

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

AN ORDER OF THE BOARD

NO. P.U. 37(2021)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1
3 (the “*EPCA*”) and the *Public Utilities Act*,
4 RSNL 1990, Chapter P-47 (the “*Act*”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for an Order
9 pursuant to sections 41 and 78 of the *Act*: (a) approving
10 capital expenditures for 2022 projects and multi-year
11 projects commencing in 2022; (b) approving its 2022
12 Capital Budget; and (c) fixing and determining its average
13 rate base for 2020.
14
15

16 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
17 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
18 and is also subject to the provisions of the *EPCA*; and
19

20 **WHEREAS** section 41 of the *Act* requires a public utility to submit an annual capital budget of
21 proposed improvements or additions to its property for approval of the Board no later than
22 December 15th in each year for the next calendar year, as well as an estimate of contributions
23 toward the cost of improvements or additions to its property which the utility intends to demand
24 from its customers; and
25

26 **WHEREAS** subsection 41(3) of the *Act* prohibits a utility from proceeding with the construction,
27 purchase or lease of improvements or additions to its property without the prior approval of the
28 Board where (a) the cost of the construction or purchase is in excess of \$50,000, or (b) the cost of
29 the lease is in excess of \$5,000 in a year of the lease; and
30

31 **WHEREAS** section 78 of the *Act* gives the Board the authority to fix and determine the rate base
32 for the service provided or supplied to the public by the utility and gives the Board the power to
33 revise the rate base; and
34

35 **WHEREAS** Hydro filed its 2022 Capital Budget Application (the “Application”) on August 2,
36 2021 requesting the Board make an order:

- 1 (a) approving its 2022 Capital Budget in the amount of \$84,714,000;
2 (b) approving capital expenditures for 2022 projects and multi-year projects
3 commencing in 2022; and
4 (c) fixing and determining its average rate base for 2020 at \$2,310,559,000; and
5

6 **WHEREAS** notice of the Application, including an invitation to participate, was published in
7 papers in the province on August 15, 2021 and August 18, 2021 and details of the Application and
8 supporting documentation were posted on the Board’s website; and
9

10 **WHEREAS** on August 13, 2021 a group of Island Industrial customers: Corner Brook Pulp and
11 Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador Limited (the “Industrial
12 Customer Group”) filed an intervenor submission; and
13

14 **WHEREAS** on August 18, 2021 Newfoundland Power Inc. (“Newfoundland Power”) filed an
15 intervenor submission; and
16

17 **WHEREAS** on August 25, 2021 the Consumer Advocate, Dennis Browne, Q.C. (the “Consumer
18 Advocate”) filed an intervenor submission; and
19

20 **WHEREAS** on September 10, 2021 Hydro provided an overview of the Application in a
21 presentation to the Consumer Advocate, his counsel and consultants, counsel for the Industrial
22 Customer Group, and counsel and staff from Newfoundland Power and the Board, with
23 participants given an opportunity to ask questions and raise areas of concern; and
24

25 **WHEREAS** on September 14, 2021 a total of 114 Requests for Information (“RFIs”) were issued
26 to Hydro by the Board, the Consumer Advocate, Newfoundland Power and the Industrial Customer
27 Group, which were responded to by Hydro on October 5, 2021; and
28

29 **WHEREAS** on October 18, 2021 Grant Thornton LLP (“Grant Thornton”), the Board’s financial
30 consultant, filed a report on its review of the calculations of Hydro’s 2020 average rate base, which
31 was circulated to the parties on October 19, 2021; and
32

33 **WHEREAS** on October 27, 2021 the Consumer Advocate filed eight additional RFIs, which were
34 responded to by Hydro on November 5, 2021; and
35

36 **WHEREAS** on November 12, 2021 Newfoundland Power and the Industrial Customer Group
37 filed submissions and on November 15, 2021 the Consumer Advocate filed a submission; and
38

39 **WHEREAS** in its submission Newfoundland Power submitted that it is premature for the Board
40 to approve the proposed two-year project to convert the existing 4.16 kV distribution system in
41 Mary’s Harbour to 25 kV to address an under-voltage condition arising from a load addition (the
42 “Mary’s Harbour Voltage Conversion Project”) as it is predicated on the approval of Hydro’s
43 *Long-Term Supply for Southern Labrador – Phase 1* supplemental application; and

1 **WHEREAS** in its reply submission filed on November 19, 2021 Hydro agreed that it is premature
2 for the Board to approve the Mary's Harbour Voltage Conversion Project and requested that the
3 Board defer its consideration of this project; and
4

