

Office of the Consumer Advocate

May 29, 2026

The Board of Commissioners of Public Utilities

Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
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Attention: Colleen Jones, Assistant Board Secretary

Dear Ms. Jones:

Re: Newfoundland and Labrador Hydro - Application for Additional Early Execution Capital Work for Bay d'Espoir Unit 8 and Avalon Combustion Turbine - Bay d'Espoir Unit 8

On December 12, 2025 Hydro filed an Application for Additional Early Execution Capital Work for Bay d'Espoir Unit 8 and Avalon Combustion Turbine (the "Application"). On December 19, 2025 the Public Utilities Board (the "Board") set a review schedule for receipt of RFIs (due January 13, 2026) and for Hydro's responses to them (due January 20, 2026). On February 9, 2026, the Board set a further schedule, which called for an expeditious review of the Avalon Combustion Turbine (the "Avalon CT") including a settlement conference involving all the parties. That led to a settlement agreement dated March 5, 2026. Subsequently, on March 13, 2026, the Board in Order P.U. 7(2026) accepted the Settlement Agreement and approved the funding of \$29,294,000 for the Avalon Combustion Turbine as requested in the Application.

As for the Bay d'Espoir (BDE) Unit 8 component of the Application, Hydro is requesting approval of additional capital expenditures for capital work totaling \$5.6 million in the near future. This cost would be recovered from customers if the Board approves Hydro's March 21, 2025 Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine (the "2025 Build Application").

On May 20, 2026, the Board issued a further schedule for the Application in order to deal with the funding requested for the BDE Unit 8 component. The schedule sets May 29, 2026 as the deadline for submissions by the parties. This document conveys the comments of the Consumer Advocate.

Chronology of Events

Prior to those comments, in order to provide some additional context, a selected chronology of events related to the Application follows.

1. On March 21, 2025 Hydro submitted the 2025 Build Application. It seeks approval of i) the requested Authorized Budget for BDE Unit 8 in the amount of \$1.08 billion; and ii) the requested Authorized Budget for the Avalon CT in the amount of \$891 million. The 2025 Build Application anticipated completion of the Avalon CT in late 2029 and the BDE Unit 8 in 2031 (Para 14 and 13, respectively, of the 2025 Build Application).
2. On March 12, 2025 Hydro filed an Application for Early Execution Capital Work for Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Refile. Hydro had initially filed the Application on February 27, 2025, but had to refile as the initial filing did not include all necessary evidence. In the Early Execution Application Hydro indicated that *“The planning, construction, and integration of these new generating resources, including the Early Execution procurement of long-lead critical equipment required for project advancement, will take years. Project estimates are time sensitive and supply chain pressures continue to increase; therefore, any delay impacting project execution increases the risk of higher costs to ratepayers, underscoring the need for expedient action. Hydro’s Early Execution Application is made in consideration of these risks and implications. Efficient and expedient review and decisions are critical.”* Hydro requested that *“the Board proceed with the review of this application as expeditiously as possible to protect project schedules and budgets.”*
3. On April 11, 2025 the Consumer Advocate submitted Comments on the Early Execution Application, which recommended that it not be approved because it *“undermines the regulatory process by presuming Board approval of both projects in the Build Application and because the Build Application itself contains information that raises serious questions about the merits of those two projects.”*
4. On April 25, 2025, the Board approved the Early Execution Application in P.U. No. 17(2025) which provided the funding amounts requested by Hydro. More specifically, the Board approved: i) Capital expenditures, in the amount of \$30,710,000, for the proposed early execution work for the Avalon CT Project, and ii) Capital expenditures, in the amount of \$16,670,000, for the proposed early execution work for the BDE Unit 8 Project. The Board’s order also clarified its position with respect to early execution applications in the regulatory process and required Hydro to file monthly updates on early execution work for each of the two projects.
5. As indicated above, on December 12, 2025 Hydro filed the Application. In its cover letter to the Application, Hydro states *“The original Early Execution Application approval allowed Hydro to continue the initial work necessary for the BDE Unit 8 and Avalon CT projects while the 2025 Build Application was reviewed to ensure that the overall timelines for completion of the projects, if approved, could be met. Hydro’s original Early Execution Application was proposed based on the anticipated completion of the review of the 2025 Build Application by the end of the fourth*

