

July 23, 2026

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

Attention: Mike McNiven
Senior Regulatory Advisor & Board Secretary

**Re: Newfoundland and Labrador Hydro – 2025 Capital Budget Supplemental Application –
Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion
Turbine – Hydro’s Reply**

On March 21, 2025, Newfoundland and Labrador Hydro (“Hydro”) filed an application with the Board of Commissioners of Public Utilities (“Board”) seeking approval of capital expenditures associated with the proposed Avalon Combustion Turbine (“Avalon CT”) and Bay d’Espoir Unit 8 (“BDE Unit 8”) (“2025 Build Application”).

At the outset of the review of the application, the Board advised that it had asked Bates White Economic Consulting, LLC (“Bates White”), the same consultants that assisted the Board in the Reliability and Resource Adequacy Review, to also review this application. Subsequently, the Board advised that Bates White had partnered with two independent firms to assist with a second phase of its review. In particular, Consolidated Asset Management Services (“CAMS”) provided support in reviewing the proposed Avalon CT project. The Board advised that the reports produced by Bates White were to assist the Board and the parties in assessing the proposals in the Application and would form the basis for further inquiries by the Board and the parties as the Application proceeded through the review process. Bates White filed four reports in total: Expert Report of Vincent Musco and Collin Cain dated June 26, 2025; Expert Addendum Report of Vincent Musco and Collin Cain dated November 6, 2025; Expert Report Of Vincent Musco And Collin Cain, Phase II, February 3, 2026; and Expert Addendum Report of Vincent Musco and Collin Cain, Phase II, June 5, 2026.

In December 2025, Hydro executed a contract for the procurement of the CT package for the Avalon CT project at a cost materially higher than originally estimated; Hydro subsequently filed an evidentiary update to the application reflecting the increased costs and addressing the impact of those costs on the justification of the project. The Board then set a schedule for further review of the Avalon CT project specifically. Through that process, Hydro has responded to Requests for Information (“RFIs”) from the Board, Newfoundland Power Inc. (“Newfoundland Power”), and the Consumer Advocate. The Island Industrial Customer Group (“IIC Group”) had indicated that they believed the evidentiary record to be complete, and did not have any further questions to submit in RFIs. Hydro's responses to the RFIs were filed on July 6, 2026.

The evidence filed in the review of the Application, including the evidentiary update, the additional information requested by the Board and the Board’s expert Bates White throughout the file, as well as Hydro’s responses to RFIs, supports approval of the Avalon CT project. The evidence establishes that the Avalon CT is required to maintain reliable service on the Island Interconnected System, to facilitate the retirement of aging thermal generation, and to address resource adequacy requirements identified

through Hydro's resource planning process. The evidence further establishes that continued reliance on the Holyrood Thermal Generating Station ("Holyrood TGS") is neither a prudent nor sustainable long-term alternative.

Hydro's Response

Background

The application filed on March 21, 2025 arose from Hydro's resource adequacy planning process and the conclusions reached through the Reliability and Resource Adequacy Study ("RRA Study") Review. Hydro's planning evidence concluded that new generation resources are required to maintain reliability and support future electricity demand on the Island Interconnected System. The Avalon CT forms part of the minimum investment required expansion plan identified through that process and is intended to provide reliable, dispatchable capacity as the system transitions away from dependence on aging thermal resources.

Settlement Agreement

The parties to the Reliability and RRA Study Review, Hydro, the Consumer Advocate, Newfoundland Power, and the IIC Group, entered into a Settlement Agreement in March 2025; the Settlement Agreement was filed as part of the 2025 Build Application. In that agreement, the parties advised the Board that they had resolved a number of issues arising from the RRA Study Review and the 2024 Resource Adequacy Plan and recommended that the Board accept those agreements in its evaluation of the 2025 Build Application. The Settlement Agreement addressed a number of foundational issues, including:

- that Hydro's load forecast methodology is consistent with utility industry standards;
- that the 2023 Load Forecast provides a reasonable range of provincial load growth;
- that Hydro's planning criteria were adequate for use in resource adequacy and reliability planning;
- that the scenarios included in the 2024 Resource Adequacy Plan demonstrated the need for new capacity on the Island Interconnected System;
- that the supply options identified and modelled by Hydro provided an appropriate basis upon which to proceed with applications for new capacity, including Bay d'Espoir Unit 8 and the Avalon Combustion Turbine;
- that Hydro had analyzed an appropriate range of scenarios and sensitivities in developing its recommendations; and
- that the recommendation to build a new 154 MW unit at Bay d'Espoir and a 150 MW combustion turbine on the Avalon Peninsula was an appropriate first step in addressing future capacity requirements and that applications for those projects should be evaluated.