5 **WHEREAS** the Board has reviewed the record of the Application and, based on its review and in
6 consideration of the timing, is satisfied that it is appropriate that an Order respecting the
7 Application be issued now with the Board to issue its Reasons for Decision separately; and
8

9 **WHEREAS** the Board is satisfied that the proposed capital expenditures, with the exception of
10 those related to the Mary's Harbour Voltage Conversion Project, are reasonable and necessary to
11 ensure the continued provision of a safe and reliable electricity supply to customers and should be
12 approved.
13

14
15 **IT IS THEREFORE ORDERED:**
16

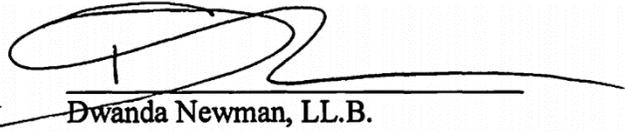
- 17 1. **Hydro's proposed construction and purchase of improvements or additions to its**
18 **property in excess of \$50,000 to be completed in 2022, as set out in Schedule A to this**
19 **Order, are approved.**
20
- 21 2. **Hydro's proposed multi-year proposed construction and purchase of improvements or**
22 **additions to its property in excess of \$50,000, as set out in Schedule B to this Order, are**
23 **approved.**
24
- 25 3. **Hydro's 2022 Capital Budget for improvements or additions to its property in an**
26 **amount of \$84,163,400, as set out in Schedule C to this order, is approved.**
27
- 28 4. **Hydro's average rate base for the year ending December 31, 2020 is hereby fixed and**
29 **determined at \$2,310,559,000.**
30
- 31 5. **Unless otherwise directed by the Board Hydro shall file, with its 2023 Capital Budget**
32 **Application, an updated overview in relation to the proposed capital expenditures for**
33 **the Holyrood Thermal Generating Station.**
34
- 35 6. **Unless otherwise directed by the Board, Hydro shall file an annual report to the Board**
36 **on its 2022 capital expenditures by March 1, 2023.**
37
- 38 7. **Unless otherwise directed by the Board Hydro shall provide, in conjunction with its**
39 **2023 capital budget application, a status report on the 2022 capital budget expenditures**
40 **showing for each project:**
41
 - 42 i) **the approved budget for 2022;**
 - 43 ii) **the expenditures prior to 2022;**
 - 44 iii) **the 2022 expenditures to the date of application;**
 - 45 iv) **the remaining projected expenditures for 2022;**

- 1 v) the variance between the projected total expenditures and the approved budget;
- 2 and
- 3 vi) an explanation of the variance.
- 4
- 5 8. Hydro shall pay all costs and expenses of the Board incurred in connection with the
- 6 Application.

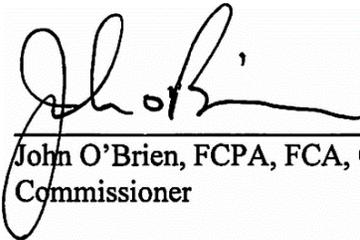
DATED at St. John's, Newfoundland and Labrador, this 20th day of December, 2021.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Cheryl Blundon
Board Secretary

Schedule A
Order No. P.U. 37(2021)
Single-Year Projects over \$50,000
Issued: December 20, 2021

NEWFOUNDLAND AND LABRADOR HYDRO
2022 CAPITAL BUDGET
SINGLE YEAR PROJECTS OVER \$50,000
(\$000)

PROJECT DESCRIPTION 2022

GENERATION

HYDRAULIC PLANT

Hydraulic Generation In-Service Failures (2022)	1,000.0	
TOTAL HYDRAULIC PLANT		1,000.0

THERMAL PLANT

Thermal In-Service Failures (2022)	2,000.0	
Boiler Condition Assessment and Miscellaneous Upgrades - Holyrood	3,014.2	
Air Receivers Condition Assessment and Upgrades - Holyrood	336.5	
Turbine Valve Overhaul Unit 3 - Holyrood	3,623.5	
Major Pumps Overhaul - Holyrood	491.3	
Upgrade Wastewater Treatment Plant 600 V Variable Frequency Drives - Holyrood	70.1	
TOTAL THERMAL PLANT		9,535.6

TOOLS AND EQUIPMENT

Purchase Tools and Equipment less than \$50,000 (2022) - Hydraulic Plants	187.3	
TOTAL TOOLS AND EQUIPMENT		187.3
TOTAL GENERATION		10,722.9

