

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

AN ORDER OF THE BOARD

NO. P.U. 34(2014)

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 capital expenditures for the replacement of the
10 excitation transformers at Bay d'Espoir pursuant to
11 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*, is a public utility within the meaning of the *Act*, and
16 is subject to the provisions of the *EPCA*; and
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18 **WHEREAS** subsection 41(3) of the *Act* states that a public utility shall 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
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26 **WHEREAS** in Order No. P.U. 42(2013) the Board approved Hydro's 2014 Capital Budget in
27 the amount of \$97,805,300; and
28

29 **WHEREAS** in Order No. P.U. 16(2014) the Board approved Hydro's proposal to proceed with
30 the purchase and installation of 100 MW of combustion turbine generation at the Holyrood
31 Thermal Generating Station, with cost recovery to be determined by the Board in a future Order;
32 and
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34 **WHEREAS** in Order No. P.U. 23(2014) the Board approved a supplementary amount of
35 \$580,000 to the Allowance for Unforeseen Items related to expenditures for the Holyrood Unit 3
36 east forced draft fan motor and the Sunnyside and Holyrood breaker overhauls and ordered that
37 recovery of these expenditures would be addressed upon receipt of a further application from
38 Hydro; and

1 **WHEREAS** the Board approved supplementary 2014 capital expenditures in:
2

- 3 (i) Order No. P.U. 29(2014) in the amount of \$7,197,800 in 2014 and \$1,266,400 in
4 2015 for the purchase and replacement of the Sunnyside T1 transformer and
5 associated equipment, modification to the protection relay system and addition of
6 a 230 kV breaker at the Sunnyside Terminal Station;
7 (ii) Order No. P.U. 32(2014) in the amount of \$1,452,000 to replace the tap changer
8 on the T5 transformer at the Western Avalon Terminal Station; and
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10 and ordered that recovery of these expenditures would be addressed in a subsequent order of the
11 Board following a further application by Hydro; and
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13 **WHEREAS** in Order No. P.U. 33(2014) the Board approved a supplementary capital
14 expenditure in the amount of \$3,632,200 to replace insulators on transmission lines TL-201 and
15 TL-2013; and
16

17 **WHEREAS** on June 19, 2014 Hydro filed an application with the Board requesting approval of
18 a multi-year supplemental capital expenditure in the amount of \$996,700 to replace the excitation
19 transformers on each of the seven generating units at the Bay d'Espoir generating station (the
20 "Application"); and
21

22 **WHEREAS** Hydro states that replacement of excitation transformers was included in Hydro's
23 five-year capital plan to begin in 2016; and
24

25 **WHEREAS** Hydro advises that in December 2013 fluid analysis was performed on all seven
26 excitation transformers in-service as a condition assessment activity to align transformer
27 replacement based on asset condition; and
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29 **WHEREAS** on January 30, 2014 the excitation transformer for Unit 6 failed and a spare
30 excitation transformer was installed and the unit was returned to service on February 2, 2014;
31 and
32

33 **WHEREAS** on February 17, 2014 the spare excitation transformer failed and the unit is out of
34 service until a temporary transformer is fabricated and installed; and
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36 **WHEREAS** Hydro states that the results of the fluid analysis were received in February 2014
37 and the results were poor; and
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39 **WHEREAS** Hydro has determined that based on the recent failures and the poor fluid analysis
40 results the replacement of the excitation transformers on all seven excitation transformers at the
41 Bay d'Espoir generating station should be expedited; and
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43 **WHEREAS** Hydro submits that as a result of efficiencies in engineering, project management,
44 and bulk procurement, as well as disposal of the existing transformers and fluids, the overall cost
45 is reduced when all transformers are replaced as part of one project; and

1 **WHEREAS** Hydro also submits that the project will improve the reliability of the Bay d’Espoir
2 generating station by replacing equipment that is at or is approaching the end of its useful life;
3 and
4

5 **WHEREAS** the Application was circulated to Newfoundland Power Inc. (“Newfoundland
6 Power”), the Consumer Advocate, a group of three Island Industrial customers: Corner Brook
7 Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources Limited (the
8 “Industrial Customer Group”), Vale Newfoundland and Labrador Limited (“Vale”), Praxair
9 Canada Inc. (“Praxair”), Grand Riverkeeper Labrador, Inc. and Danny Dumaresque; and
10

11 **WHEREAS** the Industrial Customer Group issued requests for information which were
12 answered by Hydro on July 21, 2014; and
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14 **WHEREAS** Newfoundland Power, the Consumer Advocate, the Industrial Customer Group,
15 Vale and Mr. Dumaresque advised the Board in writing that they did not have any comment on
16 the Application; and
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18 **WHEREAS** the Board did not receive any comment from the Praxair and Grand Riverkeeper
19 Labrador, Inc.; and
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21 **WHEREAS** the Board is satisfied that the proposed 2014 and 2015 supplemental capital
22 expenditures to replace the excitation transformers at the Bay d’Espoir generating station are
23 necessary for Hydro to provide service and facilities which are reasonably safe and adequate and
24 just and reasonable.
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26 **IT IS THEREFORE ORDERED THAT:**
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- 28 1. The capital expenditures in the amount of \$636,700 for 2014 and \$360,000 for 2015 for
29 the replacement of the excitation transformers at the Bay d’Espoir generating station are
30 approved.
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- 32 2. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador this 1st day of August 2014.

Andy Wells
Chair & Chief Executive Officer

Dwanda Newman, LL.B.
Commissioner

Bobbi Sheppard
Assistant Board Secretary