The Settlement Agreement further provided that the parties did not intend to present evidence, cross-examine witnesses or advance argument in relation to the settled issues beyond what was reasonably necessary to explain the agreement and assist the Board's understanding.

Party Submissions

As noted above, the Board set a process for review of the Avalon CT specifically, with the review of the BDE Unit 8 Project to continue at a later date. After the RFI stage, the parties were provided the opportunity to file party comments. Submissions were received from the Consumer Advocate, Newfoundland Power, and the IIC Group. Hydro's responses to those submissions follow.

Consumer Advocate

Several themes advanced in the Consumer Advocate's submission raise issues that were addressed in the Settlement Agreement. The Consumer Advocate, in particular, questions aspects of the reliability planning framework, the adequacy of the underlying analysis supporting the need for capacity additions, and the assumptions that led Hydro to identify the Avalon CT as part of the preferred expansion path. While the Consumer Advocate's submission references the settlement agreement entered into within Hydro's Additional Early Execution Application, it is silent as to the Settlement Agreement entered into and filed with and for the 2025 Build Application.

Capacity Additions for the Island Interconnected System

The Consumer Advocate provides considerable discussion with respect to whether capacity additions are needed on the Island Interconnected System, an issue that was agreed to by all parties including the Consumer Advocate in the Settlement Agreement. The Consumer Advocate's submission considers the operation and reliability of the Holyrood TGS, Muskrat Falls, and the Labrador Island Link ("LIL"), as well as Hydro's planning criteria, and the scenarios analysed in Hydro's 2024 Resource Adequacy Plan, all areas that had been substantively captured in the Reliability and Resource Adequacy Study proceeding, and addressed in the Settlement Agreement.

The Consumer Advocate argues that Hydro has not quantified the probability of a prolonged LIL Shortfall Event and suggests that this weakens the rationale for major capital additions. Hydro disagrees. The purpose of reliability planning is not merely to consider the probability of an event but also its consequences. The LIL Shortfall Event represents a high-consequence event that has the potential to create substantial reliability impacts for customers. The Consumer Advocate notes that "Significant rolling blackouts as experienced during DarkNL would be even more impactful on our Province today as many businesses would not operate and many workers could not perform their jobs."¹ As Hydro has explained throughout the Resource Adequacy proceedings, one justification for resource additions is to mitigate the impact of rotating outages to the same level that was experienced during the 2014 outages. At this time, Hydro is not recommending mitigating the risk of shortfall beyond that measure due to the substantial cost that would be required. It is Hydro's opinion that planning for such events forms part of a prudent reliability framework. It is not intended to represent a forecast of actual outage frequency, nor does it imply that the LIL is generally unreliable. Bates White also noted that because the LIL is such a large and unique system component, a separate LIL Shortfall assessment is warranted and the LIL Shortfall Analysis remains "sensible and necessary."²

In any event, approval of the Avalon CT does not depend solely upon the LIL Shortfall Criterion. The need for additional capacity is demonstrated across Hydro's planning scenarios and reliability requirements. The parties agreed, as set out in the Settlement Agreement, that the planning analysis demonstrated a need for additional capacity.

The Consumer Advocate also characterizes the need for the Avalon CT as arising because of some failure of the Muskrat Falls project, or because the LIL did not perform exactly as expected. Instead, as Hydro noted in Schedule 1 to the 2025 Build Application, the requirement for additional on-Island capacity is driven by a variety of factors, including load growth, the retirement of aging assets, and reliability requirements, including the performance of the LIL.³

As part of the Reliability and Resource Adequacy Proceeding, Hydro examined a broad range of future conditions, including forecast load growth, generating unit retirements, and system reliability

¹ Consumer Advocate submission, p. 23.

² Please refer to Bates White response to CA-PUB-001(a) of this proceeding.

³ "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine", Newfoundland and Labrador Hydro, March 21, 2025, sch. 1, pp. 4–5.

requirements. Hydro's analysis demonstrated a need for significant additional capacity on the Island Interconnected System based on the combined impact of all inputs.

