

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

AN ORDER OF THE BOARD

NO. P.U. 40(2016)

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 the combustor inspection and overhaul of the
10 combustion turbine located in Holyrood
11 pursuant to section 41 of the *Act*.
12
13

14 **WHEREAS** Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and
15 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the
16 *Act*, and is also subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** subsection 41(3) of the *Act* requires that a public utility not proceed with the
19 construction, purchase or lease of improvements or additions to its property where:
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- 21 a) the cost of construction or purchase is in excess of \$50,000; or
- 22 b) the cost of the lease is in excess of \$5,000 in a year of the lease,

23
24 without prior approval of the Board; and
25

26 **WHEREAS** in Order No. P.U. 33(2015) the Board approved Hydro's 2016 Capital Budget in
27 the amount of \$183,082,800; and
28

29 **WHEREAS** the Board approved supplementary 2016 capital expenditures:
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- 31 (i) in Order No. P.U. 8(2016) in the amount of \$1,000,000 to supplement the
32 Allowance for Unforeseen Items;
- 33 (ii) in Order No. P.U. 17(2016) in the amount of \$6,300,000 to purchase 12 MW of
34 generating capacity at the Holyrood Thermal Generating Station;
- 35 (iii) in Order No. P.U. 19(2016) in the amount of \$11,800,000 to replace lower reheater
36 tubes on the Unit 1 and 2 boilers and to complete reliability improvements at the
37 Holyrood Thermal Generation Plant;

- 1 (iv) in Order No. P.U. 20(2016) in the amount of \$717,000 to reroute transmission line
2 TL 227 and distribution line Sally's Cove L1, a multi-year project with capital
3 expenditures of \$1,533,000 in 2017 which were also approved in this Order;
4 (v) in Order No. P.U. 22(2016) in the amount of \$3,047,100 for the refurbishment of
5 gas generator End A engine, serial number 202205, at the Hardwoods Gas Turbine
6 Plant and gas generator End A engine, serial number 202204, at the Stephenville
7 Gas Turbine Plant;
8 (vi) in Order No. P.U. 28(2016) in the amount of \$1,977,300 for the refurbishment and
9 overhaul of Unit 4 at Bay d'Espoir; and
10 (vii) in Order No. P.U. 37(2016) in the amount of \$490,000 to purchase the Wabush
11 Terminal Station and associated lands and assets; and
12

13 **WHEREAS** on August 31, 2016 Hydro applied to the Board for approval of a capital
14 expenditure in the amount of \$4,738,300 to perform a combustor inspection and overhaul on
15 the combustion turbine located in Holyrood (the "Application"); and
16

17 **WHEREAS** the Application explains that, the Original Equipment Manufacturer's
18 preventative maintenance schedule recommends a combustor turbine inspection and overhaul
19 when the total equivalent starts on a unit reaches 400; and
20

21 **WHEREAS** the Application states that, based on the anticipated operation of the combustion
22 turbine in Holyrood, a preventative maintenance strategy was developed that originally forecast
23 reaching 400 total equivalent starts in the spring of 2018; and
24

25 **WHEREAS** the Application further states that, due to unanticipated system events in 2015 and
26 2016, the combustion turbine has operated more than initially expected and that it is expected
27 that the combustion turbine in Holyrood will reach 400 total equivalent starts and require
28 preventative maintenance in February 2017; and
29

30 **WHEREAS** the Application explains that performing this work during the winter operating
31 period would require the combustion turbine to be unavailable to the system for approximately
32 four weeks during a critical time of the year and that waiting until the end of the 2016/2017
33 winter period would likely result in operation past the recommended maintenance schedule;
34 and
35

36 **WHEREAS** the Application proposes that the work commence in October 2016 allowing the
37 combustion turbine to return to service in November 2016; and
38

39 **WHEREAS** the Application states that the proposed combustor inspection and overhaul is
40 necessary to ensure that Hydro can continue to provide service which is safe and adequate and
41 just and reasonable; and
42

43 **WHEREAS** the Application was copied to: Newfoundland Power Inc.; the Consumer
44 Advocate, Mr. Thomas Johnson; Corner Brook Pulp and Paper Limited and NARL Refining
45 Limited Partnership (the "Industrial Customer Group"); Teck Resources Limited; Vale
46 Newfoundland and Labrador Limited; and Praxair Canada Inc.; and
47

1 **WHEREAS** the Board and Newfoundland Power filed Requests for Information which were
2 answered by Hydro on September 16, 2016; and
3

4 **WHEREAS** submissions were filed by Newfoundland Power and the Industrial Customer
5 Group on September 20, 2016; and
6

7 **WHEREAS** Newfoundland Power advised that, due to the importance of the combustion
8 turbine to the Island Interconnected System, particularly during the winter period, it agrees that
9 the combustor inspection and overhaul should be completed as proposed in the Application;
10 and
11

12 **WHEREAS** the Industrial Customer Group stated that it is prudent to proceed with the
13 proposed inspection and overhaul of the combustion turbine in the fall of 2016 but reserved the
14 right to inquire or make submissions in any future process the Board may establish in relation
15 to the Energy Cost Variance Deferral Account proposed in the 2013 Amended General Rate
16 Application regarding whether the actual usage of the combustion turbine was consistent with
17 least cost, reliable service; and
18

19 **WHEREAS** the Industrial Customer Group requested clarification from Hydro on the amount
20 of spinning reserve maintained on the system and an explanation for Hydro not filing the
21 Application until August 31, 2016 which resulted in a compressed time schedule for regulatory
22 process; and
23

24 **WHEREAS** Hydro filed a reply submission on September 21, 2016; and
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26 **WHEREAS** Hydro explained that it targets a spinning reserve level to cover the loss of the
27 largest generating unit, which could be up to 170 MW, but has established a minimum reserve
28 level of 70 MW; and
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30 **WHEREAS** Hydro submitted that the analysis to determine the ideal execution time of the
31 combustor inspection and overhaul was complex and that the filing of Application has allowed
32 for due regulatory scrutiny; and
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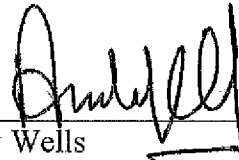
34 **WHEREAS** the Board received no comments on the Application from the other parties; and
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36 **WHEREAS** the Board is satisfied that the proposed capital expenditure to perform the
37 combustor inspection and overhaul on the combustion turbine in Holyrood is necessary to
38 allow Hydro to provide service which is reasonably safe and adequate and just and reasonable.
39
40

41 **IT IS THEREFORE ORDERED THAT:**
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- 43 1. The proposed capital expenditure in the amount of \$4,738,300 to perform a combustor
44 inspection and overhaul on the combustion turbine located in Holyrood is approved.
45
- 46 2. Hydro shall pay all expenses of the Board arising from this Application.

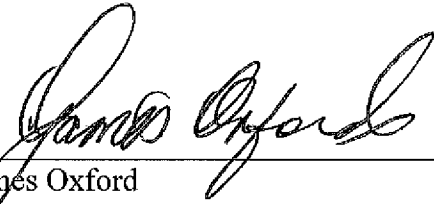
DATED at St. John's, Newfoundland and Labrador, this 23rd day of September, 2016.



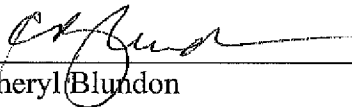
Andy Wells
Chair and Chief Executive Officer



Darlene Whalen, P.Eng.
Vice-Chair



James Oxford
Commissioner



Cheryl Blundon
Board Secretary