

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

AN ORDER OF THE BOARD

NO. P.U. 22(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 to
9 refurbish gas generator engines at the Hardwoods
10 Gas Turbine Plant and the Stephenville Gas
11 Turbine Plant pursuant to 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, 2007*, is a public utility within the meaning of the
16 *Act*, and is also subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** Subsection 41(3) of the *Act* requires that a public utility not proceed with the
19 construction, purchase or lease of improvements or additions to its property where:
20

- 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
25

26 **WHEREAS** in Order No. P.U. 33(2015) the Board approved Hydro's 2016 Capital Budget in
27 the amount of \$183,082,800; and
28

29 **WHEREAS** the Board approved supplementary 2016 capital expenditures:
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- 31 (i) in Order No. P.U. 8(2016) in the amount of \$ 1,000,000 to supplement the
32 Allowance for Unforeseen Items;
33 (ii) in Order No. P.U. 17(2016) in the amount of \$6,300,000 to purchase 12 MW
34 of generating capacity at the Holyrood Thermal Generating Station;
35 (iii) in Order No. P.U. 19(2016) in the amount of \$11,800,000 to replace lower
36 reheater tubes on the Unit 1 and 2 boilers and to complete reliability
37 improvements at Holyrood Thermal Generation Plant; and
38 (iv) in Order No. P.U. 20(2016) in the amount of \$717,000 to reroute
39 transmission line TL 227 and distribution line Sally's Cove L1, a multi-year

1 project with capital expenditures of \$1,533,000 in 2017 which were also
2 approved in this Order.
3

4 **WHEREAS** on May 19, 2016 Hydro applied to the Board for approval of capital expenditures,
5 estimated in the amount of \$3,047,100, to refurbish gas generator engines at the Hardwoods
6 Gas Turbine Plant (“Hardwoods”) and the Stephenville Gas Turbine Plant (“Stephenville”) (the
7 “Application”); and
8

9 **WHEREAS** the Application states that on February 8, 2016 gas generator End A engine, serial
10 number 202205, at Hardwoods failed resulting in internal damage to the housing and turbine
11 sections of the engine; and
12

13 **WHEREAS** the Application further states that on March 26, 2016 gas generator End A engine,
14 serial number 202204, at Stephenville failed also resulting in internal damage; and
15

16 **WHEREAS** the Application states that Hardwoods and Stephenville are required to ensure
17 voltage regulation on the Island Interconnected system, to provide generation of peak and
18 emergency power, and for planned generation or transmission outages; and
19

20 **WHEREAS** the Application states that the proposed refurbishment of the gas generator
21 engines at Hardwoods and Stephenville are necessary to ensure that Hydro can continue to
22 provide service which is safe and adequate and just and reasonable; and
23

24 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland
25 Power”); the Consumer Advocate, Mr. Thomas Johnson (“Consumer Advocate”); Corner
26 Brook Pulp and Paper Limited, NARL Refining Limited Partnership and Teck Resources
27 Limited (“Industrial Customer Group”); Vale Newfoundland and Labrador Limited (“Vale”);
28 and Praxair Canada Inc. (“Praxair”); and
29

30 **WHEREAS** requests for information were filed by Newfoundland Power and the Industrial
31 Customer Group and were answered by Hydro on June 3, 2016; and
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33 **WHEREAS** submissions were filed by Newfoundland Power, the Industrial Customer Group
34 and Hydro on or before June 9, 2016; and
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36 **WHEREAS** Newfoundland Power submits that the Board should approve the proposed capital
37 expenditures given that the capacity provided by Hardwoods and Stephenville is necessary to
38 provide peak and emergency power and voltage support on the Island Interconnected system;
39 and
40

41 **WHEREAS** Newfoundland Power submits that the performance of Hardwoods and
42 Stephenville has had a negative effect on reliability on the Island Interconnected system in
43 recent years; and
44

45 **WHEREAS** Newfoundland Power submits that the Board should require Hydro to file, with its
46 report on 2016 capital expenditures to be filed in March 2017, an update regarding its
47 reconsideration of the long-term strategy for Hardwoods and Stephenville; and

1 **WHEREAS** the Industrial Customer Group submits that there should be timely consideration
2 by Hydro of its long-term strategy for Hardwoods and Stephenville which should not
3 necessarily be delayed until the filing of Hydro's report on its 2016 capital expenditures and
4 further that there is an opportunity to consider this matter as part of Phase II of the Board's
5 ongoing investigation of the January 2014 outages and supply issues; and
6

7 **WHEREAS** Hydro submits that the proposed capital expenditure is necessary to ensure that it
8 can continue to provide service which is safe and adequate and just and reasonable and further
9 Hydro advises that it will report in relation to the long-term strategy for Hardwoods and
10 Stephenville in its 2016 capital expenditures filing; and
11

12 **WHEREAS** the Board is satisfied that the proposed capital expenditure for the refurbishment
13 of gas generator engines at Hardwoods and Stephenville is necessary to allow Hydro to provide
14 service and facilities which are reasonably safe and adequate and just and reasonable; and
15

16 **WHEREAS** the Board notes that the long-term strategy for Hardwoods and Stephenville will
17 be addressed as a part of the ongoing Phase II review process and the Board is satisfied that
18 Hydro should, following the completion of the proposed refurbishment at Hardwoods and
19 Stephenville, file a report addressing the cause of the failures and how the causes and any other
20 relevant findings may impact unit reliability in the short term as well longer term
21 considerations.
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23

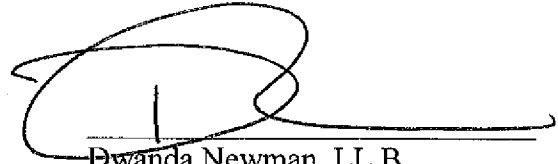
24 **IT IS THEREFORE ORDERED THAT:**
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- 26 1. The proposed capital expenditure in the amount of \$3,047,100 for the refurbishment of
27 gas generator End A engine, serial number 202205, at the Hardwoods Gas Turbine Plant
28 and gas generator End A engine, serial number 202204, at the Stephenville Gas Turbine
29 Plant, is approved.
30
- 31 2. Hydro shall file a report by November 30, 2016 in relation to the refurbishment of the gas
32 generator engines addressing the causes of the failures and impacts and considerations in
33 relation to the reliability of Hardwoods and Stephenville.
34
- 35 3. Hydro shall pay all expenses of the Board arising from this Application.

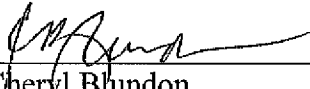
DATED at St. John's, Newfoundland and Labrador, this 15th day of June, 2016.



Darlene Whalen, P.Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



Cheryl Blundon
Board Secretary