

July 17, 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 Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine – Avalon Combustion Turbine – Comments of Newfoundland Power Inc. ("Newfoundland Power" or the "Company")

A. Introduction

On March 21, 2025, Hydro filed an Application seeking approval of capital expenditures associated with the purchase and installation of Bay d'Espoir Unit 8 ("Unit 8") and the Avalon Combustion Turbine ("Avalon CT") (the "Original Application"). The Original Application aligned with Hydro's proposed Minimum Investment Required Expansion Plan, developed through the Reliability and Resource Adequacy ("RRA") proceeding, and sought approval of generation resources intended to help address identified capacity requirements on the Island Interconnected System ("IIS").¹

On April 16, 2026, Hydro filed Revision 1 to the Original Application (the "Revised Application") and its Avalon CT Evidentiary Update (the "Evidentiary Update"), which included results of an updated expansion plan analysis, Labrador-Island Link ("LIL") shortfall analysis, and updated Basis of Estimate and cost impact analysis. Based on the updated expansion plan analysis and the LIL shortfall assessment, Hydro continues to recommend the Avalon CT project, together with the development of Unit 8, as the next capacity additions on the IIS.²

Newfoundland Power has reviewed the Original Application and Revised Application and the evidence filed in relation to the proceeding including the Evidentiary Update, responses to requests for information, and the reports prepared by Bates White Economic Consulting, LLC ("Bates White").

¹ Hydro's letter *Re: Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026*, June 30, 2026, pages 1-2.

² Hydro's letter *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 – Revision 1 and Evidentiary Update*, April 16, 2026, page 1.

On May 13, 2026, the Board set the review schedule in relation to the Avalon CT portion of the Revised Application. Newfoundland Power has considered the Avalon CT in the context of the evidence filed in this proceeding, the findings arising from Hydro's resource planning process, and the requirement to provide service to customers in the province at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.³ These are Newfoundland Power's comments.

B. The Revised Application and Evidentiary Update

Hydro's Original Application sought approval of capital expenditures of \$891 million, inclusive of management reserve, associated with the purchase and installation of the 150 MW Avalon CT as part of its proposed Minimum Investment Required Expansion Plan. Hydro's Revised Application primarily reflects an increase in the estimated cost of the Avalon CT project from \$891 million to \$995.9 million. Hydro attributes the increased costs to higher-than-anticipated equipment pricing resulting from global supply chain constraints, increased demand for combustion turbine equipment, and broader market conditions.⁴

Hydro's Evidentiary Update included updated expansion planning and reliability analyses incorporating revised cost assumptions and additional scenario testing, including LIL shortfall conditions.⁵ Hydro's analysis concludes that the Avalon CT continues to be a necessary and appropriate investment.⁶ Further, the updated evidence demonstrates that inclusion of the Avalon CT materially reduces both the magnitude and duration of system capacity shortfalls under contingency conditions, reinforcing the conclusions presented in the Original Application regarding the project's role in maintaining reliable service on the IIS.⁷

Newfoundland Power submits that the Avalon CT should be considered within the broader context of ensuring the continued reliability of the IIS while facilitating the necessary transition away from the Holyrood Thermal Generating Station ("Holyrood TGS") and addressing the capacity requirements identified through Hydro's resource planning studies.

C. Reliability and Resource Adequacy Proceeding

The Original Application and Revised Application arise directly from the work completed through the Board's ongoing Reliability and Resource Adequacy proceeding.⁸ Through that process, Hydro identified increasing capacity requirements on the IIS, the need to reduce reliance

³ *Electrical Power Control Act, 1994*, 3(b)(iii).

⁴ Hydro, *2025 Build Application – Avalon Combustion Turbine Evidentiary Update*, April 16, 2026, page i.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid, pages i to ii.

⁸ Hydro filed its first Reliability and Resource Adequacy Study in November 2018.

on aging thermal generation assets, and the importance of planning for outages associated with the LIL.

Following requests for information and multiple technical conferences conducted in 2024 as part of the RRA proceeding, Newfoundland Power, the Consumer Advocate, and the Island Industrial Customer Group signed a Settlement Agreement addressing certain issues arising from the review of the 2024 Resource Adequacy Plan. As part of this Settlement Agreement, the parties agreed that Hydro should proceed with filing an application for new capacity resources, specifically including the Avalon Combustion Turbine, to meet identified system reliability and resource adequacy requirements.⁹

The RRA proceeding has therefore established the basis for Hydro's proposed expansion plan and provides important context within which the Avalon CT project should be evaluated. The Avalon CT represents an important source of the new generation capacity required on the IIS to address the cost and reliability issues associated with continued reliance the Holyrood TGS as a source of backup. Newfoundland Power submits that the findings arising from that proceeding support Hydro's conclusion that new dispatchable generation resources are required on the IIS in the near term.

