs associated with the Unit 3  
19 east forced draft fan motor refurbishment at the Holyrood Thermal Generating Station and the  
20 overhauls of the Sunnyside B1L03 230 kV breaker and the Holyrood B1L17 230 kV breaker in  
21 an account and, Hydro may subsequently file an application for the recovery of these costs; and  
22

23 **WHEREAS** based on the information filed to date in relation to the replacement of the Bay  
24 d'Espoir Unit 6 transformer the Board will not approve an addition to the Allowance for  
25 Unforeseen Items by the approximate \$100,000 estimated for this project at this time.  
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27

28 **IT IS THEREFORE ORDERED THAT:**  
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- 30 1. The addition of a supplementary amount of \$580,000 to the 2014 Allowance for  
31 Unforeseen Items is approved.  
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- 33 2. Hydro will establish a separate account to record the expenditures associated with the  
34 Unit 3 east forced draft fan motor refurbishment at the Holyrood Thermal Generating  
35 Station, the overhaul of the Sunnyside B1L03 230 kV breaker and the overhaul of the  
36 Holyrood B1L17 230 kV breaker, with the recovery of these expenditures to be addressed  
37 in a subsequent order of the Board following a further application by Hydro.  
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- 39 3. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 27<sup>th</sup> day of June, 2014.

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Andy Wells  
Chair & Chief Executive Officer

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Darlene Whalen, P.Eng.  
Vice-Chair

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Dwanda Newman, LL.B.  
Commissioner

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James Oxford  
Commissioner

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Cheryl Blundon  
Board Secretary