



Hydro Place, 500 Columbus Drive.  
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www.nlh.nl.ca

February 6, 2019

The Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. Cheryl Blundon**  
**Director Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: An Application by Newfoundland and Labrador Hydro pursuant to Subsection 41 (3) of the Act for approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain improvements and additions to its property ("Application")**

Please find enclosed one (1) original and eight (8) copies of the above-noted Application.

Hydro is presently executing an unforeseen and urgent capital project, which will exceed the \$1,000,000 Allowance for Unforeseen Items, as approved in P.U. 46(2018). The enclosed Application seeks the Board's approval of the restoration of the Allowance for Unforeseen Items amount by restoring it to \$1,000,000, which amount is in accordance with Board Order No. P.U. 46(2018) and which Hydro believes to be an appropriate and prudent amount at this time. The unforeseen project that is ongoing is the replacement of a failed diesel generator in the Town of Rigolet. The replacement of the diesel generator has a current budget estimate of \$643,000. Further details are enclosed as Schedule 1 to the Application. The Application is filed in accordance with the Capital Budget Application Guidelines issued in October 2007.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

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Shirley A. Walsh  
Senior Legal Counsel – Regulatory  
SAW/kd

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey  
ecc: Larry Bartlett – Teck Resources Ltd.  
Denis J. Fleming – Cox & Palmer

Dennis Browne, Q.C. – Browne Fitzgerald Morgan & Avis  
Sheryl Nisenbaum – Praxair Canada Inc.  
Dean Porter – Poole Althouse

**IN THE MATTER OF** the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the “EPCA”) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the “Act”), and regulations thereunder;

**AND IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to Subsection 41(3) of the *Act*, for the approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain Improvements and additions to its property.

**TO: The Board of Commissioners of Public Utilities (the “Board”)**

**THE APPLICATION OF HYDRO STATES THAT:**

**A. Background**

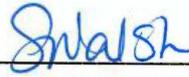
1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. Section 41(3) of the *Act* states that a public utility shall not proceed with the construction, purchase or lease of improvements or additions to its property where:
  1. the cost of the construction or purchase is in excess of \$50,000; or

2. the cost of the lease is in excess of \$5,000 in a year of the lease, without the prior approval of the Board.
3. The Capital Budget Guidelines issued by the Board in October 2007 permits a utility to proceed with an expenditure using the Allowance for Unforeseen Items account where it is impractical to make an application to the Board and where the utility must act expeditiously to deal with events affecting the electrical system which cannot wait for the specific approval of the Board.
4. Hydro had an urgent capital project to replace a failed diesel generator in the Town of Rigolet. The generator was removed from service on December 12, 2018 and Hydro determined it was failed on December 19, 2018. Hydro notified the Board of this unforeseen project on December 20, 2018. At the time of that notification the forecast completion date was January 31, 2019. Hydro proceeded with execution of the project on December 20, 2018. The revised forecasted completion date for the project is February 15, 2019.
5. Hydro intends to use the Allowance for Unforeseen Items account to cover the costs of the replacement of the failed diesel generator. The project estimate of \$643,000 will deplete the approved 2019 allowance. Further details are available in Hydro's notification to the Board, which is attached as Schedule 1 to this Application.

**B. Application**

6. The Capital Budget Guidelines also permit a utility to apply for supplemental approval of an additional amount in the Allowance for Unforeseen Items account provided the utility shows that usage of the account has been consistent with the Guidelines.
  
7. Hydro submits that all capital projects funded through the Allowance for Unforeseen Items account, including the failed diesel generator in the Town of Rigolet, were urgent expenditures where any delay would have had serious negative consequences and were consistent with the Guidelines.
  
8. Hydro further submits that it is prudent to maintain an appropriate Unforeseen Allowance of \$1,000,000 to permit Hydro to address unforeseen events that may arise during the remainder of 2019. Hydro recognizes that the current remaining allowance will not provide sufficient funds to address possible unforeseen events. Hydro requests that the Board approve a supplementary allowance of \$600,000 to ensure sufficient funds for any exigent circumstances.
  
9. Therefore, Hydro makes Application that the Board make an Order pursuant to Section 41(3) of the *Act*, approving an additional amount of \$600,000 to be added to the Allowance for Unforeseen Items account.

**DATED** at St. John's, in the Province of Newfoundland and Labrador, this 6<sup>th</sup> day of February, 2019.



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Shirley A. Walsh  
Counsel for the Applicant  
Newfoundland and Labrador Hydro  
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St. John's, NL A1B 4K7  
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December 20, 2018

Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. Cheryl Blundon**  
**Director of Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: Rigolet Diesel Engine Failure**  
**Allowance for Unforeseen Items Notification**

#### **Background**

Newfoundland and Labrador Hydro ("Hydro") has 25 diesel generating stations, 21 of which are prime power stations<sup>1</sup> serving a total of approximately 4,400 customers. One of these stations serves the community of Rigolet. The Rigolet diesel generating station has three generating units serving the community: Unit 2051 (450 kW), Unit 2065 (320 kW), and Unit 2081 (455 kW). Rural Generation facilities are designed to ensure that firm power<sup>2</sup> can be delivered in the event of failure of the largest generation unit. The forecasted peak load can be served during the failure of a diesel generation unit ("Genset"); however, all remaining units are required to be in service to meet that load.

#### **Rigolet Genset 2051**

Genset 2051 has been in service for approximately 20 years and has accumulated 89,000 hours of operation time. During its life, five overhauls have been required with the last overhaul completed in July 2017.

#### **Failure of Unit 2051**

On December 12, 2018, Genset 2051 was removed from service due to noise in the engine. Hydro inspected the unit between December 17, 2018 and December 19, 2018 and confirmed that it had suffered a catastrophic mechanical failure while in service. This unit cannot be returned to service and must be replaced. Failure of this unit means that the remaining two units are required to be in service to serve the town load. The remaining two units have a combined capacity of 775 kW. Peak load recorded thus far this season was 640 kW and is not forecasted to exceed available generation capacity; however, failure of a second unit will result in rotating outages to the town.

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<sup>1</sup> Prime power stations are not interconnected to the grid and rely on the power supplied by the diesel generation units for capacity and energy.

<sup>2</sup> Firm power is calculated as the summation of the capacity of all units minus the capacity of the largest unit.

Ms. C Blundon  
Public Utilities Board

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**Replacement of Genset 2051**

With the failure of Genset 2051, failure of a second unit will leave the customers of Rigolet at risk. Therefore, Hydro must take immediate action to replace this Genset with a similar sized unit to ensure availability of power for the community and will do so using the approved Allowance for Unforeseen Items account. Replacement of this unit is estimated at \$643,000. Hydro has sourced a new replacement Genset and expects to have the unit moved to Rigolet and installed by the end of January 2019.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



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Shirley A. Walsh  
Senior Legal Counsel – Regulatory  
SAW/kd

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**AND IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro ("Hydro") pursuant to Subsection 41(3) of the *Act*, for the approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain Improvements and additions to its property.

**AFFIDAVIT**

I, Kyle B. Tucker, Professional Engineer, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Manager, Regulatory Engineering of Newfoundland and Labrador Hydro, the Applicant named in the attached Application.
2. I have read and understand the foregoing Application.
3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

**SWORN** at St. John's in the )  
Province of Newfoundland and )  
Labrador this 6 day of February, 2019 )  
before me: )

  
\_\_\_\_\_  
Barrister – Newfoundland and Labrador

  
\_\_\_\_\_  
Kyle B. Tucker