D. Capacity Requirements on the IIS

The RRA proceeding and the record associated with Hydro's Original Application and Revised Application demonstrate a clear requirement for new generating capacity on the IIS. Through the 2024 Resource Adequacy Plan, Hydro concluded that urgent investment in new electrical supply is required under all modelled scenarios to maintain reliable service to customers. Hydro's analysis indicates that approximately 525 MW of new capacity will be required by 2034 under the Reference Case and that even the Minimum Investment Required Expansion Plan requires substantial capacity additions.¹⁰ Hydro further confirmed that, under the expected or Reference Case scenario, both Unit 8 and the Avalon CT are required by 2031 regardless of whether a LIL shortfall event occurs.¹¹

Holyrood TGS

The evidence demonstrates that continued reliance on the 490 MW Holyrood TGS presents increasing reliability and cost risks. The Holyrood TGS generating units entered service between 1971 and 1979 and Hydro's evidence indicates that one unit has been unavailable for all or a substantial portion of each of the last three winter seasons.¹² Hydro has also increased its planning assumptions for Holyrood TGS forced outages over time to reflect deteriorating

⁹ The Settlement Agreement was included as Schedule 2 of Hydro's Original Application.

¹⁰ Hydro's letter *Re: Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026*, June 30, 2026, page 2.

¹¹ CA-NLH-007, response to part (c), pages 4-5.

¹² CA-NLH-007, response to part (a), page 1; CA-NLH-003, response to part (b), page 3.

reliability performance.¹³ In addition, Hydro estimates that extending Holyrood TGS operations beyond 2030 would result in annual fuel, operating, and capital expenditures in excess of \$100 million per year.¹⁴

The need for new capacity on the IIS to address the poor reliability of the Holyrood TGS was recently demonstrated during the January 21-26, 2026 event when Hydro's 613 MW Bay d'Espoir hydroelectric facility experienced an unexpected forced outage due to frazil ice accumulation.¹⁵ The event resulted in the need to utilize all available generation on the island, maximize imports to the extent possible from the LIL and Maritime Link, engage customer curtailment activities, and initiate requests for customers to conserve electricity during a severe cold weather period to avoid rotating power outages.¹⁶ Hydro described the reliability of the Holyrood TGS during the event as erratic due to the age, condition, and inherent limitations of the facility.¹⁷ During the event, Holyrood TGS Unit 3 was unavailable due to planned maintenance and overhaul work that was extended due to additional work found. In addition, Holyrood TGS Unit 1 and Unit 2 were either derated or out of service at times during the January 21-26 period due to unexpected issues that arose.¹⁸ The events experienced over this period highlight the severe capacity challenges that would occur during a LIL shortfall scenario without adequate backup capacity.¹⁹

Newfoundland Power submits that the continuing deterioration in reliability performance, combined with the significant costs associated with extending operations, supports Hydro's objective of reducing reliance on the Holyrood TGS through the addition of new generating resources. In Newfoundland Power's view, continuing to depend on the Holyrood TGS for any longer than necessary is inconsistent with the provincial power policy which requires power to be delivered to consumers in the province at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.²⁰

LIL Shortfall

Hydro's responses to CA-NLH-007 and CA-NLH-008 confirm that mitigation of LIL shortfall scenarios is an important component of its resource planning framework. Hydro states that the LIL Shortfall Assessment has formed part of its planning criteria since the 2018 Reliability and Resource Adequacy Study and confirms that the Avalon CT is required within the Minimum

¹³ CA-NLH-003, response to part (b), pages 2-3.

¹⁴ CA-NLH-003, response to part (c), pages 5-6.

¹⁵ Hydro, *Frazil Ice at Bay d'Espoir Hydroelectric Generating Station*, April 30, 2026.

¹⁶ Ibid.

¹⁷ CA-NLH-003, page 6.

¹⁸ Hydro, *Frazil Ice at Bay d'Espoir Hydroelectric Generating Station*, April 30, 2026, pages 14-15.

¹⁹ During the January 21-26, 2026, period the LIL carried as much as 785 MW from Muskrat Falls (measured at Muskrat Falls). See Hydro, *Frazil Ice at Bay d'Espoir Hydroelectric Generating Station*, April 30, 2026, page 20. A LIL outage, as opposed to a Bay d'Espoir outage, during the severe cold period would have likely resulted in rotating power outages to maintain service to customers to the extent possible.

²⁰ *Electrical Power Control Act, 1994*, 3(b)(iii).

