



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: shirleywalsh@nlh.nl.ca

2019-09-11

Ms. Shirley Walsh
Senior Legal Counsel, Regulatory
Newfoundland and Labrador Hydro
P.O. Box 12400
Hydro Place, Columbus Drive
St. John's, NL A1B 4K7

Dear Ms. Walsh:

**Re: Newfoundland and Labrador Hydro - 2020 Capital Budget Application
Requests for Information**

Enclosed are Requests for Information PUB-NLH-001 to PUB-NLH-022 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Sincerely,

Cheryl Blundon
Board Secretary

CB/rr

Enclosure

ecc **Newfoundland and Labrador Hydro**
NLH Regulatory, E-mail: NLHRegulatory@nlh.nl.ca
Newfoundland Power Inc.
Ms. Kelly Hopkins, E-mail: khopkins@newfoundlandpower.com
Mr. Gerard Hayes, E-mail: ghayes@newfoundlandpower.com
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Industrial Customer Group
Mr. Paul Coxworthy, E-mail: pcoxworthy@stewartmckelvey.com
Mr. Dean Porter, E-mail: dporter@poolealthouse.ca
Mr. Denis Fleming, E-mail: dfleming@coxandpalmer.com

1 **IN THE MATTER OF**

2 the *Electrical Power Control Act, 1994*,
3 SNL 1994, Chapter E-5.1 (the “*EPCA*”)
4 and the *Public Utilities Act*, RSNL 1990,
5 Chapter P-47 (the “*Act*”), as amended, and
6 regulations thereunder; and
7

8 **IN THE MATTER OF**

9 an Application by Newfoundland and Labrador Hydro
10 for an Order approving:

- 11
- 12 1) its 2020 capital budget pursuant to s.41(1) of the *Act*;
 - 13 2) its 2020 capital purchases and construction projects in
14 excess of \$50,000 pursuant to s.41(3)(a) of the *Act*;
 - 15 3) its estimated contributions in aid of construction for
16 2020 pursuant to s.41(5) of the *Act*; and
 - 17 4) for an Order pursuant to s.78 of the *Act* fixing and
18 determining its average rate base for 2015 and 2016.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NLH-001 to PUB-NLH-022

Issued: September 11, 2019

1 **General**

2

3 **PUB-NLH-001** Please identify and demonstrate what considerations and subsequent actions
4 have been taken by Hydro to control and/or reduce capital expenditures
5 while maintaining reliable service?
6

7

8 **PUB-NLH-002** Has Hydro given consideration to how possible outcomes of the rate
9 mitigation reference might affect the 2020 Capital Budget? If so, please
10 elaborate. If not, please explain the rationale for not doing so.

11

12 **PUB-NLH-003** Given the current pressures on customer rates has Hydro considered
13 whether there is an opportunity to delay or reduce capital expenditures?
14

15

16

17 **Volume I: 2020 Capital Projects Overview**

18

19 Hydro states on page 4, lines 24-25:

20

21 “Improvements to review process prior to finalizing project proposals. Improvements
22 commenced in the 2019 budget cycle, and are now fully implemented for the 2020 budget
23 cycle.”

24

25 **PUB-NLH-004** Please describe with examples what improvements have been implemented
26 to the review process.

27

28

29 **Volume I: 2020 Capital Projects Overview**

30

31 Hydro states on page 5, lines 4-5:

32

33 “2020 CBA projects include an average contingency of approximately 10%”

34

35 **PUB-NLH-005** Please explain how the contingency amount for each project is determined.
36 Is contingency a fixed percentage of estimated project costs, or does it vary
37 from project to project?

38

39

40 **Volume I: 2020-2024 Capital Plan**

41

42 Page A-10 lists the planned rural generation projects for 2020-2024.

43

44 **PUB-NLH-006** Is it anticipated by Hydro that the expressions of interest (EOI) process with
45 respect to renewable energy solutions for 14 of the province’s isolated diesel-
46 powered electricity systems will enable any of the planned 2020 rural
47 generation projects listed on page A-10 to be delayed or cancelled? If so,
48 please identify the project(s).

49

50 **PUB-NLH-007** Please describe the expected impact of the EOI process on the planned 2021-
2024 rural generation projects listed on page A-10.

1 **Volume I: Holyrood Overview**

2
3 Hydro states on page 11, line 1, with reference to the 2020-2024 planned capital expenditures for
4 Holyrood that “All of the projects in the plan are required for the Phase 3 operation.”

5
6 **PUB-NLH-008** Given the uncertainty surrounding the timing of Phase 3 operations has Hydro
7 considered deferring any of the 31 planned thermal capital projects listed on
8 page A-4 in Appendix A of Tab 2020-2024 Capital Plan? If so please identify
9 the projects that are being considered for deferral.

10
11
12 **Tab C; Volume I: Capital Projects Over \$500,000**

13
14 The budgets for a number of annual projects such as Thermal In-Service Failures - \$2,000,000
15 (page C-13); Provide Service Extensions - \$4,284,000 (page C-39); and Upgrade Distribution
16 System - \$3,195,000 (page C-47) are based on historical expenditures.

17
18 **PUB-NLH-009** Please identify any other budgeting tools/protocols that Hydro utilizes to
19 ascertain the required budget amount.

20
21 **PUB-NLH-010** Please explain how Hydro tracks the annual spending on these projects and
22 any budget safeguards that are in place.

23
24 **PUB-NLH-011** Please identify any cost efficiency measures that Hydro has put in place to
25 control and monitor the budget for these annual projects.

