

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 21(2026)

**IN THE MATTER OF the Electrical Power
Control Act, 1994**, SNL 1994, Chapter E-5.1
(the “**EPCA**”) and the **Public Utilities Act**,
RSNL 1990, Chapter P-47 (the “**Act**”), as
amended, and regulations thereunder; and

IN THE MATTER OF an application by
Newfoundland and Labrador Hydro for
approval of capital expenditures for early
execution work related to the future
construction of the Avalon Combustion
Turbine and Bay d’Espoir Unit 8, pursuant
to section 41(3) of the **Act**.

DECISION SUMMARY

The Board approves the capital expenditures proposed by Newfoundland and Labrador Hydro in the amount of \$5,630,000 for additional early execution work related to the approval of the Bay d’Espoir Unit 8 project. The Board is satisfied that it is appropriate to approve these capital expenditures in advance of the conclusion of the Bay d’Espoir Unit 8 application process to minimize risks to project schedule and costs. The Board directs Newfoundland and Labrador Hydro to review and report on the planned early execution work as part of its required monthly reporting.

APPLICATION

On December 12, 2025 Newfoundland and Labrador Hydro (“Hydro”) filed an application seeking approval of capital expenditures for additional early execution work related to the future construction of the Bay d’Espoir Unit 8 and the Avalon Combustion Turbine projects (the “Additional Early Works Application”).¹ The Additional Early Works Application stated that proceeding with the proposed work in advance of approval of the projects would assist with

¹ These projects were proposed by Hydro in an application filed on March 21, 2025 which requested approval of expenditures of \$1.08 billion for Bay d’Espoir Unit 8 and \$891 million for the Avalon Combustion Turbine. The process for the consideration of these projects is ongoing.

mitigating the schedule and cost risks that would result from Hydro's inability to continue with capital expenditures necessary to advance the critical activities.

PROCESS

The Additional Early Works Application was copied to Newfoundland Power Inc. ("Newfoundland Power"), the Consumer Advocate and the Island Industrial Customer Group.²

On January 13, 2026 requests for information were filed by the Board, Newfoundland Power and the Consumer Advocate, which were answered by Hydro on January 28, 2026.

On February 9, 2026 the Board advised that the additional early execution work for the Avalon Combustion Turbine project would be considered separately. On March 5, 2026 a settlement agreement was filed setting out that the parties agreed that the additional early execution expenditures for the Avalon Combustion Turbine, in the amount of \$29,294,000, should be approved.³ On March 13, 2026 the Board approved the proposed capital expenditures for the Avalon Combustion Turbine project additional early execution work.⁴

On May 20, 2026 the Board set a schedule for the proposed capital expenditures for the Bay d'Espoir Unit 8 project additional early execution work. On May 29, 2026 submissions were filed by Newfoundland Power and the Consumer Advocate. On June 9, 2026 Hydro filed its reply.

SUBMISSIONS

Newfoundland Power supported the Additional Early Works Application for Bay d'Espoir Unit 8 and noted that Hydro is not seeking cost recovery at this time. Newfoundland Power recognized that the Bay d'Espoir Unit 8 project was a key component of Hydro's plan to address the Island Interconnected System's capacity restraints and that delays in advancing the work may result in increased costs and schedule risks.

The Island Industrial Customer Group had no comments on the Additional Early Works Application for Bay d'Espoir Unit 8.

The Consumer Advocate opposed the Additional Early Works Application for Bay d'Espoir Unit 8 stating that the evidence supporting the project has been challenged and that it remains unclear whether the project is needed in the timeline proposed or whether it is the least cost option for customers. The Consumer Advocate stated that further early execution funding would risk advancing the project in stages before a final decision has been made and that a full review of the project is needed.

² Ms. Adrienne Ding was appointed as Interim Consumer Advocate on January 26, 2026, replacing Mr. Dennis Browne, KC. The members of the Island Industrial Customer Group are Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited.

³ Avalon Combustion Turbine Early Execution Settlement Agreement.

⁴ Order No. P.U. 7(2026).

Hydro submitted that consideration of the Additional Early Execution Application for Bay d’Espoir Unit 8 must reflect the operational and market realities of large generation projects. Hydro stated that that pausing work could have significant consequences, including the loss of secured manufacturing slots for critical equipment, multi-year schedule delays due to market demand, and material cost increases driven by escalation, remobilization, and re-procurement, resulting in higher costs for customers. Hydro also noted that customers are protected as Hydro is not seeking recovery of these expenditures at this time and, in the event that the project is not approved, the costs associated with early execution will not be recovered from ratepayers.

BOARD DECISION

The Additional Early Works Application requests approval of capital expenditures in the amount of \$5,630,000 for work to be completed for Bay d’Espoir Unit 8 while the review of Hydro’s application for approval of the project is ongoing.

