

April 11, 2025

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland and Labrador Hydro (“Hydro”) – Application for Early Execution Capital Work for Bay d’Espoir Unit 8 and an Avalon Combustion Turbine – Comments of Newfoundland Power Inc. (“Newfoundland Power” or the “Company”)

A. Introduction

On March 12, 2025, Hydro filed its *Application for Early Execution Capital Work for Bay d’Espoir Unit 8 and Avalon Combustion Turbine* (the “Early Execution Application”). The Application requests approval to proceed with capital expenditures of approximately \$47.4 million related to Hydro’s Early Execution scope of work for the construction of two new capacity additions on the Island Interconnected System. This includes approximately \$30.7 million related to the 150 MW Avalon Combustion Turbine and \$16.7 million related to the 154 MW Bay d’Espoir Unit 8.¹

The Board set today’s date as the deadline for comments from parties. These are Newfoundland Power’s comments with respect to the Early Execution Application.

B. The Application

Hydro filed its *Application for Capital Expenditures for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine* (the “2025 Build Application”) with the Board on March 21, 2025. The 2025 Build Application requests approval of a total overall authorized budget of \$1.97 billion for construction of the Avalon Combustion Turbine and Bay d’Espoir Unit 8.² A review of the 2025 Build Application by the Board is expected to continue throughout 2025.

The Early Execution Application provides Hydro with the ability to begin certain advance work and analysis that will allow the projects to proceed as planned. Hydro states that pausing the

¹ Early Execution Application, Application, page 2, paragraph 7.

² 2025 Build Application, Application, page 3, paragraph 12.

Newfoundland Power Inc.

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work to await approval of the 2025 Build Application would have significant implications for the proposed projects' schedules and costs.³

Hydro is proposing to defer the determination of whether the proposed expenditures included in the Early Execution Application should be recovered from customers until the Board has completed its review of the 2025 Build Application. As a result, Hydro is not seeking recovery of capital expenditures associated with the Early Execution Application from Newfoundland Power's customers at this time.⁴

Hydro's Early Execution Application is supported by a Settlement Agreement in relation to Hydro's *Reliability and Resource Adequacy Study Review* ("RRA Study Review") proceeding.⁵ Parties to the Settlement Agreement including Newfoundland Power, the Consumer Advocate, the Island Industrial Customer Group, Hydro, and Board Counsel agreed, among other things, that the recommendation to build Bay d'Espoir Unit 8 and a combustion turbine on the Avalon Peninsula is appropriate as part of the first step in addressing the requirements for additional capacity for the Island Interconnected system and applications for these projects should be evaluated at this time.⁶

C. Newfoundland Power's Comments

Newfoundland Power has been an active participant in Hydro's RRA Study Review since it was first established.⁷ The Company agrees with Hydro that new capacity on the Island Interconnected system is necessary since the 490 MW Holyrood Thermal Generating Station ("Holyrood") is not an appropriate long-term source of backup generation required to support the Labrador Island Link ("LIL") transmission line.⁸ The Company also agrees that it was appropriate for Hydro to file applications for the Avalon Combustion Turbine and Bay d'Espoir Unit 8 as the first step in addressing the requirements for additional capacity for the Island Interconnected system.⁹

The Early Execution Application provides Hydro with the ability to move forward with certain advance work and analysis that will allow the Avalon Combustion Turbine and Bay d'Espoir Unit 8 projects to proceed prior to approval of the 2025 Build Application. Hydro states that pausing this work to await approval of the 2025 Build Application would have significant implications for the proposed projects schedules and costs.¹⁰ This is largely due to the ongoing costs associated with operating and maintaining Holyrood. For example, Hydro estimates that a

³ Early Execution Application, Application, page 2, paragraph 5.

⁴ Early Execution Application, Application, page 2, paragraph 6.

⁵ Early Execution Application, Schedule 3, Settlement Agreement.

⁶ Early Execution Application, Schedule 3, Settlement Agreement, Attachment 1, page 2, paragraph 10(1).

⁷ Hydro filed its first Reliability and Resource Adequacy Study on November 16, 2018.

⁸ See Hydro's *2024 Resource Adequacy Plan: An Update to the Reliability and Resource Adequacy Study, 2024 Resource Plan Overview*, July 9, 2024, Page 17, lines 9-20.

⁹ Early Execution Application, Application, pages 3-4, paragraph 12.

¹⁰ Early Execution Application, Application, page 2, paragraph 5.

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one-year delay in the implementation of either the Avalon Combustion Turbine or Bay d'Espoir Unit 8, and the necessary extension of Holyrood by an additional year would result in an estimated \$87.2 million of additional fuel and operating costs plus any further capital costs.¹¹ These costs are in addition to the cost impact of a delay of either the Avalon Combustion Turbine or Bay d'Espoir Unit 8, which is estimated to be between \$30 million and \$50 million per year.¹²

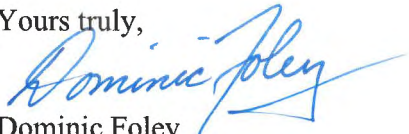
Cost recovery associated with Hydro's Early Execution Application is proposed to be considered as part of the 2025 Build Application. As a result, Hydro is responsible for cost recovery associated with the Early Execution Application if the Board determines that the 2025 Build Application should not be approved. This provides some level of assurance that ratepayers on the Island Interconnected system will not be responsible for the costs associated with the Early Execution Application unless the Board approves Hydro's 2025 Build Application.

Newfoundland Power agrees that new capacity is required on the Island Interconnected system to ensure reliable service to customers over the long term. The Company further recognizes that delays in advancing the Avalon Combustion Turbine and Bay d'Espoir are likely to result in increased costs to customers. Lastly, Hydro is not seeking cost recovery associated with the Early Execution Application from Newfoundland Power's customers at this time. For these reasons, Newfoundland Power does not object to Hydro's Early Execution Application.

D. Concluding

We trust this is in order. If you have any questions regarding the enclosed, please contact the undersigned.

Yours truly,



Dominic Foley
Legal Counsel

Enclosures

ec. Shirley A. Walsh
Newfoundland and Labrador Hydro

Dennis Browne, KC
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Paul Coxworthy
Stewart McKelvey

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¹¹ See the response to Request for Information NP-NLH-097 part c) filed in relation to Hydro's Reliability and Resource Adequacy Review.

¹² Ibid.

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