GENERAL PROPERTIES

ADMINISTRATION

Purchase Office Equipment Less Than \$50,000 (2022)	67.1	
Remove Safety Hazards (2022) - Various	199.6	
TOTAL ADMINISTRATION		266.7

INFORMATION SYSTEMS

Replacement of Short-Term Load Forecasting Software	439.5	
Upgrade Energy Management System (2022) - Hydro Place	292.6	
Purchase Personal Computers (2022) - Hydro Place	477.1	
Replace Peripheral Infrastructure (2022) - Hydro Place	193.2	
Upgrade Core IT/OT Infrastructure (2022) - Hydro Place	308.2	
Perform Software Upgrades and Minor Enhancements (2022) - Hydro Place	621.7	
Refresh Cyber Security Infrastructure (2022) - Hydro Place	221.7	
Hydro Command Centre Upgrade (2022) - Hydro Place	76.4	
TOTAL TRANSMISSION		2,630.4

TELECONTROL

Replace Radomes (2022) - Various	179.9	
Replace Network Communications Equipment (2022)	193.0	
Upgrade Remote Terminal Units (2022) - Various	171.1	
Replace Battery Banks and Chargers (2022) - Various	226.6	
TOTAL TELECONTROL		770.6
TOTAL GENERAL PROPERTIES		3,667.7

PROJECT DESCRIPTION 2022

TRANSMISSION AND RURAL OPERATIONS

TRANSMISSION

Wood Pole Line Management Program (2022)	1,603.5	
TOTAL TRANSMISSION		<u>1,603.5</u>

DISTRIBUTION

Provide Service Extensions (2022) - Various	3,627.2	
Distribution System In-Service Failures, Miscellaneous Upgrades, and Street Lights (2022) - Various	3,826.7	
TOTAL METERING		<u>7,453.9</u>

TOOLS AND EQUIPMENT

Purchase Tools and Equipment Less than \$50,000 (2022) - Central Region	193.9	
Purchase Tools and Equipment Less than \$50,000 (2022) - Northern Region	134.6	
Purchase Tools and Equipment Less than \$50,000 (2022) - Labrador Region	121.8	
Replace Light-Duty Mobile Equipment (2022) - Various	695.0	
TOTAL TOOLS AND EQUIPMENT		<u>1,145.3</u>

TERMINAL STATIONS

Terminal Station In-Service Failures (2022)	900.0	
TOTAL TERMINAL STATIONS		<u>900.0</u>

GENERATION

Overhaul Diesel Units (2022) - Various	1,360.5	
Upgrade Fuel Storage Tanks (2022) - Mary's Harbour	499.1	
TOTAL GENERATION		<u>1,859.6</u>

TOTAL TRANSMISSION and RURAL OPERATIONS		<u>12,962.3</u>
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TOTAL SINGLE YEAR PROJECTS OVER \$50,000		<u><u>27,352.9</u></u>
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Schedule B
Order No. P.U. 37(2021)
Multi-Year Projects over \$50,000
Issued: December 20, 2021

NEWFOUNDLAND AND LABRADOR HYDRO
2022 CAPITAL BUDGET
PROJECTS OVER \$50,000
MULTI-YEAR PROJECTS
(\$000)

Multi-year Projects Commencing in 2022

PROJECT DESCRIPTION	2022	2023	2024	Total
Hydraulic Generation Refurbishment and Modernization (2022-2023)	2,970.6	3,788.9	-	6,759.5
Install Infrared Scanning Ports - Happy Valley Gas Turbine	39.6	25.6	-	65.2
Unit 3 Generator Components Condition Assessment and Miscellaneous Upgrades	153.0	338.8	-	491.8
Replace Underground Fire Water Distribution System - Holyrood	128.3	1,578.0	-	1,706.3
Control System Replacement - Holyrood Gas Turbine	146.0	41.0	-	187.0
Replace Light- and Heavy-Duty Vehicles (2022-2024)	569.0	593.2	2,319.6	3,481.8
Purchase 85' Material Handler Aerial Device on Track Unit	20.4	1,265.7	67.8	1,353.9
Terminal Station Refurbishment and Modernization (2022-2023)	3,111.9	6,109.7	-	9,221.6
Purchase 46' Material Handler Aerial Device on Track Unit	20.4	698.8	38.8	758.0
Replace Metering System	515.6	3,865.6	994.6	5,375.8
Additions for Load (2022) - Mary's Harbour Service Conductor	307.8	51.3	-	359.1
Install Fire Protection in Diesel Plants (2022-2023) - Ramea	90.7	1,838.1	-	1,928.8
Upgrade Circuit Breakers (2022-2023) - Various	2,121.9	7,361.8	-	9,483.7
Upgrade of Worst-Performing Distribution Feeders (2022-2023)	850.0	1,922.9	-	2,772.9
Labrador City L22 Voltage Conversion (2022-2023)	486.8	1,004.4	-	1,491.2
Diesel Genset Replacement Unit 2039 - St. Lewis	397.0	1,583.8	134.9	2,115.7
Diesel Genset Replacement Unit 2012 - L'Anse-Au-Loup	339.9	2,513.2	210.2	3,063.3
Install Recloser Remote Control (2022-2023) - Various	174.6	149.1	-	323.7
Total Multi-Year Projects over \$50,000 commencing in 2022¹	12,443.5	34,729.9	3,765.9	50,939.3

