

**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  
25

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  
33

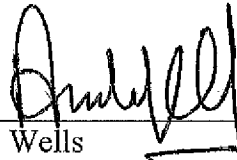
34 **WHEREAS** the Board received no comments on the Application from the other parties; and  
35

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 23<sup>rd</sup> day of September, 2016.



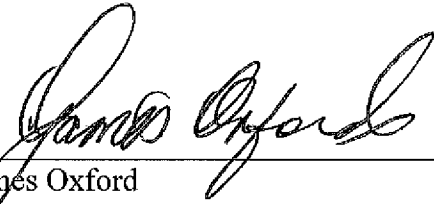
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Andy Wells  
Chair and Chief Executive Officer



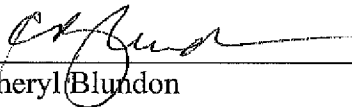
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Darlene Whalen, P.Eng.  
Vice-Chair



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James Oxford  
Commissioner



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Cheryl Blundon  
Board Secretary