

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

AN ORDER OF THE BOARD

NO. P.U. 19(2016)

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 to replace boiler tubes on Units 1 and 2 and to
10 complete additional reliability improvements at
11 the Holyrood Thermal Generating Station pursuant
12 to Section 41 of the *Act*.
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14

15 **WHEREAS** Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and
16 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the
17 *Act*, and is also subject to the provisions of the *EPCA*; and
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19 **WHEREAS** Subsection 41(3) of the *Act* requires that a public utility not proceed with the
20 construction, purchase or lease of improvements or additions to its property where:
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- 22 a) the cost of construction or purchase is in excess of \$50,000; or
23 b) the cost of the lease is in excess of \$5,000 in a year of the lease,
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25 without prior approval of the Board; and
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27 **WHEREAS** in Order No. P.U. 33(2015) the Board approved Hydro's 2016 Capital Budget in
28 the amount of \$183,082,800; and
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30 **WHEREAS** the Board approved supplementary 2016 capital expenditures:
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- 32 (i) in Order No. P.U. 8(2016) in the amount of \$ 1,000,000 to supplement the
33 Allowance for Unforeseen Items;
34 (ii) in Order No. P.U. 17(2016) in the amount of \$6,300,000 to purchase 12 MW
35 of generating capacity at the Holyrood Thermal Generating Station; and
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37 **WHEREAS** on March 29, 2016 Hydro applied to the Board for approval of capital
38 expenditures in the amount of \$11,800,000 to replace lower reheater tubes that service the Unit
39 1 and 2 boilers at the Holyrood Thermal Generating Station and to complete additional

1 reliability improvements and conduct level 2 condition assessments at the Holyrood Thermal
2 Generating Station (the "Application"); and

3
4 **WHEREAS** the Application was copied to: Newfoundland Power Inc. ("Newfoundland
5 Power"); the Consumer Advocate, Mr. Thomas Johnson ("Consumer Advocate"); Corner
6 Brook Pulp and Paper Limited, NARL Refining Limited Partnership and Teck Resources
7 Limited ("Industrial Customer Group"); Vale Newfoundland and Labrador Limited ("Vale");
8 and Praxair Canada Inc. ("Praxair"); and

9
10 **WHEREAS** the Board and Newfoundland Power issued Requests for Information which were
11 answered by Hydro on or before May 10, 2016; and

12
13 **WHEREAS** Newfoundland Power, the Consumer Advocate and Hydro filed submissions with
14 the Board on or before May 30, 2016; and

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16 **WHEREAS** the Application states that the replacement of lower reheater tubes that service the
17 Unit 1 and 2 boilers and additional reliability improvements to replace critical equipment and
18 conduct level 2 condition assessments are necessary to ensure that Hydro can continue to
19 provide service which is safe and adequate and just and reasonable; and

20
21 **WHEREAS** Newfoundland Power submits that the evidence in the Application demonstrates
22 that the replacement of additional sections of the Unit 1 and 2 boiler tubes is necessary for the
23 continued operation of the Holyrood Thermal Generating Station and the expenditures in the
24 amount of \$4.0 million and \$3.8 million for these replacements should be approved; and

25
26 **WHEREAS** Newfoundland Power further submits that the expenditures related to the other
27 projects specifically identified in the Application should be approved and that Hydro should be
28 required to report on, and justify, any expenditures and projects undertaken within the \$1.8
29 million contingency in its annual capital expenditures variance report; and

30
31 **WHEREAS** Newfoundland Power and the Consumer Advocate expressed concerns in relation
32 to the de-rating of the Holyrood Thermal Generating Station and request that Hydro be
33 required to report the details of all studies on the de-rating once the project is completed and
34 the Consumer Advocate further submits that Hydro should be required to report on the impact
35 of the de-rating on winter readiness from a reliability perspective; and

36
37 **WHEREAS** Hydro, in its reply submission, agrees to report on any additional component
38 replacements arising from this project in its year-end capital expenditures variance report and
39 to report on any de-rating of the Holyrood units following the completion of the project; and

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41 **WHEREAS** the Board believes that the de-rating of the Holyrood units is a serious and
42 pressing matter and will therefore monitor this issue on an ongoing basis rather than order that
43 Hydro file a report at the conclusion of this project; and

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45 **WHEREAS** the Board is satisfied in the circumstances that it is reasonable to approve the
46 proposed capital expenditures related to additional component replacements arising from this
47 project that fall within the proposed contingency and which are required to mitigate an
48 unplanned outage in the coming winter season; and

1 **WHEREAS** the Board is satisfied that Hydro should be required to report as a part of its year-
 2 end capital expenditure variance report in relation to the specific additional capital component
 3 replacements that were done as part of the contingency for this project, setting out the specific
 4 work which was done, the cost and the justification; and
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6 **WHEREAS** the Board is satisfied that the supplemental capital expenditures to replace lower
 7 reheater tubes that service the Unit 1 and 2 boilers and to perform additional reliability
 8 improvements at the Holyrood Thermal Generating Station are necessary to allow Hydro to
 9 provide service and facilities which are reasonably safe and adequate and just and reasonable.
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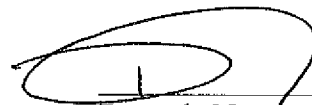
11
 12 **IT IS THEREFORE ORDERED THAT:**
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- 14 1. The proposed capital expenditure of \$11,800,000 to replace lower reheater tubes that
 15 service the Unit 1 and 2 boilers and to complete additional reliability improvements to
 16 replace critical equipment and conduct level 2 condition assessments at the Holyrood
 17 Thermal Generating Station is approved.
 18
 19 2. Hydro shall report on the contingency expenditures associated with additional component
 20 replacements arising from this project, setting out in detail the work which was done, the
 21 associated costs and the justification, as a part of its year-end capital expenditures
 22 variance report.
 23
 24 3. Hydro shall pay all expenses of the Board arising from this Application.


DATED at St. John's, Newfoundland and Labrador, this 10th day of June, 2016.



 Darlene Whalen, P.Eng.
 Vice-Chair



 Dwanda Newman, L.L.B.
 Commissioner



 Cheryl Blundon
 Board Secretary