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March 12, 2026

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Via Electronic Mail

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

Attention: Colleen Jones, Assistant Board Secretary

Dear Ms. Jones:

Re: Newfoundland and Labrador Hydro - Application for Capital Expenditures for the Life Extension of Bay d'Espoir Unit 7

These are the comments of the Island Industrial Customer (IIC) Group, (Braya Renewable Fuels (Newfoundland) LP, Corner Brook Pulp and Paper Limited, and Vale Newfoundland and Labrador Limited) in response to the Board's correspondence dated March 4, 2026.

The Board has invited comments on a number of issues relating to the above Application. The IIC Group take no position on those issues, with the exception of the questions posed by the Board in relation to the Management Reserve.

1. Is a management reserve appropriate for this project?

As a general comment, it is the view of the IIC Group that management reserves would not be appropriate for every Hydro capital project or even every Hydro capital project over a certain monetary threshold. In the view of the IIC Group, a management reserve should only be considered where the relative complexity of the planning and execution of the project raises a reasonable prospect of material cost overruns being caused by, in the words of Hydro, at page 21, Schedule 1, Application Overview, lines 23-24, "...unforeseen risks that are within project scope, ie 'unknown unknowns'. Notwithstanding the "unforeseen risks" criteria, Hydro's past experience with similar projects and the causation of cost overruns in those past circumstances could be one of the factors to be considered.

Apart from meeting the proposed general criteria above, the merits of a proposed management reserve should be considered on a case-by-case basis. The approval by the Board of a management reserve for one project should not set an automatic precedent for future projects. Having said this, regulatory experience gained from any approval by the Board of a management reserve should inform consideration of any management reserves Hydro may propose for future projects.

The IIC Group takes no position on whether a management reserve is appropriate for this particular project.

2. Is the amount of the proposed management reserve reasonable?

The IIC Group takes no position on whether the amount of the proposed management reserve is reasonable for this particular project.

3. Is there adequate oversight of the management reserve or should there be additional oversight by the Board?

As a general comment, the IIC Group take the view that the degree of oversight that can be practically exercised by the Board will be affected by at what step or point in time in a project's "critical path" the decision to access the management reserve needs to be taken. Where it is apparent that there is a relatively long lead time before that decision must be made, a greater degree of Board oversight may be practical and appropriate. With that in mind, it will be incumbent on Hydro to identify to the Board at the earliest point of Hydro's consideration of accessing the management reserve, and it is submitted that, if a management reserve is approved, the Board should accordingly give Hydro direction to provide the Board with such early notification.

Please also see the response to question 4 below.

4. Should a management reserve be included in the approved capital expenditures or, alternatively, should there be an opportunity for an expedited approval process to address significant changes which arise after approval?

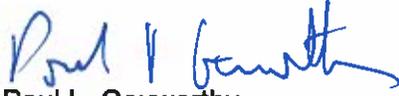
As a general comment, it is for the Board to determine whether approval of Hydro's proposed management reserve as part of the approved capital expenditures for this project is consistent with the Board's oversight role, balanced against giving Hydro the reasonable means to proceed with and complete the project in a timely and efficient manner. However, if a management reserve is approved, in the view of the IIC Group, any usage of the management reserve by Hydro should be subject to the opportunity for a post-project completion prudency review. The opportunity for post-project completion prudency review has the advantages of (a) providing the full context of the project's execution and achievement of its overall objectives, including timeliness of completion and (b) not being subject to the incomplete regulatory scrutiny and deliberation that would be caused by time constraints, and possibly incomplete information that expedited pre-approval applications would be susceptible. Any approval of the management reserve as part of the approved capital expenditures should be qualified by the possibility that Hydro's actual accessing of the management reserve may not be approved for recovery from ratepayers in a post-project completion prudency review

We trust these comments will be found to be in order.

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Board of the Commissioners
of Public Utilities
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Yours truly,

Stewart McKelvey



Paul L. Coxworthy

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Enclosures

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