

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

**AN ORDER OF THE BOARD**

**NO. P. U. 3(2008)**

1 **IN THE MATTER OF** the  
2 *Public Utilities Act*, RSNL 1990,  
3 Chapter P-47 (the “*Act*”)  
4

**AND**

5  
6  
7 **IN THE MATTER OF** an Application by  
8 Newfoundland Power Inc. (“Newfoundland  
9 Power”) for approval to proceed with the  
10 construction and purchase of certain  
11 improvements to its property pursuant to  
12 Section 41(3) of the *Act*.  
13  
14

15 **WHEREAS** Newfoundland Power is a corporation duly organized and existing under the laws of  
16 the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is  
17 also subject to the provisions of the *Electrical Power Control Act, 1994*, and  
18

19 **WHEREAS** Section 41(3) of the *Act* requires that a public utility shall not proceed with the  
20 construction, purchase or lease of improvements or additions to its property where the cost of the  
21 construction or purchase is in excess of \$50,000 or the cost of the lease is in excess of \$5,000 in a  
22 year of the lease without the prior approval of the Board; and  
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24 **WHEREAS** in Order No. P. U. 27(2007) the Board approved Newfoundland Power’s 2008 Capital  
25 Budget totaling \$50,754,000; and  
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27 **WHEREAS** in Order No. P. U. 27(2007) the Board approved, as part of Newfoundland Power’s  
28 2008 Capital Budget, an Allowance For Unforeseen Items of \$750,000 that could be used in 2008  
29 for urgent situations according to the criteria set out in the Board’s Capital Budget Application  
30 Guidelines; and  
31

32 **WHEREAS** Newfoundland Power’s Pierre’s Brook hydroelectric generating plant produces 23.4  
33 GWh of energy per year, or approximately 5.7% of Newfoundland Power’s annual energy  
34 production; and

1 **WHEREAS** energy produced at the plant is transformed from production voltage of 6.9 kV to  
2 transmission voltage of 33 kV by a 66 year old transformer that has been in service at Newfoundland  
3 Power's Pierre's Brook substation since the early 1950s; and  
4

5 **WHEREAS** through routine analysis of combustible gas in the transformer's insulating oil and  
6 subsequent engineering inspections, Newfoundland Power determined that the transformer must be  
7 taken out of service; and  
8

9 **WHEREAS** the transformer was taken out of service in September 2007 and in October 2007  
10 Newfoundland Power placed an order for a new transformer with the cost of \$400,000 committed to  
11 be paid in 2008 using the 2008 Allowance For Unforeseen Items approved by the Board in Order  
12 No. P.U. 27 (2007); and  
13

14 **WHEREAS** Newfoundland Power had not applied in its 2008 annual capital budget to replace this  
15 transformer as to that point routine oil analysis from the transformer had not indicated any problems;  
16 and  
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18 **WHEREAS** Newfoundland Power also proposes a supplemental capital expenditure for 2008 of an  
19 estimated amount of \$486,000 in relation to additional work that is required to accommodate the  
20 replacement transformer at Newfoundland Power's Pierre's Brook substation; and  
21

22 **WHEREAS** the expenditure of \$400,000 associated with the purchase of the replacement  
23 transformer effectively reduces the balance of the 2008 Allowance for Unforeseen Items, and  
24 Newfoundland Power submits that it is prudent to maintain an Allowance for Unforeseen Items of  
25 \$750,000 to permit Newfoundland Power to address unforeseen events that may arise during the  
26 remainder of 2008, and Newfoundland Power therefore requests that the Board approve a  
27 supplementary amount in the 2008 Allowance for Unforeseen Items of \$400,000; and  
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29 **WHEREAS** the Board is satisfied that the proposed expenditures and supplementary allowance are  
30 necessary and appropriate for Newfoundland Power to provide service and facilities which are  
31 reasonably safe and adequate and just and reasonable as required pursuant to s. 37 of the *Act*.

1 **IT IS THEREFORE ORDERED THAT:**

- 2
- 3 1. Pursuant to Section 41(3) of the *Act*, the Board approves:
- 4
- 5 (a) capital expenditures estimated in the amount of \$486,000 related to the work that is
- 6 required to accommodate the replacement transformer at the Pierre's Brook
- 7 substation as set forth in the application; and
- 8 (b) an increase in the amount of \$400,000 in the 2008 Allowance for Unforeseen Items
- 9 approved in Order No. P. U. 27(2007).
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- 11 2. Newfoundland Power shall pay the expenses of the Board arising from this application.

DATED at St. John's, Newfoundland and Labrador this 15<sup>th</sup> day of April 2008.

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Andy Wells  
Chair & Chief Executive Officer

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Darlene Whalen, P.Eng.  
Vice-Chairperson

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G. Cheryl Blundon  
Board Secretary