The Board notes that approval of capital expenditures for work to be done before a determination has been made as to whether a project should be approved is an extraordinary measure. As a result, the proposed capital expenditures for early execution work for the Bay d’Espoir Unit 8 project must be carefully scrutinized to ensure that they are reasonable and necessary in the circumstances.⁵

This is the second application filed by Hydro for approval of early execution work in relation to the Bay d’Espoir Unit 8 project.⁶ The first application was approved on the basis that it would serve to reduce the risks associated with the project schedule and costs. The Board noted at the time that there would be no recovery of the costs from customers if the project was ultimately not approved and that a great deal of information had already been filed in the Reliability and Resource Adequacy Review, including a settlement agreement.⁷

Since the approval of the first early execution work application in April 2025, additional information has been provided as part of the Bay d’Espoir Unit 8 project application process. In February 2026 the Board’s consultants, Bates White, recommended that the approval of the Bay d’Espoir Unit 8 project be deferred until several critical unresolved issues are addressed.⁸ In June 2026 Bates White stated:

Hydro has demonstrated that the system does not require both the Avalon CT and BDE Unit 8 by 2031, as long as Hydro’s existing thermal assets remain operational. Moreover, Newfoundland Power’s plan to extend the lives of two gas turbines (totaling 48 MW of firm capacity) reduces and/or delays the need for additional firm capacity on the IIS, and Hydro’s most recent load forecast (2025) indicates a reduction in peak demand of 14 MW and total energy of 289 GWh in 2035 compared to the load forecast used in the Build Application. Hydro’s recent update to its Electric Load Carrying Capability (“ELCC”) assumptions indicate an increased

⁵ See also Order No. P.U. 17(2025), page 3.

⁶ In Order No. P.U. 17(2025), dated April 25, 2025, the Board approved capital expenditures in the amount of \$16,670,000 for early execution work for the Bay d’Espoir Unit 8 project.

⁷ Reliability and Resource Adequacy Settlement Agreement, dated March 12, 2025.

⁸ Bates White Report, dated February 3, 2026, page 1.

ELCC assumption for incremental wind capacity, higher than what was assumed in the Build Application, suggesting that the assumed wind additions will contribute more firm capacity than modeled in the Build Application.⁹

The Board expects that additional information and analysis may be required to address the issues raised, including changes to the forecast load, Newfoundland Power's gas turbines, wind capacity, and how these changes should be flowed through the expansion plan analysis and Labrador Island Link shortfall analysis. In addition, the Board agrees with Bates White that the project costs may now need to be updated.¹⁰ Further the Board notes that there continues to be outstanding information and analysis which may impact the assessment of the Bay d'Espoir Unit 8 project.

The Bay d'Espoir Unit 8 project is an extraordinary project which raises issues of critical importance in terms of system adequacy and reliability. This project could also have a significant impact on rates given that the capital costs are in excess of \$1 billion.¹¹ The process for the review of the Bay d'Espoir Unit 8 application is expected to be comprehensive and it may be some time before there will be a final determination on whether the project will be approved.¹² The Board notes the concerns expressed by the Consumer Advocate in relation to creating momentum toward project approval before the necessary analysis has been completed. In addition, the Board notes that the timeline for the Bay d'Espoir Unit 8 project may be affected by changes to other Bay d'Espoir projects, particularly the Unit 7 project.¹³ Considering the potential timeframes in relation to the Bay d'Espoir Unit 8 project, the Board believes that it is important to carefully consider the proposed additional early execution work to ensure that approval is appropriate at this time.

The Board has reviewed the early execution work and notes that it is generally a continuation of the early execution work started in 2025.¹⁴ The work includes:

- EPCM consultant work, including: i) detailed design for preliminary works (site development, camp accommodations access roads), intake, penstock, powerhouse and turbine generating interface; ii) field investigations and survey work; iii) execution planning activities; and iv) procurement of GSU transformer and circuit breakers;
- Turbine and generator - finalize contract and begin engineering and model testing;
- Complete reroute of site utilities, i.e., distribution lines, control cables, bus structures; and
- Begin Environmental Assessment release condition activities.

⁹ Bates White Report, dated June 5, 2026, page 6.

¹⁰ Bates White Report, dated June 5, 2026, page 38.

¹¹ Reply to Board's Request for Additional Information, Request 5, May 15, 2026. The estimated rate impact of the Bay d'Espoir Unit 8 project is 5.4% in 2031, 7.4% in 2032 and 3.5% per year starting in 2033. This is in addition to the proposed \$995 million proposed for the Avalon Combustion Turbine with estimated rate impacts of approximately 4.5% in 2030, 7.9% in 2031, 3.4% in 2032 and 2033 and 3.5% per year in 2034.

¹² The Board notes that the record for the Avalon Combustion Turbine project is scheduled to be complete on July 22, 2026.

¹³ Bay d'Espoir Early Execution Update, June 16, 2026, page 4.

¹⁴ Application, Schedule 1, page 17.

Based on the information provided, the Board is not satisfied that all of the proposed additional early execution work is necessary at this time.¹⁵ For example, the evidence is not clear that the detailed design for preliminary works, or the reroute of site utilities are required at this stage.