The Muskrat Falls Assets, including the LIL, provide substantial benefits to customers. Access to significant hydroelectric energy and capacity that support the Island Interconnected System has materially reduced reliance on thermal generation and reduced the associated fuel costs. Hydro's resource planning, including the Reliability and Resource Adequacy analysis, assumes continued contribution from Muskrat Falls and the LIL as core components of the system. At the same time, as with any major generation or transmission asset, prudent planning requires consideration of the consequences associated with loss of that asset and the resources necessary to maintain reliability in those circumstances.

The Consumer Advocate ultimately concludes that “. . . significant new capacity is required to offset thermal requirements and assist in meeting Hydro's target reserve margin.”⁴ This conclusion is consistent with Hydro's proposal, with the evidence filed within the application, and with the agreement of the parties entered into in 2025 and detailed in the Settlement Agreement.

Hydro submits that it would be inconsistent with both the Settlement Agreement and the efficient administration of this proceeding to revisit, in detail, the foundational conclusions that additional capacity is required. Hydro submits that Hydro's planning analysis demonstrates that need, and that the proposed Avalon CT project is appropriate. However, Hydro also notes that the Board's expert Bates White supports these same conclusions. Bates White's Phase II Addendum Report, dated June 5, 2026, confirms that Hydro's updated expansion planning analysis reinforces the economic and reliability justification for the Avalon CT⁵ and demonstrates the importance of the resource in facilitating the orderly retirement of aging thermal generation while maintaining system reliability.⁶

Cost Estimate

The Consumer Advocate expresses concern regarding the nearly \$1 billion cost of the Avalon CT and the resulting impacts on ratepayers. Hydro recognizes these concerns. However, the evidence demonstrates that the increase in the project budget is primarily the result of unprecedented market conditions affecting combustion turbine procurement worldwide. The Consumer Advocate acknowledges that the rapid growth in demand associated with AI, data centres, electrification and related infrastructure has significantly altered the market for combustion turbines and has resulted in substantial increases in pricing and procurement lead times.

Bates White similarly recognized that Hydro has now secured the largest and most significant project component through an executed contract and that updated project estimates reflect better information than was available at the time of filing the original application.⁷ While Bates White recommended continued oversight of project costs, it did not conclude that the Avalon CT should be deferred or rejected on cost grounds. Instead, Bates White's review continued to support proceeding with the Avalon CT project.

The Consumer Advocate expresses concern that ratepayers may ultimately be required to pay simultaneously for Muskrat Falls, the Holyrood TGS and the Avalon CT if the Holyrood TGS operation continues beyond 2030. Hydro submits that this concern reinforces rather than undermines the need for the Avalon CT. The Avalon CT is needed to facilitate the retirement of aging thermal generation while maintaining system reliability. The Consumer Advocate acknowledges the deteriorating reliability,

⁴ Consumer Advocate submission, p. 14.

⁵ “Expert Addendum Report of Vincent Musco and Collin Cain, Phase II,” Bates White Economic Consulting, LLC, June 5, 2026, p.10.

⁶ *Supra*, f.n. 5, p. 4.

⁷ *Supra*, f.n. 5, p. 8.

increasing operating costs and environmental constraints associated with the continued operation of Holyrood TGS.

The evidence before the Board demonstrates that capacity additions are required to permit retirement of the Holyrood TGS. The Avalon CT represents the first significant step toward achieving that objective. As noted by Bates White, bringing the Avalon CT into service as early as possible supports the orderly retirement of the Holyrood TGS and reduces long-term customer exposure to the costs and risks associated with continued reliance on that facility.

Other Issues

The Consumer Advocate points to certain unresolved issues, including the likelihood of delays in retiring the Holyrood TGS, and the reasonableness and probability of the LIL Shortfall Criterion, which have been addressed above. The Consumer Advocate also raises questions of the applicability of the Clean Energy Regulations to the Holyrood TGS, the status of Hydro's Request for Expressions of Interest for supply of energy and capacity, and Newfoundland Power's upcoming capital applications. Hydro's position is that the Clean Energy Regulations will preclude the operation of the Holyrood TGS after 2035; however, as noted throughout the filing and acknowledged by Bates White, the Holyrood TGS is an aging asset, with decreasing and unpredictable reliability, and is increasingly expensive to maintain. Retirement of that asset is necessary, and it has been and is Hydro's position that the Holyrood TGS should be retired earlier than 2035.⁸ The remaining issues are those that Hydro will continue to evaluate and include in its analysis through the Resource Adequacy process, but do not impact the justification or necessity of the Avalon CT. Bates White concluded that updated developments (including Newfoundland Power GT refurbishments, updated load forecast and higher wind ELCC⁹ values) do not eliminate the need for the Avalon CT.¹⁰

The issue before the Board is whether the Avalon CT represents an appropriate capacity addition within the timeframe required to maintain reliability and facilitate thermal retirement, which the evidence supports, and which the Consumer Advocate ultimately recommends.