¹ Reduced by \$550,600 in 2022 and \$524,600 in 2023 to reflect the removal of the Additions for Load (2022) - Distribution System - Mary's Harbour Voltage Conversion project.

NEWFOUNDLAND AND LABRADOR HYDRO
2022 CAPITAL BUDGET
PROJECTS OVER \$50,000
MULTI-YEAR PROJECTS
(\$000)

Multi-year Projects Commencing in 2021

PROJECT DESCRIPTION	Expended to				Total
	2021	2022	2023	2024	
Hydraulic Generation Refurbishment and Modernization (2021-2022)	6,569.6	5,005.6	-	-	11,575.2
Replace Voltage Regulator - Happy Valley Gas Turbine	131.3	211.0	-	-	342.3
Upgrade Compressed Air System - Happy Valley Gas Turbine	76.6	69.2	-	-	145.8
Refurbish Ebbegunbaeg Control Structure	3,236.8	3,238.3	3,470.1	3,674.7	13,619.9
Upgrade Waste Water Equalization System - Holyrood	1,813.4	547.7	-	-	2,361.1
Upgrade Distributed Control System Hardware - Holyrood	360.4	368.2	-	-	728.6
Replace Fuel Oil, Lube Oil, and Glycol Pumps - Happy Valley Gas Turbine	234.7	170.5	-	-	405.2
Replace Transfer Switches and Associated Hardware - Hydro Place	197.3	938.5	-	-	1,135.8
Replace Light- and Heavy-Duty Vehicles (2021-2022)	1,320.9	1,335.1	-	-	2,656.0
Diesel Genset Replacements (2021-2022)	2,560.6	286.2	-	-	2,846.8
Terminal Station Refurbishment and Modernization (2021-2022)	6,171.6	6,957.3	-	-	13,128.9
Upgrades for Future Retirement of Stephenville Gas Turbine	1,530.3	5,344.5	-	-	6,874.8
Wabush Terminal Station Upgrades	2,301.7	4,935.5	4,335.7	-	11,572.9
Additions for Load - Wabush Substation Upgrades	1,186.7	6,253.0	3,053.7	-	10,493.4
Upgrade Circuit Breakers (2021-2022) - Various	5,418.8	4,293.6	820.3	-	10,532.7
Upgrade of Worst-Performing Distribution Feeders (2021-2022)	318.9	805.6	-	-	1,124.5
Total Multi-Year Projects over \$50,000 commencing in 2021	33,429.6	40,759.8	11,679.8	3,674.7	89,543.9

Multi-year Projects Commencing in 2020

PROJECT DESCRIPTION	Expended to				Total
	2021	2022	2023	2024	
Perform Combustor Inspection - Holyrood Gas Turbine	3,046.1	2,427.4	-	-	5,473.5
Total Multi-Year Projects over \$50,000 commencing in 2020	3,046.1	2,427.4	-	-	5,473.5

Schedule C
Order No. P.U. 37(2021)
2021 Capital Budget
Issued: December 20, 2021

**NEWFOUNDLAND AND LABRADOR HYDRO
2022 CAPITAL BUDGET**

Projects Over \$50,000 to be completed in 2022	\$	27,352,900
Multi-Year Projects over \$50,000 commencing in 2022		12,443,500
Multi-Year Project over \$50,000 commencing prior to 2022 (previously approved)		43,187,200
Projects under \$50,000 ¹		179,800
Allowance for Unforeseen Items		<u>1,000,000</u>
Approved 2022 Capital Budget	\$	<u>84,163,400</u>

¹ Approval of projects under \$50,000 is not required but these expenditures are part of the total 2022 Capital Budget