

Office of the Consumer Advocate

June 3, 2026

The Board of Commissioners of Public Utilities

Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2 Canada

Attention: Mike McNiven, Board Secretary

Dear Mr. McNiven:

Re: Newfoundland and Labrador Hydro - Application for Approval of Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d'Espoir Hydroelectric Generating Facility Penstock 3

On March 13, 2026 Newfoundland and Labrador Hydro ("Hydro") submitted to the Public Utilities Board (the "Board") an Application for Approval of Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d'Espoir Hydroelectric Generating Facility Penstock 3. The Application requests approval of \$77,462,128. Hydro indicates that full project approval is needed by the end of August 2026 if it is to maintain the proposed project schedule.

The Application includes a request for approval to proceed with certain aspects of the work in advance of the overall project approval ("Early Execution") to allow for regulatory review of the Application without resulting in delays to the overall construction timeline for the proposed project. The Consumer Advocate supported the Early Execution component of the Application in a submission to the Board dated April 1, 2026. The Board approved the amount of \$1,942,814 for the Early Execution component of the Application in Order P.U. 11(2026) dated April 9, 2026.

On May 27, 2026 the Board established a Further Review Schedule for the Application which includes comments from the parties by June 3, 2026. This document conveys the comments of the Consumer Advocate.

According to the Application (Application, para 2):

The Bay d'Espoir Generating Facility ("Bay d'Espoir") provides 613 MW of electrical capacity and 2,560 GWh of energy annually to the Island Interconnected System. It consists of four penstocks that supply water to the seven generating units. Penstock 3 supplies water to Units 5 and 6 in the Bay d'Espoir Powerhouse 1 and is an integral component of the 153 MW of generation from these two units.

Needless to say, the continued operation of Bay d’Espoir is critical to the reliable operation of the Island Interconnected System. Penstock 3 has been in operation for more than 55 years (Application, para 3). Hydro shows in its response to PUB-NLH-005 that it has a busy maintenance schedule for the Bay d’Espoir hydro generating facility as well as other power plants, both hydro and thermal, on the Island Interconnected System. As stated in PUB-NLH-005(b):

Hydro’s proposed Penstock 3 Weld Refurbishment and Section Replacement Project (“Penstock 3 Project”) is a key component of the broader long-term asset plan for the Bay d’Espoir System. It is being marginally advanced in consideration of overall system reliability, cumulative asset risk, outage coordination, and resource availability across Hydro’s generation fleet.

...The scheduling of the Penstock 3 Project must be considered in the context of several other significant generation projects planned across Hydro’s system through 2031. These projects collectively impact generation availability, outage planning, overall system reliability, and project execution capacity.

Hydro lists 7 major generation projects to be undertaken in the 2027 to 2032 time-frame. While it may be possible to delay the Penstock 3 work by a year or two, owing to the high level of required maintenance on the system in the coming years, the Consumer Advocate is satisfied that this work should be completed according to Hydro’s proposed schedule. Further, CA-NLH-001 Attachment 1 shows that this is the appropriate time to carry out this work when system capacity reserve margins are 35% or above through 2032, thus reducing risks to reliability.

In summary, the Consumer Advocate believes that this work is needed, and that the schedule for this work is justified. As noted previously by the Consumer Advocate, it is of utmost importance that Hydro properly maintains its existing generating assets in light of its request for more than \$2 billion for new generating facilities in the 2025 Build Application-Revision 1. The Consumer Advocate therefore recommends that the Board approve the Application.

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



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