IIC Group

The IIC Group supports the Avalon CT Project, recognizing that new generation is needed on the Avalon Peninsula to maintain system reliability and facilitate the retirement of the Holyrood TGS. They note that neither the Board's Reliability and Resource Adequacy Review nor the current application process has identified another alternative that could achieve these objectives in a timely manner. They also observe that their conclusion aligns with Bates White's findings.

The IIC Group does recommend that, if the project is approved, Hydro be required to provide regular updates to the Board and interested parties on a number of matters. Hydro has no objection to such reporting. In fact, Hydro proposed in the 2025 Build Application to implement a Major Projects quarterly report to the Board and Intervenors to provide an update on each project's scope, cost, schedule, risks, and any other relevant information that may arise throughout the time period. Hydro noted that these reports would incorporate any new insights, changes, or external factors that could impact project execution.¹¹

⁸ Please refer to CA-NLH-003 of this proceeding, p. 5/7.

⁹ Effective Load Carrying Capability ("ELCC").

¹⁰ Please refer to "Expert Addendum Report of Vincent Musco and Collin Cain," Bates White Economic Consulting, LLC, November 6, 2025, p. 33, and Bates White response to CA-PUB-003 of this proceeding.

¹¹ "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine", Newfoundland and Labrador Hydro, March 21, 2025, sch. 1, sec. 9.0, p. 54.

The IIC Group also requested that Hydro update the projected Commercial Operation Date for the Avalon CT, in this Reply. As of this filing, due to Hydro's ability to continue to progress the project through the approved early execution budgets, the Commercial Operation Date continues to be March 7, 2030.

Newfoundland Power

Newfoundland Power submits that the record demonstrates a clear and growing need for new generation capacity on the Island Interconnected System, driven by both forecast capacity requirements and reliability considerations. The submission emphasizes that the Avalon CT should be evaluated in the broader context of maintaining reliable service, facilitating the transition away from the aging Holyrood TGS, and addressing capacity deficiencies identified through Hydro's resource planning process.

Newfoundland Power notes that the Avalon CT is a direct outcome of the Board's ongoing Reliability and Resource Adequacy proceeding and highlights the Settlement Agreement among Newfoundland Power, the Consumer Advocate, and the IIC Group supported Hydro proceeding with an application for new capacity resources, specifically including the Avalon CT. Newfoundland Power submits that the findings from the RRA proceeding support Hydro's conclusion that new dispatchable generation resources are required on the Island Interconnected System in the near term.

With respect to system need, Newfoundland Power agrees that continued reliance on the Holyrood TGS presents increasing reliability and cost risks. Pointing to the Holyrood TGS's deteriorating performance, the increasing assumptions for forced outages, and Hydro's evidence regarding the substantial costs associated with extending Holyrood operations, Newfoundland Power further cites the January 2026 Bay d'Espoir frazil ice event as a demonstration of the system's vulnerability and the challenges associated with relying on aging thermal generation during major system contingencies.

Newfoundland Power also accepts that planning for prolonged LIL outages is an appropriate and necessary component of resource adequacy planning. The submission notes that LIL shortfall events represent a significant reliability concern and that the relatively isolated nature of the Island Interconnected System increases the importance of maintaining sufficient local dispatchable generation. In Newfoundland Power's view, Hydro's evidence demonstrates that the Avalon CT is required to reduce the impacts of prolonged LIL outages and strengthen system reliability under contingency conditions.

Newfoundland Power further submits that Hydro's reliance on a planning criterion that permits up to 100 MW of rotating customer outages during a prolonged system emergency illustrates the significant capacity challenges facing the Island Interconnected System. Hydro agrees that this observation reinforces the need for timely capacity additions. The Minimum Investment Required Expansion Plan is intended to provide the least-cost set of investments necessary to maintain reliable service while recognizing the practical realities of planning for extreme contingency events. Within that framework, the Avalon CT provides an important source of dispatchable capacity that reduces system risk and supports Hydro's ability to manage prolonged emergency conditions in a manner that minimizes customer impacts.

