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P. U. 2(2005)

IN THE MATTER OF the *Public Utilities Act*, R.S.N. 1990, c. P-47, as amended (the "*Act*")

AND

IN THE MATTER OF an Application by Newfoundland & Labrador Hydro ("Hydro") for approval to treat the Asbestos Abatement Plan at the Holyrood Thermal Generating Plant as a Major Extraordinary Repair.

WHEREAS Hydro is a corporation continued and existing pursuant to the *Hydro Corporation Act*, is a public utility as defined by the *Act*, and is subject to the provisions of the *Electrical Power Control Act, 1994*; and

WHEREAS in its report dated April 13, 1992, the Board of Commissioners of Public Utilities for Newfoundland and Labrador (the "Board") recommended that the accounting treatment for extraordinary repairs as set out in a Peat Marwick report on the matter for Hydro be adopted and implemented with a \$500,000 threshold minimum amount; and

WHEREAS on November 23, 2004 Hydro applied to the Board for approval that its Asbestos Abatement Plan at its Holyrood Thermal Generating Plant be treated as a Major Extraordinary Repair; and

1 **WHEREAS** Hydro has identified that work required to be done at the Holyrood Thermal Plant
2 related to asbestos management is estimated to cost \$8.7 million (or a total of \$10.4 million
3 including financing); and

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5 **WHEREAS** Hydro has determined, in light of the requirements for the Holyrood Thermal Plant
6 to meet customers' load requirements, and in light of the technical requirements pertaining to the
7 removal of asbestos material, that a phased program is the most effective approach and has
8 planned the removal work over a three-year period, commencing in 2005; and

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10 **WHEREAS** Hydro has determined that the expenditures associated with the Asbestos
11 Abatement Plan are operating expenses; and

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13 **WHEREAS** as the estimated expenditures would have a significant adverse affect on Hydro's
14 earnings were they to be expensed in the year that they were incurred, Hydro has proposed to
15 treat the Asbestos Abatement Plan at the Holyrood Thermal Plant as a Major Extraordinary
16 Repair with each year's cost to be amortized over a five-year period; and

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18 **WHEREAS** Hydro proposes that the actual costs incurred each year be accumulated and
19 amortized over each subsequent five-year period, together with the financing charges that Hydro
20 will incur with the collection of these expenses over time; and

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22 **WHEREAS** Hydro proposes that the unamortized balance of the deferred project costs be
23 included in rate base; and

1 **WHEREAS** the Board has considered the application including the reports attached thereto
2 pertaining to the treatment of Major Extraordinary Repair expenses and to Hydro's Asbestos
3 Abatement Plan.

4

5 **IT IS THEREFORE ORDERED THAT:**

6 1. Hydro treat the costs associated with the Asbestos Abatement Plan at the Holyrood
7 Thermal Generating Station, at an estimated cost of \$8.7 million (\$10.4 million including
8 financing), to be carried out for a three-year period commencing in 2005, as a Major
9 Extraordinary Repair and that it accumulate and amortize each year's actual expenses for
10 the Asbestos Abatement Plan, together with interest, for a five-year period.

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12 2. Hydro include the unamortized balance of the deferred Asbestos Abatement Plan costs in
13 its rate base.

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15 3. Hydro shall pay all costs and expenses of the Board incurred in connection with this
16 Application.

1 **DATED** at St. John's, Newfoundland, this 12th day of January 2005.

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Robert Noseworthy,
Chair & Chief Executive Officer.

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

G. Cheryl Blundon,
Board Secretary.