quarter of 2025.” Hydro notes that “*While it appears that Hydro can continue to execute the originally approved early execution work activities into the first quarter of 2026, if approval of the 2025 Build Application is not received within that timeframe, Hydro would be unable to continue to progress the schedule*”. Hydro goes on to say “*approval of the Additional Early Execution Application is needed as expeditiously as possible to protect project schedules and budgets*.” As stated earlier, the parties reached a Settlement Agreement (filed March 5, 2026) on the Avalon CT component of the Early Execution Application and the Board approved that Settlement Agreement in P.U. 7(2026).

6. On February 3, 2026 the Board’s consultant, Bates White Economic Consulting (“Bates White”) filed a report entitled Expert Report of Vincent Musco and Collin Cain (the “Bates White Phase 2 Report”). That report “*addresses outstanding items and presents our conclusions concerning Hydro’s Build Application for the Avalon CT and Bay d’Espoir Unit 8, following on the Bates White Phase One Expert Report (June 26, 2025) and Phase One Addendum Report (November 6, 2025)*.” Among other things, the report recommends that the Board:
 - a. Consider approving the Avalon CT component of Hydro’s Build Application, with a current estimated in-service date in March 2030.
 - b. Should defer approval of the BDE Unit 8 component of the Build Application until several critical unresolved issues are addressed. Issues include fuel burn-off, hydrology and transmission sufficiency.

Also, the Bates White Phase 2 report states “*The IIS does not need both the Avalon CT and BDE Unit 8 by 2031, as long as Hydro’s existing thermal assets remain operational. The timing of need for additional capacity beyond the Avalon CT has not been determined.*”

7. On April 16, 2026 Hydro filed its Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Revision 1 together with an Evidentiary Update. The evidentiary update specifically deals with the Avalon CT, providing “*the results of an updated expansion plan analysis, Labrador-Island Link (“LIL”) shortfall analysis, and updated Basis of Estimate and cost impact analysis.*” Hydro concludes that “*Hydro continues to recommend the Avalon CT project, together with the development of BDE Unit 8, as the near-term capacity additions best suited to allow Hydro to ensure service and facilities that are reasonably safe and adequate, and just and reasonable. Together, these projects represent the recommended Minimum Investment Expansion Plan required to maintain reliable service under a range of future conditions and enable the retirement of the Holyrood Thermal Generating Station.*”
8. On May 13, 2026 the Board filed an updated review schedule for the Avalon CT component of the 2025 Build Application. It requests the filing of Requests for Information (RFIs) by June 19, 2026, responses to RFIs by July 3, 2026, and comments from the parties by July 15, 2026. As yet, there is no schedule for the BDE Unit 8 component of the 2025 Build Application.
9. On May 22, 2026 Hydro filed its monthly update on the Bay d’Espoir Unit 8 Project Early Execution work. That report states (pages 6 and 7) “*It is expected that the early execution budget*

of \$16.7 million will be expended by mid-September 2026, subject to any changes to the forecast schedule of expenditures. Approval of the additional expenditures with an estimated budget of \$5.63 million submitted as part of the Additional Early Execution Application would extend this to October 2026.”