The submission notes that both Bates White and CAMS provide independent support for Hydro's conclusions. Newfoundland Power highlights that Bates White accepted consideration of extended LIL outages as a legitimate planning concern, found Hydro's response to fuel management issues to be adequate while recommending continued work on solutions, and that CAMS concluded the Avalon CT project is sound, consistent with the identified system need, and reasonably costed.

Ultimately, Newfoundland Power concludes that Hydro's planning studies, together with the independent reviews conducted by Bates White and CAMS, support the finding that new dispatchable capacity is required to maintain system reliability and address material risks facing the Island

Interconnected System. Newfoundland Power submits that approval of the Avalon CT represents a reasonable and prudent response to those reliability and capacity requirements and expressly supports approval of Hydro's Application for the Avalon CT.

Hydro agrees with Newfoundland Power's observation that the Avalon CT represents a necessary first step and that additional capacity beyond the Avalon CT and the Minimum Investment Required Expansion Plan will be required to fully address the reliability and capacity needs of the Island Interconnected System. Hydro will continue to identify and bring forward the required resources through the ongoing Resource Adequacy process.

With respect to the fuel supply matters raised by both the IIC Group and Newfoundland Power, Hydro acknowledges that the adequate fueling of the Avalon CT during extended operations, including under a prolonged LIL outage, is an important consideration. Hydro will continue to assess infrastructure and commercial alternatives to enhance fuel supply flexibility and, if additional infrastructure is required, will bring forward a separate capital application for the Board's review. Bates White reviewed this issue and found Hydro's response to the fuel management concerns to be adequate while recommending that Hydro continue to pursue solutions, an approach with which Hydro agrees.

Management Reserve

Management reserve is a contingency amount established to address risks and uncertainties that may arise during project execution and is intended to provide sufficient funding to manage those risks without jeopardizing schedule, scope, or project delivery.

For the Avalon CT Project, management reserve is defined as the difference between the project's P85 cost estimate and its P55 cost estimate. The P85 estimate reflects an 85% probability of completing the project within the authorized budget, whereas the P55 estimate reflects a 55% probability of completing the project within the authorized budget. Management reserve therefore represents the incremental funding required to increase confidence that the project can be delivered within the approved budget.

Hydro's requested management reserve reflects Hydro's commitment to provide the Board, parties, and the public with a transparent and risk-informed assessment of the likely cost outcomes for the Avalon CT Project. Hydro presented the results of the project's quantitative risk assessment, including both the P55 and P85 cost outcomes. The P85 estimate was selected as the requested authorized budget because it provides approximately an 85% probability of completing the project within the approved budget, whereas funding at the P55 level would provide only approximately a 55% probability of doing so.

The Avalon CT estimate was developed as an AACE Class 3 estimate and subjected to a quantitative risk assessment using Monte Carlo simulation. Importantly, the estimate remains an AACE Class 3 estimate and the probabilistic cost range has narrowed as project definition has matured and CT pricing has become more certain through execution of the procurement contract. Absent approval of the management reserve, the project would effectively be funded at approximately the P55 level, meaning there would be only a 55% probability of completing the project within the approved budget and therefore a corresponding 45% probability that Hydro may need to seek additional funding approvals. Such a circumstance would increase project execution risk and create the potential for delay to a project required to address identified reliability and capacity requirements on the Island Interconnected System.

The Consumer Advocate recommends that the Board disallow the Management Reserve entirely. Hydro submits that this recommendation fails to recognize the scale, complexity and market environment associated with the Avalon CT project.

Hydro also notes that the Consumer Advocate relies on the Board's decision in Board Order No. P.U. 12(2026) declining to approve a management reserve for the Bay d'Espoir Unit 7 Life Extension project. That project is distinguishable. The Board there recognized that a management reserve may be appropriate to address uncertainty and execution risk on large, complex projects. The Avalon CT is materially larger in scope and cost than the Unit 7 life extension and is being procured in an unprecedented global market for combustion turbines that has driven significant cost and schedule volatility. The strategic risks that the Management Reserve is intended to address are therefore materially greater than those presented by the Unit 7 project, and the outcome in that proceeding does not determine the appropriate treatment here.

The IIC Group submits that, if the Board approves Hydro's proposed Management Reserve, expenditures from that reserve should be subject to a post-completion prudence review, consistent with Bates White's recommendation, and should not establish a precedent for future Hydro projects.

