

June 30, 2017

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: An Application by Newfoundland and Labrador Hydro pursuant to Subsection 41 (3) of the Act for approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain improvements and additions to its property.

Please find enclosed the original and nine copies of the above-noted Application, plus supporting affidavit and draft order.

The enclosed Application seeks the Board's approval for restoration of the Allowance for Unforeseen Items amount by adding an additional \$540,000 to the allowance, which is believed to be an appropriate and prudent amount to be added at this time.

The need for this supplementary allowance arises from the need to cover the costs of an unforeseen capital project for emergency repairs required as a result of a fire that occurred in the Northeast corner of the Unit 2 boiler at the Holyrood Thermal Generating Plant on May 1, 2017. Hydro has executed this unforeseen and urgent capital project at an estimated cost of approximately \$540,000. The Application is filed in accordance with the Capital Budget Application Guidelines issued in October 2007.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Michael Ladha
Legal Counsel & Assistant Corporate Secretary

ML/bs

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Sheryl Nisenbaum – Praxair Canada Inc.
ecc: Larry Bartlett – Teck Resources Limited

Dennis Browne, Q.C. – Consumer Advocate
Thomas J. O'Reilly, Q.C. – Cox & Palmer

IN THE MATTER OF the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the *EPCA*) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the *Act*), and regulations thereunder;

AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro pursuant to Subsection 41(3) of the *Act*, for the approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain Improvements and additions to its property.

TO: The Board of Commissioners of Public Utilities (the Board)

THE APPLICATION OF NEWFOUNDLAND AND LABRADOR HYDRO (Hydro) STATES THAT:

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Section 41(3) of the *Act* states that a public utility shall not proceed with the construction, purchase or lease of improvements or additions to its property where:
 1. the cost of the construction or purchase is in excess of \$50,000; or
 2. the cost of the lease is in excess of \$5,000 in a year of the lease, without the prior approval of the Board.

3. Hydro has had one unforeseen, urgent capital project which depleted the approved 2017 allowance of \$1,000,000. The unforeseen capital project was the replacement and restoration of structures on transmission lines TL 212 and TL 201 resulting from damage that occurred during the March 11, 2017 wind storm. On March 30, 2017, Hydro filed an application with the Board requesting approval of a supplementary amount of \$500,000 to be added to the 2017 Allowance for Unforeseen Items, which was approved by the Board in Order P.U. 15(2017).

4. Hydro has had an additional unforeseen, urgent capital project, which has depleted the approved 2017 allowance by approximately \$540,000. This was to cover the costs of the unforeseen capital project for emergency replacement of equipment required as a result of a fire in the Northeast corner of the Unit 2 boiler at the Holyrood Thermal Generating Plant that occurred on May 1, 2017. The work required as a result of the fire included: (i) the replacement of 15 m of cable on approximately 100 damaged cable sections, comprised of both 600 V and 120 V power feeds, (ii) the replacement of control and instrumentation cables, (iii) the replacement of damaged electrical conduits, (iv) the replacement of the starter on the motor control center servicing the Unit 2 boiler flame scanner air fan, (v) the replacement of the boiler ignitor air system flexible ducts, and (vi) the modification of all boiler flex duct connections on Unit 2. Notice of this unforeseen project was provided to the Board by Hydro on May 26, 2017. Further details are attached as Schedule A to this Application.

The Application

5. The Capital Budget Guidelines issued by the Board in October 2007 permit a utility to apply for approval of an additional amount in the Allowance for Unforeseen Items account provided the utility shows that usage of the account has been consistent with the Guidelines.

6. Hydro submits that it is prudent to maintain an appropriate Unforeseen Allowance of \$1,000,000 to permit Hydro to address unforeseen events that may arise during the remainder of 2017. Hydro recognizes that the presently remaining allowance will not provide for sufficient funds to address these unforeseen events, and requests that the Board approve a supplementary allowance of \$540,000 for that purpose.

7. Therefore, Hydro makes Application that the Board make an Order approving pursuant to Section 41(3) of the *Act*, the additional amount of \$540,000 to be added to the Allowance for Unforeseen Items account.

DATED at St. John's, in the Province of Newfoundland and Labrador, this ^{30th} day of June 2017.



Michael Ladha
Counsel for the Applicant
Newfoundland and Labrador Hydro
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St. John's, NL A1B 4K7
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May 26, 2017

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Holyrood Unit 2 Fire Damage Restoration
Allowance for Unforeseen Items Notification

On Monday, May 1, 2017, a fire occurred on the Northeast corner of the Unit 2 boiler on the second floor of the Holyrood Thermal Generating Plant. The fire was the result of the failure of a metal hose clamp on the flexible duct on the boiler ignitor air cooling system, which allowed pressurized hot flue gas from the boiler to enter the powerhouse and affect nearby equipment. The hot flue gas caused a fire in two (2) cable trays adjacent to the duct failure location, forcing a unit trip and plant evacuation. The fire was extinguished and an initial assessment determined that several electrical conduits were directly exposed to the fire, which resulted in damage to power, control, and instrumentation cables. The presence of asbestos meant that a detailed assessment was not immediately possible.

