

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

**AN ORDER OF THE BOARD
NO. P. U. 8(2009)**

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

6
7 **AND**
8

9 **IN THE MATTER OF** an application by
10 Newfoundland and Labrador Hydro (Hydro)
11 for approval of the replacement of programmable
12 logic controllers at the Holyrood Thermal
13 Generating Station (the "Application"),
14 pursuant to Section 41(3) of the *Act*.

15
16 **WHEREAS** Hydro is a corporation continued and existing under the *Hydro Corporation Act*, is
17 a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*; and
18

19 **WHEREAS** Subsection 41(3) of the *Act* states that a public utility shall not proceed with the
20 construction, purchase or lease of improvements or additions to its property where:

- 21
22 a) the cost of construction or purchase is in excess of \$50,000; or
23
24 b) the cost of the lease is in excess of \$5,000 in a year of the lease,
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26 without prior approval of the Board; and
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28 **WHEREAS** in Order No. P.U. 36(2008) issued December 23, 2008 the Board approved, *inter*
29 *alia*, Hydro's 2009 Capital Budget of \$47,856,000; and
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31 **WHEREAS** in Order No. P.U. 4(2009), issued January 27, 2009 the Board approved a
32 supplementary 2009 capital budget expenditure of \$351,000 for the replacement of the power
33 transformer at the Wiltondale terminal station due to a failure of the existing transformer; and

1 **WHEREAS** on January 14, 2009 Hydro applied to the Board for approval of proposed
2 supplementary capital expenditures in relation to a multi-year project to replace six
3 programmable logic controllers (PLCs) and associated human machine interfaces (HMIs) on
4 specific systems at the Holyrood Thermal Generating Station, at a total project cost of
5 \$4,088,400; and
6

7 **WHEREAS** Hydro states that the proposed multi-year project involves the following:

- 8 i) 2009: Replacement of PLCs and common equipment for all systems at the Gas
9 Turbine Plant at an estimated cost of \$1,092,900;
- 10 ii) 2010: Replacement of PLCs for Unit 1 and Unit 2 Burner Management systems at an
11 estimated project of \$1,213,500;
- 12 iii) 2011: Replacement of PLCs for the Water Treatment Plant at an estimated cost of
13 \$746,200; and
- 14 iv) 2012: Replacement of PLCs for the Waste Water Treatment Plant and Warm Air
15 Make-Up at an estimated cost of \$1,035,800.
16

17 **WHEREAS** the Consumer Advocate, Hydro's island industrial customers and Newfoundland
18 Power were notified of the application and provided an opportunity to make comments but did
19 not participate in the matter; and
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21 **WHEREAS** the Board has reviewed the supporting documentation filed with the Application in
22 the context of the *Act* and the Capital Budget Application Guidelines issued by the Board; and
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24 **WHEREAS** the Capital Budget Application Guidelines require that an application for approval
25 of a supplemental capital expenditure be supported with evidence as to why the project was not
26 anticipated and included in the annual capital budget application for the year and why the project
27 cannot wait until the next annual capital budget application; and
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29 **WHEREAS** in correspondence dated January 14, 2009 Hydro explained that the project was not
30 included in the 2009 Capital Budget application as financial data for assessing alternatives was
31 not available at the time; and
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33 **WHEREAS** Hydro further explained that the project cannot be deferred due to the risks
34 identified in Section 4.9 of its report, "Replace Programmable Logic Controllers at the Holyrood
35 Thermal Generating Station", dated January 2009, which states that because of the age of the
36 existing PLCs, lack of manufacturer's support and the importance of the systems that they
37 control, Holyrood is currently at risk while operating using these systems should an
38 unrecoverable component failure occur. Hydro says that there could be long delays in restoring
39 the system after a fault with potential significant and prolonged customer outages; and
40

41 **WHEREAS** the Board is satisfied that it is reasonable and prudent to approve the expenditure of
42 \$1,092,900 to replace the PLCs and common equipment for all systems at the Gas Turbine Plant
43 in 2009 so as to ensure the continued availability of this plant; and

1 **WHEREAS** the Board is not persuaded that the remaining proposed expenditures of almost \$3
2 million in relation to the replacement of the other PLCs, which are not scheduled to be started
3 before 2010, should be approved at this time given that Hydro has not demonstrated why this
4 approval cannot be sought in its 2010 annual capital budget.
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7 **IT IS THEREFORE ORDERED THAT:**
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- 9 1. The Board approves proposed capital expenditures of \$1,092,900 for the replacement of
10 the programmable logic controllers at the Gas Turbine Plant.
11
12 2. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 12th day of March 2009.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B
Commissioner

Cheryl Blundon
Board Secretary