

June 3, 2026

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

Attention: Mike McNiven
Board Secretary

Dear Mr. McNiven:

Re: Newfoundland and Labrador Hydro (“Hydro”) – Application for Approval of Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d’Espoir Hydroelectric Generating Facility Penstock 3 (the “Application”) – Comments of Newfoundland Power Inc. (“Newfoundland Power”)

A. Introduction

Hydro filed the Application on March 13, 2026, seeking approval of approximately \$77.5 million in capital expenditures related to the section replacement and weld refurbishment of Penstock 3 at the Bay d’Espoir Hydroelectric Generating Facility (“Bay d’Espoir”). In Order No. P.U. 11 (2026), the Board approved capital expenditures of approximately \$1.9 million for proposed Early Execution work for Penstock 3.

As part of the review process for the Application, Requests for Information were issued and Hydro provided responses on May 11, 2026. On May 27, 2026, the Board set today’s date as the deadline for the filing of comments by the parties.

B. The Application

Hydro’s Application seeks approval to undertake replacement and weld refurbishment work on Penstock 3, which supplies water to Units 5 and 6 at Bay d’Espoir. Penstock 3 is necessary for the supply of 153 MW of generation on the Island Interconnected System. Hydro’s Application follows a similar application undertaken for the refurbishment of Penstock 1 which supplies Units 1 and 2 at Bay d’Espoir and accounts for 153 MW of generation on the Island Interconnected System.¹ Refurbishment of Penstock 1 was approved by the Board in Order Nos. P.U. 6 (2023) and P.U. 26 (2024).

The Application identifies the condition of Penstock 3 as an increasing asset risk and describes the proposed project as necessary to maintain the safe and reliable operation of the facility and support overall system reliability. In support of its Application, Hydro filed engineering reports

¹ See Order No. P.U. 6 (2023), page 2, lines 22-26.

Newfoundland Power Inc.

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from consultants Hatch Ltd., SNC-Lavalin Group Inc., and Kleinschmidt Associates, to provide support for failure investigations, condition assessments, life extension option analysis, and Front-End Engineering and Design (“FEED”) work. The various reports completed by the consultants are included in the Application as attachments to Schedule 1.²

Hydro submits that the proposed capital expenditures are necessary to ensure that Hydro can continue to provide service which is safe and adequate and just and reasonable as required by Section 37 of the Act.³ Hydro considers it prudent to address the asset risk as soon as practical. The repeated findings of weld indications, along with failures of prior repairs, indicate that the asset is at or nearing its end of life. Hydro also states that advancing the work reduces the risk of a more significant unplanned outage and supports the continued safe and reliable operation of Bay d’Espoir.⁴

Hydro states that the Application will benefit from the lessons learned from the completion of the Penstock 1 project.⁵ This includes: (i) constructability; (ii) construction management; (iii) contracts and contract administration; (iv) engineering; (v) health, safety, and environment (“HSE”); and (vi) quality. Hydro plans to use the experience gained from the refurbishment of Penstock 1 throughout the refurbishment of Penstock 3, including specification development for both engineering and construction work. In addition, learnings related to contracts and contract administration from the Penstock 1 project have been incorporated and are expected to support improved procurement processes and a cleaner, more effective interface with contractors throughout project execution.⁶

In addition to work required on Penstock 3, Hydro will also be undertaking additional work at Bay d’Espoir in the coming years. This includes the 150 MW Bay d’Espoir Unit 7 Life Extension project which is planned for 2028.⁷ Hydro states that it is important to avoid overlapping work on Penstock 3 and Unit 7. Hydro states that working on both projects in the same construction season would result in over 300 MW of capacity being unavailable. This would create further capacity constraints on the Island Interconnected System and would introduce additional challenges including those related to water management.⁸

² Application, pages 1-2, paragraph 4.

³ Application, page 4, paragraph 19.

⁴ See the Response to Request for Information PUB-NLH-005, page 2, lines 11-14.

⁵ See Hydro’s March 13, 2026, letter Re: Application for Approval of Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d’Espoir Hydroelectric Generating Facility Penstock 3, page 1.

⁶ See the Response to Request for Information NP-NLH-001.

⁷ The Bay d’Espoir Unit 7 Life Extension Project was approved by the Board in Order No. P.U. 12 (2026).

⁸ See the response to Request for Information PUB-NLH-005, page 2, lines 15 to page 3 line 14.

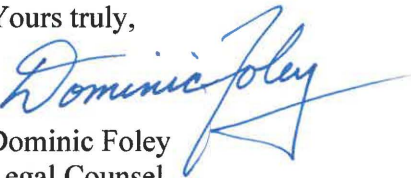
C. Newfoundland Power's Comments

The Island Interconnected System is currently capacity constrained.⁹ The Holyrood Thermal Generating Station ("Holyrood") is reaching end of life, as demonstrated by its reliability challenges in recent years, including as recently as January 2026.¹⁰ In addition to the need to construct additional capacity on the Island Interconnected System to lessen reliance on Holyrood, maintaining the reliability of existing generation on the Island Interconnected System is imperative to ensuring an adequate electricity supply to customers. An unplanned outage caused by the failure of Penstock 3 would further add to existing capacity issues on the Island Interconnected System and result in increased costs and lower supply reliability for customers.

Recent experience gained by Hydro in the completion of refurbishment of Penstock 1 reduces project execution and cost risks associated with the planned section replacement and weld refurbishment for Penstock 3. Continuing with the proposed work ahead of the approved work associated with Bay d'Espoir Unit 7 also reduces supply risk on the Island Interconnected System.

Given the importance of Bay d'Espoir to the Island Interconnected System and considering the incorporation of lessons learned from the Penstock 1 project into the planning and execution of the Penstock 3 project, Newfoundland Power does not object to the approval of Hydro's Application.

Yours truly,



Dominic Foley
Legal Counsel

Enclosures

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⁹ See Settlement Agreement, filed as Schedule 2 of Hydro's Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine, March 21, 2025, page 7 of 10, paragraph 9.

¹⁰ See Hydro's response to Request for Information PUB-NLH-001 filed in relation to Hydro's Application for Additional Early Execution Capital Work for Bay d'Espoir Unit 8 and Avalon Combustion Turbine, and Hydro's April 30, 2026, report *Frazil Ice at Bay d'Espoir Hydroelectric Generating Station*.

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