

P. U. 11(2005)

IN THE MATTER OF the *Public Utilities Act*, (R.S.N. 1990, Chapter P-47 (the “*Act*”), and

AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro (“Hydro”) for the approval of:

- (i) an additional proposed capital project (Cat Arm Road Rehabilitation);
- (ii) an increased expenditure for a previously approved project (Upper Salmon Power Canal Slope Stabilization);
- (iii) the replacement of a failed diesel engine in the Ramea generating station; and
- (iv) a lease for employee accommodations, pursuant to Section 41 (3) of the *Act*.

WHEREAS Hydro is a corporation continued and existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act* and is also subject to the provisions of the *Electrical Power Control Act, 1994*; and

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

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

without the prior approval of the Board of Commissioners of Public Utilities (the “Board”); and

WHEREAS by Order No. P. U. 53(2004) the Board approved Hydro's 2005 capital expenditure program; and

WHEREAS on March 8, 2005 Hydro filed an application with the Board seeking approval of: an additional capital project being the rehabilitation of a section of the Cat Arm Road; an increase in the amount approved for the Upper Salmon hydro-electric station power canal slope stabilization project; the replacement of a failed diesel engine for its Ramea diesel generating station; and a lease of a dwelling house for employee accommodations in the community of Postville; and

WHEREAS the Cat Arm Road suffered significant damage from storms in 2004 causing a supporting embankment to become unstable and giving rise to a possibility that the road could become unsafe or impassable if damaged by a similar storm in the future; and

WHEREAS rehabilitation of that section of the Cat Arm Road, at a cost of \$1,260,000 is required to ensure that Hydro can ensure access to the Cat Arm hydro-electric generating station by Hydro's employees which is required in order to ensure that this generating station is available to provide power and energy to the Island interconnected electrical grid; and

WHEREAS by Order No. P. U. 53(2004), based upon preliminary cost estimates, the Board approved capital funds in the amount of \$1,003,000 for works to be carried out by Hydro to remediate certain power canal slope instability problems being encountered at its Upper Salmon hydro-electric generating station; and

WHEREAS having received a detailed engineering report, the cost of carrying out the remediation work in the Upper Salmon power canal is now estimated to cost \$2,671,000; and

WHEREAS in December 2004 a diesel engine at Hydro's Ramea diesel generating station failed such that it could not be economically repaired and the replacement of that failed engine with one of the same size and type, estimated to cost \$225,700, is the most cost effective means of ensuring that reliable generating capacity is available in that community; and

WHEREAS Hydro has entered into a lease of a dwelling house for its employees when they are carrying out work on the Postville electrical system, the cost of which lease is \$10,800 per annum; and

WHEREAS Hydro has provided to the Board capital proposal explanations for the Cat Arm Road rehabilitation project, the Upper Salmon power canal slope stabilization project, and the Ramea diesel engine replacement project, and has filed engineering reports as to the proposed Cat Arm Road rehabilitation project and as to the Upper Salmon power canal slope stabilization project; and

WHEREAS the Board has considered the application, the capital proposal explanations, and the engineering reports, and is satisfied that the proposed expenditures are prudent and necessary in order to provide reasonably safe and adequate and just and reasonable service as required by the *Act*.

IT IS THEREFORE ORDERED THAT:

1. Pursuant to Section 41(3) of the *Act*, additional 2005 capital expenditures are approved as follows:
 - (i) An amount of \$1,260,000 for the rehabilitation of the Cat Arm Road;
 - (ii) The increased amount of \$2,671,000 to carry out remediation work for slope stabilization for the Upper Salmon power canal (being an increase of \$1,668,000 over the amount previously approved);
 - (iii) An amount of \$225,700 for the replacement of a failed engine for its Ramea diesel generating station; and
 - (iv) A lease for a dwelling house in Postville in the amount of \$10,800 per annum.
2. Hydro shall pay the expenses of the Board incurred in connection with this matter.

DATED at St. John's, Newfoundland and Labrador, this 15th day of April 2005.

Robert Noseworthy,
Chair and Chief Executive Officer.

Darlene Whalen, P.Eng.,
Vice-Chairperson.

G. Fred Saunders,
Commissioner.

G. Cheryl Blundon,
Board Secretary.