The Board has also reviewed the costs associated with the early execution work as set out in the table below:

Early Execution Work Expenditures for Bay d’Espoir Unit 8 (\$000)					
Category	Approved Amount ¹⁶	Proposed Additional Amount	Total Budget	Cancellation Clause Costs ¹⁷	Total
EPCM Support and Internal Project Management	████	██	████	████	████
Turbine and Generator Procurement	████	████	████	-	████
GSU Transformer Procurement	n/a	██	██	████	████
Circuit Breakers Procurement	n/a	-	-	██	██
Utilities Reroute	n/a	██	██	-	██
Environmental Assessment Registration and Studies	██	██	██	██	██
Contingency	██	██	████	-	████
Interest During Construction and Escalation	██	████	████	-	████
Total	16,670	5,630	22,300	████	████

While the proposed capital expenditures are not large relative to the total Bay d’Espoir Unit 8 project costs, there are potential additional operating costs associated with cancellation fees if the project does not proceed.¹⁸ The Board notes that there is no cancellation fee for the turbine and generator but Hydro advised that should a requirement to make additional commitments arise, “change management” would be employed to secure appropriate approvals prior to proceeding.¹⁹ The Board is concerned about the risks and impacts of the additional commitments associated with procurement activities.

While the Board has specific concerns in relation to the proposed additional early execution work and the associated costs, the Board accepts that Bay d’Espoir Unit 8 is a complex multi-year project and appropriate early execution work is likely to provide benefits in the evaluation of the project as well as the execution of the project if it is ultimately approved. Engineering, design and

¹⁵ Application, Schedule 2; PUB-NLH-014, Attachment 1, pages 1 and 2.

¹⁶ Order No. P.U. 17(2025).

¹⁷ Potential cancellation costs for turbine procurement not included.

¹⁸ As the cancellation costs are only paid if the project is not approved, payments are considered operating costs and are not included in the additional early execution capital budget. PUB-NLH-016, page 2, footnotes 3 and 7; PUB-NLH-015.

¹⁹ Application, Schedule 1, page 19.

1 analytical work can further define the project scope and allow the completion of essential
 2 activities which are important to maintain the project schedule. In addition, early execution work
 3 may contribute to better cost information.²⁰ The Board is satisfied that it continues to be
 4 appropriate for Hydro to complete early execution work in relation to the Bay d’Espoir Unit 8
 5 project. The Board notes that there will be no recovery of the proposed capital costs from
 6 customers if the project is ultimately not approved.

7
 8 At the same time, the Board notes that the expenditures for early execution work for the Bay
 9 d’Espoir Unit 8 project have been much lower than planned.²¹ Hydro now forecasts an increase
 10 in spending over the next several months with the early execution work budget extending to
 11 October 2026.²² The Board questions whether it is appropriate to significantly increase project
 12 activity at this time considering the potential timelines associated with Bay d’Espoir Unit 8. In the
 13 circumstances the Board believes that Hydro should reconsider the planned early execution work
 14 to ensure that it is necessary to support the review of the project or address long-lead items that
 15 may impact the project schedule and that material financial commitments are minimized.

16
 17 As a result, the Board will approve the proposed capital expenditures for the additional early
 18 execution work for the Bay d’Espoir Unit 8 project and will direct Hydro to review the specific
 19 work to be done and the timeline for this work. Hydro will be required to report in its monthly
 20 updates as to the results of this review with support for the specific work proposed and the
 21 reason that it is needed in advance of the conclusion of the Bay d’Espoir Unit 8 project application
 22 process.

23
 24 In addition, any further application for additional early execution work for the Bay d’Espoir Unit
 25 8 project should include more detailed evidence in relation to the need for the proposed capital
 26 expenditures in the circumstances and should set out the efforts that were made to minimize
 27 material financial commitments.

²⁰ See Bates White Report, dated June 5, 2026, page 39.

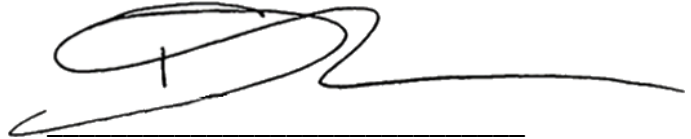
²¹ Most early execution work expenditures were incurred before the approval of the Board in April 2025, with less than [REDACTED] in expenditures over the period April 2025 to April 2026. See Bay d’Espoir Early Execution Update, June 16, 2026, Appendix B.

²² Bay d’Espoir Early Execution Update, June 16, 2026, pages 6 to 7.

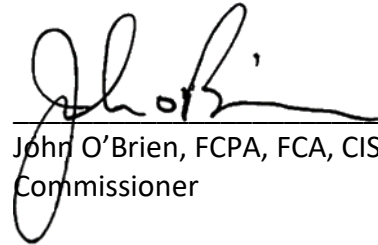
IT IS THEREFORE ORDERED THAT:

1. The proposed capital expenditures for additional early execution work for the Bay d’Espoir Unit 8 project, in the amount of \$5,630,000, are approved.
2. Hydro shall report on the results of its review of the scope and timing of the early execution work in its monthly early execution updates for the Bay d’Espoir Unit 8 project.
3. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John’s, Newfoundland and Labrador this 8th day of July, 2026.



Dwanda Newman, LL.B.
Vice-Chair



John O’Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Mike McNiven
Board Secretary