Newfoundland Power does not make any specific submissions regarding Management Reserve.

While Bates White raised questions regarding certain aspects of the contingency and management reserve calculations, they did not conclude that a management reserve was unnecessary. They state that it is reasonable and appropriate for utilities to seek approval of large capital project budgets that capture significant strategic risks.¹²

The strongest concern expressed by Bates White relates to how management reserve funds are controlled and reviewed. Bates White's principal recommendation was that any use of the Management Reserve remain subject to subsequent prudence review to ensure that it is used only for strategic, unforeseen risks and not as a substitute for ordinary project management.

Bates White noted in its February 6, 2026 report, that:

Ideally, access to the Management Reserve funds would require Board review, but must be balanced against the goal of allowing project development to continue without delay when additional funds are required. Bates White further observed that, because the Management Reserve forms part of the Authorized Budget, no further Board approvals would be required to access those funds. This achieves a key objective of a Management Reserve, which is to allow the project development to continue without delays to obtain regulatory approval to overspend.¹³

Bates White cautioned that to protect against a management reserve being used incorrectly:

... the Board should require Hydro to formally notify the Board if it anticipates accessing the Management Reserve funds and again when those funds are accessed. The Board should be able to request supporting information from Hydro regarding the details of the need for and amount of Management Reserve funds accessed. The burden of prudence should remain with Hydro in all cases, and the Board should review Hydro's submissions for evidence that the strategic risks that those funds are meant to cover have materialized and driven the costs of the project higher. This would increase transparency in the process and accountability for Hydro and its contractors.¹⁴

¹² Bates White reply to NLH-PUB-003(d) of this proceeding.

¹³ "Expert Report of Vincent Musco and Collin Cain," Bates White Economic Consulting, LLC, February 3, 2026, p. 57.

¹⁴ *Supra* f.n. 13.

Hydro submits that its proposed Management Reserve oversight process, as described in response to RFI NLH-PUB-001, is consistent with those recommendations and provides an appropriate balance between project execution flexibility, Board oversight, transparency, and accountability.

Hydro proposed the following:

- Notice to the Board by Hydro when Hydro determines that use of the management reserve is likely to be required, along with a summary of the circumstances leading to the potential draw.
- Notice to the Board by Hydro when management reserve funds are actually accessed, along with supporting information that sets out the nature of the issue, the rationale for the draw, and the amount accessed.
- If the Board raises concerns or requires additional information during any notification, Hydro will provide a follow up report similar to the process used for the Allowance for Unforeseen Items. This enables the Board to assess prudence as issues arise rather than deferring review to the end of the project.

The notification to the Board and the Board's ability to request further documentation at that time allows the Board to review Hydro's submissions for evidence that the strategic risks that those funds are meant to cover have materialized and driven the costs of the project higher.

Bates White, in their response to NLH-PUB-001, noted that:

... the three bulleted changes to the Management Reserve process are likely to have positive benefits and to increase oversight, transparency, and accountability for use of Management Reserve funds. Still, a core concern carried by the Management Reserve fund is ensuring that any expended Management Reserve funds be subject to a prudence review at the end of the project to ensure that such funds were due to the types of "unknown unknowns" risks for which the Management Reserve was intended, and not as a general backstop for cost overruns.

Hydro submits that the Board's review of the requests as and if they happen, at the time, can be consistent with Bates Whites submissions above, and not necessarily wait until the end of the project for a prudence review. This allows for the use and benefit of the Management Reserve in the execution of the project, enables Board oversight on the use of the Management Reserve, but also avoids the challenges associated with assessing prudence solely through a retrospective review at the conclusion of the project. Given the duration and complexity of major capital projects, and the rapid changes in market conditions that have been experienced throughout the Avalon CT project, relying exclusively on a retrospective review may be influenced by information that was not available when project decisions were made. Contemporaneous review allows the Board to assess prudence in the context of the information reasonably available at the time.

Summary

Hydro respectfully submits that the evidence demonstrates that the Avalon CT is required to maintain reliable service on the Island Interconnected System, that continued reliance on Holyrood TGS is not a prudent long-term alternative, and that the proposed project forms a necessary component of Hydro's resource adequacy strategy. Hydro therefore requests that the Board approve the Avalon Combustion Turbine project as filed.

Mike McNiven
Board of Commissioners of Public Utilities

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Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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