

1 Q. **Reference: Cover Letter for Application for Additional Early Execution Capital Work for Bay**
2 **d’Espoir Unit 8 and Avalon Combustion Turbine “Application”.**

3 Reference is made to Order No. P.U. 17(2025) which states that the Board:

4 “...is satisfied that the proposed capital expenditures for the early execution
5 work for the Avalon Combustion Turbine Project, in the amount of \$30.7 million,
6 and the proposed capital expenditures for the early execution work for the Bay
7 d’Espoir Unit 8 Project, in the amount of \$16.7 million, should be approved on
8 the basis that these expenditures were shown to be reasonable and necessary
9 in the circumstances and will not be recovered from customers if the [2025]
10 Build Application is not approved.”

11 a) Please explain how the expenditures in the Early Execution and the Additional Early
12 Execution Applications are “necessary in the circumstances” given that the need for Bay
13 d’Espoir Unit 8 and the Avalon CT has not yet been established.

14 b) What happens to the capital expended on these two applications if the Build Application
15 is not approved by the Board? Does Hydro guarantee that neither electricity consumers
16 nor taxpayers in the province will cover these costs?

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19 A. a) The need for additional generating resources on the Island Interconnected System was
20 established through the 2024 Resource Adequacy Plan proceeding, culminating in a
21 Settlement Agreement signed on March 12, 2025, by all intervening parties. Specifically, the
22 parties reached an agreement that:

23 The 2023 Load Forecast and the reliability planning analysis outlined in the 2024
24 Resource Adequacy Plan demonstrate that additional capacity is required for
25 the Island Interconnected system in the period 2031-2034 with the amount of
26 capacity depending on the case and scenario analyzed. The Reference Case
27 results indicate that approximately 524 MW of capacity is required by 2034. The
28 Minimum Investment Expansion Plan which is based on the Slow

Decarbonization load forecast results indicate a minimum of 385 MW of new capacity is required by 2034.¹

and

The recommendation to build a new 154 MW unit at Bay d’Espoir and a 150 MW combustion turbine on the Avalon Peninsula, which is based on the Slow Decarbonization Case, 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.²

As Newfoundland and Labrador Hydro (“Hydro”) noted in its early execution applications, the planning, construction, and integration of these new generating resources, including the procurement of long-lead critical equipment required for project advancement, will take years. Supply chain pressures have and will continue to increase, and project estimates are time sensitive. Any delay impacting project execution increases the risk of higher costs to ratepayers, underscoring the need for expedient action. Pausing the work on the projects while the regulatory process necessary to obtain overall project approval was ongoing would have significant implications for the proposed projects’ schedules and costs.³ Hydro’s early execution applications have been made in consideration of these risks and implications; Hydro believes early execution is warranted to mitigate supply chain risk as well as risks of escalation and impacts on other projects.

- b)** If the Board of Commissioners of Public Utilities (“Board”) does not approve the 2025 Build Application, the capital expenditures already incurred in connection with the two applications will not be recovered from electricity consumers through rates. As a regulated utility, Hydro can only recover capital costs from ratepayers where the Board has approved the associated project for inclusion in Hydro’s rate base. Therefore, if the Board does not

¹ “2025 Build Application – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, March 21, 2025, sch. 2, para. 9, p. 7 of 10.

² “2025 Build Application – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, March 21, 2025, sch. 2, para. 10(i), p. 7 of 10.

³ Please refer to Hydro’s response to PUB-NLH-001 of this proceeding for a complete discussion of the specific impacts incurred due to non-approval of the additional early execution scopes, and the repercussions of both full build application approval delay and non-approval.

- 1 approve the 2025 Build Application, any capital expenditures incurred would remain the
- 2 responsibility of Hydro.