26
27 **PUB-NLH-012** Are there any opportunities to reduce the level of expenditures associated with
28 these types of projects? Please identify any issues that should be addressed
29 when considering whether these capital expenditures can be reduced.

30
31
32 **Tab C; Volume I: Capital Projects Over \$500,000**

33
34 The budgets for a number of annual projects such as Thermal In-Service Failures - \$2,000,000
35 (page C-13) and Hydraulic In-Service Failures - \$1,250,00 (page C-25) have limited historical
36 spending data.

37
38 **PUB-NLH-013** Did Hydro use spending on similar projects from years prior to the project
39 inception to determine the budget amount?

40
41
42 **Tab C; Volume I: Capital Projects Over \$500,000 (Thermal In-Service Failures)**

43
44 **PUB-NLH-014** What criteria does Hydro use when determining whether a project should be
45 executed under the Thermal In-Service Failure or Allowance for Unforeseen
46 Expenditures or whether a Supplemental Capital Budget Application should
47 be submitted?

1 **Tab C; Volume I: Capital Projects Over \$500,000 (Overhaul Diesel Units)**

2
3 Hydro states on page C-54, lines 21-24:

4
5 “Occasionally, a unit in one of the diesel plants across Hydro’s operating area experiences
6 an issue that necessitates an unplanned overhaul, or reaches the numbers of operating hours
7 earlier than anticipated. Where appropriate, Hydro may complete such an overhaul under
8 this project and, if possible, defer one of the units noted above that are planned for
9 completion.”

10
11 **PUB-NLH-015** Please detail the steps Hydro would take to notify and obtain Board approval
12 for the change in the units which are being overhauled.

13
14
15 **Tab D; Volume I: Capital Projects Over \$200,000 and Less Than \$500,000 (Upgrade Fuel
16 Storage Tanks)**

17
18 Hydro states on page D-10, lines 23-25:

19
20 “In 2011, the 1998 vintage tank failed its internal inspection. As road delivery of fuel to
21 the remaining tank would ensure adequate fuel supply for the generating plant, Hydro did
22 not invest in repair of the failed tank and removed it from service.”

23
24 **PUB-NLH-016** Was the 1998 storage tank cleaned and removed from the site of the
25 Charlottetown Diesel Plant when it was removed from service in 2011?

26
27
28 **Tab D; Volume I: Capital Projects Over \$200,000 and Less Than \$500,000 (Purchase Meters
29 and Metering Equipment)**

30
31 Hydro states on page D-34, line 2, that it will purchase 126 demand meters and 584 residential
32 meters in 2020.

33
34 **PUB-NLH-017** Please provide an update on Hydro’s automated meter reading (AMR)
35 program including the current percentage of AMR residential customers.
36 Within that update please include any plans Hydro may have to move to
37 advanced metering infrastructure (AMI) technology.

38
39
40 **Volume I: 2019 Capital Expenditures Overview**

41
42 **PUB-NLH-018** The costs identified in Table 1: Condition Assessment and Miscellaneous
43 Upgrades – Holyrood Thermal Generating Station (page 26); Table 2:
44 Terminal Station In-Service Failures (page 27); Table 3: Thermal Generation
45 In-Service Failures (page 30); and Table 4: Hydraulic Generation In-Service
46 Failures (page 35) do not align with the costs identified for those projects in
47 the appropriate 2019 Capital Expenditures by Category table. Please explain
48 and reconcile the differing costs.

1 **Tab 2; Volume II: Rewind Unit 3 Stator - Holyrood**

2
3 Hydro states on page 2, lines 14-16:

4
5 "No problems were identified at that time but the OEM and Iris Power, an independent
6 third-party, recommended a rewind of the stator in the near-future due to the overall age of
7 the unit."
8

9 **PUB-NLH-019** Please provide the above referenced reports from the OEM and Iris Power.
10
11

12 **Tab 12; Volume II: Replace Transformer T7 – Holyrood**

13
14 With respect to the loss of Holyrood Transformer T7 in October of 2018 Hydro states on page 1,
15 lines 10-15:

16
17 "The loss of Holyrood T7 weakens Hydro’s ability to supply the load on the 138 kV loop.
18 While Hydro can meet peak load conditions with all remaining equipment in service, the
19 loss of the largest transformer in the loop (Holyrood T8), with Holyrood T7 out of service,
20 would result in the overload of transformer Holyrood T6. The loss of Newfoundland
21 Power’s transmission line 64L, with Holyrood T7 out of service, would result in the
22 overload of Western Avalon Transformers T1 and T2 in the Western Avalon TS. Load
23 flow analysis indicates that load shedding would be required to eliminate these transformer
24 overloads."
25

26 **PUB-NLH-020** Given the existing liability described above, why did Hydro decide not to
27 order a replacement transformer sooner so as to enable its installation prior to
28 the upcoming 2019-2020 winter season?
29

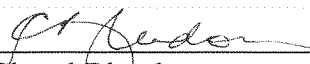
30 **PUB-NLH-021** What was the cost to Hydro for the purchase of the used transformer from
31 Nalcor Energy? Please indicate whether the purchase included any spare parts
32 for the transformer or whether a warranty was included.
33
34

35 **Tab 13; Volume II: Overhaul Diesel Units - Various**

36
37 **PUB-NLH-022** Please provide the operating hours to date for all Genset Location/Unit
38 Numbers listed in Table 1 (Overhaul List for 2020) on page 3.

DATED at St. John’s, Newfoundland and Labrador, this 11th day of September, 2019.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
Cheryl Blundon
Board Secretary