Comments

- 1) Hydro is seeking additional funding for BDE Unit 8 before the Board has approved the project. Hydro has also indicated that it may seek further funding through a third early execution application. The evidence supporting BDE Unit 8 has been challenged, and it remains unclear whether the project is needed on the proposed timeline or whether it is the least-cost option for customers. In these circumstances, further early execution funding would risk advancing the project in stages before the Board has made a final decision on whether it should proceed. Committing additional funds at this stage risks creating momentum toward project approval before the necessary analysis has been completed.
- 2) The Bates White Phase 2 Report indicates that *“The IIS does not need both the Avalon CT and BDE Unit 8 by 2031, as long as Hydro’s existing thermal assets remain operational. The timing of need for additional capacity beyond the Avalon CT has not been determined.”* Hydro states (CA-NLH-004, page 3 of 4) *“Continued supply from Holyrood Thermal Generating Station (“Holyrood TGS”) is not possible beyond 2035 in accordance with the federal Clean Electricity Regulations, and every year of plant operation beyond 2030 would come at an annual cost exceeding \$100 million.”* This suggests that, while continued operation of Holyrood TGS would be costly, Hydro can operate it through 2035 and, as Bates White observed, there is therefore no immediate need for BDE Unit 8.
- 3) Because the parties have not yet had the opportunity to review the 2025 Build Application questions remain about the cost and need for BDE Unit 8. As noted in the Bates-White Phase 2 Report (page 2) *“These unresolved issues, combined with the lack of immediate urgency to bring BDE Unit 8 into service, support a deferral of Board approval of BDE Unit 8 until the record can be more fully established.”*
- 4) The Reliability and Resource Adequacy Study – 2022 Update¹ estimated the cost of BDE Unit 8 at \$522.0 million. The 2025 Build Application estimates the cost at \$1.08 billion, more than double the 2022 estimate. Further, Bates-White indicates that the cost estimate may be understated. The Bates-White Phase 2 Report indicates (page 5) that the incremental impact on the BDE Unit 8 project cost ranges from *“a minimum of \$63.0 million to \$562.4 million”*, representing an overall project cost increase of up to 52%.

¹ *Reliability and Resource Adequacy Study – 2022 Update Volume III: Long-Term Resource Plan, Attachment 6, Page 2 of 9: Bay d’Espoir Hydro Generating Unit 8 Summary Report, October 3, 2022.*

- 5) As noted in the Consumer Advocate’s April 11, 2025 submission on the Early Execution Application, a full review of the 2025 Build Application by the parties is needed. The Reference Case is expected to result in an average Domestic customer rate of over 25 cents/kWh in 2035 (2025 Build Application, Schedule 3, Appendix A, Table 5, page 45 of 97), and these figures are based on the lower cost estimates for BDE Unit 8 and the Avalon CT included in the 2025 Build Application.
- 6) The Avalon Combustion Turbine Evidentiary Update expansion plan analysis (Table 2, pages 5 and 6) determines that the Avalon CT should precede BDE Unit 8 under the Slow Electrification Load Forecast (assuming no fuel burn-off), with the latter not needed until 2034. This outcome is consistent with Bates White Phase 2 Report’s view to defer BDE Unit 8.
- 7) While the 2025 Build Application is based on the Reliability and Resource Adequacy Study Review and the 2024 Resource Adequacy Plan, as well as the Settlement Agreement of March 12, 2025 that emanated from them, it is important to consider new information and expert advice as well as new approaches. As pointed out by the Board in P.U. 17(2025) “*The Settlement Agreement does not set out that the parties agree with approval of the Build Application just that it should be filed and reviewed.*” and “*The specific proposals in the Build Application must now be reviewed by the Board as part of a comprehensive process with the participation of the interested stakeholders.*”

The evidence available to date casts doubt on when and whether BDE Unit 8 is required. These doubts should be addressed in the review of the 2025 Build Application. Meanwhile, our concerns weigh against approving any further funding.

Recommendation

Given that review of the cost and need for the BDE Unit 8 component of the 2025 Build Application is needed, and not yet scheduled, the Consumer Advocate sees no reason for the Board to approve funds for BDE Unit 8 prior to a full review of the evidence.

The Consumer Advocate therefore recommends that the Board reject the Bay d’Espoir Unit 8 component of Hydro’s Additional Early Execution Application.

Please contact the undersigned if you have any questions relating to this submission.



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