Immediately following the fire, extensive asbestos abatement was required in the area in preparation for condition assessment, planning, and cable replacements. Scaffolding and access platforms were required to be erected, and once the asbestos abatement process was completed, the assessment was initiated to quantify the full extent of the damage. The scope of the work due to the fire damage includes the replacement of 15 m of approximately 100 damaged cable sections, which are comprised of 600 V and 120 V power feeds, controls cables and instrumentation cables, by splicing in new cables using intermediate junction boxes, and replacement of damaged electrical conduits. The motor control center servicing the Unit 2 boiler flame scanner air fan had a damaged starter that will require replacement. The boiler ignitor air system flexible ducts will also have to be replaced and all boiler flex duct connections on this Unit, and Unit 1, will be modified to prevent future failures. Unit 3 is of a different design and does not have this issue.



Figure 1: Fire damage to cables and cable tray

Given the presence of the asbestos in the area of the cabling, safe removal was paramount prior to allowing the work crews to make a detailed assessment. Therefore, the full extent of the damage could not be determined until the asbestos was removed. Upon completion of the asbestos abatement, and the realization that a length of 15 m of 100 various cables had to be replaced, refurbishment was determined to be a capital cost requiring use of the Allowance for Unforeseen Items account.

The extensive asbestos cleaning and replacement of cabling and equipment was of an urgent and unforeseen nature, and was required to enable Hydro to restore and maintain reliable service to customers. Hydro is therefore requesting to execute this work using its Allowance for Unforeseen Items capital project account. It is estimated that the total cost of the work will be approximately \$500,000.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Handwritten signature of Tracey L. Pennell in blue ink.

Tracey L. Pennell
Senior Counsel, Regulatory

TLP/bs

IN THE MATTER OF the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the *EPCA*) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the *Act*), and regulations thereunder;

AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro pursuant to Subsection 41(3) of the *Act*, for the approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain Improvements and additions to its property.

AFFIDAVIT

I, Kyle Tucker, Professional Engineer, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am the manager of Regulatory Engineering of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the)
Province of Newfoundland and)
Labrador)
this 30 day of June 2017,)
before me:)


Barrister – Newfoundland and Labrador


Kyle Tucker

(DRAFT ORDER)
NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 24 (2017)

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*), and regulations thereunder;

5
6 **AND IN THE MATTER OF** an Application
7 by Newfoundland and Labrador Hydro
8 pursuant to Subsection 41(3) of the *Act*, for
9 the approval of a capital expenditure to
10 supplement the Allowance for Unforeseen
11 Items for the construction and purchase of certain
12 Improvements and additions to its property.

13
14 **WHEREAS** the Applicant is a corporation continued and existing under the *Hydro Corporation*
15 *Act, 2007*, is a public utility within the meaning of the Act and is subject to the provisions of the
16 *Electrical Power Control Act, 1994*; and

17
18 **WHEREAS** in Order No. P.U. 45(2016) the Board approved Hydro's 2017 Capital Budget in the
19 amount of \$271,265,600; and

20
21 **WHEREAS** on June 30, 2017 Hydro filed an application with the Board requesting
22 approval of a supplementary amount of \$540,000 to be added to the Allowance for Unforeseen
23 Items approved in Order No. P.U. 45(2016) (the “Application”); and

24
25 **WHEREAS** Section 41(3) of the Act requires that a public utility not proceed with the
26 construction, purchase or lease of improvements or additions to its property where:

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

29
30 without prior approval of the Board; and

31
32 **WHEREAS** the Application states that it communicated to the Board on May 26, 2017 that
33 unforeseen capital expenditures estimated at approximately \$540,000 has recently been

1 completed with regard to the damage that resulted from a fire in the Northeast corner of the Unit
2 boiler at the Holyrood Thermal Generating Plant on May 1, 2017; and

3
4 **WHEREAS** Hydro submits that it is prudent to maintain sufficient amounts in the Allowance
5 for Unforeseen Items to permit Hydro to address unforeseen events that may arise during the
6 remainder of 2017, and requests that the Board approve a supplementary amount of \$540,000 for
7 that purpose; and

8
9 **WHEREAS** the Capital Budget Guidelines (the “Guidelines”) issued by the Board in October
10 2007 permit a utility to apply for approval of a supplementary amount provided the utility shows
11 that usage of the account has been consistent with the Guidelines; and

12
13 **WHEREAS** the Board is satisfied that the supplementary amount of \$540,000 for the Allowance
14 for Unforeseen Items should be approved.

15
16 **IT IS THEREFORE ORDERED THAT:**

- 17
18 1. The addition of a supplementary amount of \$540,000 to the 2017 Allowance for
19 Unforeseen Items is approved.
20
21 2. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John’s, Newfoundland and Labrador, this day of June, 2017.
