

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

**AN ORDER OF THE BOARD**

**NO. P.U. 34(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 approval  
9 of a capital expenditure to supplement the 2021  
10 Allowance for Unforeseen Items for the construction  
11 and purchase of certain improvements and additions  
12 to its property pursuant to section 41 of the *Act*.  
13  
14

15 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and  
16 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,  
17 and is also subject to the provisions of the *EPCA*; and  
18

19 **WHEREAS** section 41 of the *Act* states that a public utility shall not proceed with the construction,  
20 purchase or lease of improvements or additions to its property without prior approval of the Board  
21 where a) the cost of construction or purchase is in excess of \$50,000, or b) the cost of the lease is  
22 in excess of \$5,000 in a year of the lease; and  
23

24 **WHEREAS** in Order Nos. P.U. 2(2021) and P.U. 11(2021) the Board approved Hydro’s 2021  
25 Capital Budget in the amount of \$107,452,400; and  
26

27 **WHEREAS** the Board approved supplementary 2021 capital expenditures  
28

- 29 (i) in Order No. P.U. 17(2021) in the amount of \$108,000 to top up the 2021 Allowance for  
30 Unforeseen Items;  
31 (ii) in Order No. P.U. 18(2021) in the amount of \$443,000 for the overhaul of the Holyrood  
32 Thermal Generating Station Unit 1 Boiler Feed Pump East;  
33 (iii) in Order No. P.U. 20(2021) in the amount of \$350,000 for the purchase of a diesel  
34 generator unit for Charlottetown, Labrador;  
35 (iv) in Order No. P.U. 27(2021) in the amount of \$3,479,300 in 2021, \$12,281,700 in 2022  
36 and \$53,600 in 2023 for the construction of an interconnection between Star Lake

1 Terminal Station and Valentine Terminal Station with costs to be recovered from  
2 Maritime Gold Corporation;

- 3 (v) in Order No. P.U. 28(2021) in the amount of \$2,436,800 for the purchase of a diesel  
4 generator unit for the Ramea Diesel Generating Station; and  
5

6 **WHEREAS** on November 24, 2021 Hydro filed an application with the Board (the “Application”)  
7 requesting approval:  
8

- 9 (i) to continue recording in the existing Allowance for Unforeseen Items the variance  
10 associated with the expenditures related to i) the failure of Unit 3 boiler tubes at the  
11 Holyrood Thermal Generating Station; and ii) the replacement of the Unit 2 transformer  
12 at the Holyrood Thermal Generating Station<sup>1</sup>; and  
13 (ii) of a supplementary amount of \$1,000,000 established as a separate unforeseen  
14 allowance to be utilized for any unforeseen and urgent capital expenditures necessary  
15 for the remainder of 2021; and  
16

17 **WHEREAS** the Application stated that the capital expenditures related to the failure of the Unit  
18 3 boiler tubes and the replacement of the Unit 2 transformer at the Holyrood Thermal Generating  
19 Station are forecast to exceed the approved 2021 Allowance for Unforeseen Items by at least \$2.2  
20 million; and  
21

22 **WHEREAS** the Application stated that it is prudent to maintain a sufficient amount in the  
23 Allowance for Unforeseen Items to permit Hydro to address unforeseen events and that a  
24 supplementary allowance of \$1,000,000 would provide Hydro with a balance to address any other  
25 unforeseen events that may arise in the remainder of the 2021; and  
26

27 **WHEREAS** the Application stated that Hydro proposes to record the variance above the  
28 \$1,000,000 associated with the expenditures related to the Unit 3 boiler tube failures and the Unit  
29 2 transformer replacement at the Holyrood Thermal Generating Station and to file an application  
30 in early 2022 for the inclusion of this variance in rate base; and  
31

32 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland Power”);  
33 the Consumer Advocate, Dennis Browne, Q.C.; Hydro’s Island Industrial customers: Corner  
34 Brook Pulp and Paper Limited, NARL Refining Limited Partnership, Vale Newfoundland and  
35 Labrador Limited; Teck Resources Limited and Praxair Canada Inc.; and  
36

37 **WHEREAS** on November 29, 2021 Newfoundland Power advised that it had no comments  
38 regarding the Application; and  
39

40 **WHEREAS** no other comments were received by the Board; and  
41

42 **WHEREAS** on December 2, 2021 Hydro filed a submission requesting the Board approve the  
43 Application as submitted; and

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<sup>1</sup>An Allowance for Unforeseen Items of \$1,000,000 was approved in Order No. P.U. 2(2021) and the addition of a supplemental amount of \$108,000 to this allowance was approved in Order No. P.U. 17 (2021).

1 **WHEREAS** the Board’s Capital Budget Guidelines (the “Guidelines”) permit a utility to apply  
2 for approval of a supplementary amount in relation to the Allowance for Unforeseen Items  
3 provided the utility shows that usage of the allowance has been consistent with the Guidelines; and  
4

5 **WHEREAS** Hydro has filed interim reports with respect to the capital expenditures associated  
6 with the Unit 3 boiler tube failures and the Unit 2 transformer replacement at the Holyrood Thermal  
7 Generating Station but is not yet in a position to file the final reports required by the Guidelines  
8 which would set out the total capital expenditures and demonstrate that the use of the Allowance  
9 for Unforeseen Items was consistent with the Guidelines; and  
10

11 **WHEREAS** the Board is satisfied that the consideration of whether the use of the Allowance for  
12 Unforeseen Items is appropriate with respect to the expenditures associated with the Unit 3 boiler  
13 tube failures and the Unit 2 transformer replacement at the Holyrood Thermal Generating Station  
14 should be addressed following the filing of the final reports in relation to these expenditures and  
15 that these reports should be copied to the parties in this Application; and  
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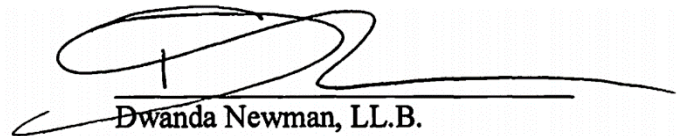
17 **WHEREAS** the Board is satisfied that consideration of whether the expenditures associated with  
18 the Unit 3 boiler tube failures and the Unit 2 transformer replacement at the Holyrood Thermal  
19 Generating Station should be added to rate base should be addressed as part of Hydro’s application  
20 for approval of its 2021 rate base and a separate application for these expenditures is not required;  
21 and  
22


23 **WHEREAS** the Board is satisfied that the 2021 Allowance for Unforeseen Items should be reset  
24 effective immediately to allow Hydro to proceed expeditiously with urgent capital expenditures  
25 where the nature of these expenditures is such that an application under section 41 of the *Act* for  
26 prior approval is not practical or possible.

1 **IT IS THEREFORE ORDERED THAT:**  
2

- 3 1. The 2021 Allowance for Unforeseen Items is reset to \$1,000,000 effective December 17, 2021.  
4  
5 2. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 17<sup>th</sup> day of December, 2021.

  
Dwanda Newman, LL.B.  
Vice-Chair

  
Christopher Pike, LL.B., FCIP  
Commissioner

  
Sara Kean  
Assistant Board Secretary