Investment Required Expansion Plan to reduce the impact of a prolonged LIL outage.²¹ Hydro further notes that studies completed since 2018 indicate that the likelihood of an extended outage is greater than originally understood and that planning to mitigate the consequences of such an event is essential.²² Newfoundland Power submits that the evidence demonstrates that LIL shortfall events represent a significant reliability concern that requires reliable sources of backup generation.

The January 2-8, 2014, IIS system emergency remains an important reference point when evaluating present reliability risks.²³ In response to system emergencies, Hydro's planning criteria and Minimum Investment Required Expansion Plan allow for 100 MW of rotating power outages for customers, similar to what was experienced in 2014.²⁴ The consequences of the 2014 event, which occurred over a 1-week period, were significant for customers and demonstrated the operational, economic, and social impacts that can arise when available supply is insufficient to meet customer demand.²⁵ Newfoundland Power submits that Hydro's reliance on a planning criterion that currently permits up to 100 MW of customer load rotation during a prolonged system emergency, such as a LIL shortfall event that could extend for six weeks or more, further illustrates the significant capacity requirements facing the IIS.²⁶ In Newfoundland Power's view, this supports the need for additional capacity beyond that provided by the proposed Avalon CT and the resources identified in Hydro's Minimum Investment Required Expansion Plan.²⁷

Transmission Interconnections

A distinguishing characteristic of the IIS is that it is not strongly interconnected with neighboring electrical systems. While the Island is connected to Labrador through the LIL and to Nova Scotia through the Maritime Link, Hydro notes that the IIS remains operationally distinct from larger North American systems that are supported by multiple high-capacity interconnections.²⁸ As a result, the IIS must maintain sufficient local generation, operating reserves, transmission capability, voltage support, and remedial measures to withstand major electrical system events. Hydro and Bates White both recognize that planning for extended LIL outages is a necessary consideration in these circumstances.²⁹ Newfoundland Power submits that the relatively isolated

²¹ CA-NLH-007, response to parts (a) and (c), pages 4-5.

²² CA-NLH-008, response to parts (a) and (c), pages 1-3.

²³ During the January 2-8, 2014, period, Newfoundland Power initiated rotating power outages due to severe weather and capacity related issues including the unavailability of capacity at the Holyrood TGS.

²⁴ CA-NLH-007, response to part (c), page 4.

²⁵ During the 1-week period of January 2-8, 2014, Newfoundland Power was required to rotate power to customers on five occasions. This relatively short 1-week period resulted in the closure of schools, post-secondary institutions, and many public facilities and businesses.

²⁶ CA-NLH-008, response to part (a), pages 1-2.

²⁷ On page 7 of its June 30, 2026, letter *Re: Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026*, Hydro states it will be submitting its next Resource Adequacy Plan in 2027 which will allow for further review of Hydro's planning criteria and generation expansion plans.

²⁸ CA-NLH-008, response to part (d), page 3.

²⁹ Ibid, CA-NLH-007, response to part (c), page 5.

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nature of the IIS increases the importance of maintaining adequate local dispatchable generation capability, including resources such as the Avalon CT.

E. Bates White Review

The Board's review of the Original Application and Revised Application has been supported by the work completed by Bates White. Through its various reports, Bates White examined Hydro's assessment of system need, planning assumptions, reliability studies, project economics, alternatives analysis, and schedule considerations. This review provided an independent assessment of the evidence supporting Hydro's proposed expansion plan.

Of particular relevance to system reliability, Bates White accepted Hydro's consideration of extended LIL outages as a legitimate planning concern. Hydro notes that Bates White concluded that the LIL Shortfall Analysis is a necessary component of reliability planning given the elevated consequences associated with a prolonged winter outage of the LIL.³⁰ Hydro recognizes that the impact of a LIL bipole outage during the winter period, regardless of duration, would be significant.³¹

Hydro acknowledges challenges to adequate fueling of the Avalon CT during extended operations and describes several ongoing efforts to identify solutions.³² Hydro has indicated that it will continue to assess infrastructure and commercial alternatives to enhance fuel-supply flexibility during prolonged emergency operations and may bring forward a separate capital application if additional infrastructure is demonstrated to be required.³³ Bates White states that Hydro's response to fuel management concerns was adequate and recommended Hydro to continue to pursue efforts to resolve these concerns.³⁴

The Consolidated Asset Management Services ("CAMS") review, considered within the Bates White evidence, states that Hydro's Avalon CT project is sound and that it is consistent with the stated system need. CAMS further states that the costs in the application appear reasonable.³⁵

Newfoundland Power submits that the independent review undertaken by Bates White and CAMS provides additional support for Hydro's conclusion that new capacity resources are required, and that mitigation of significant reliability risks should form part of resource planning decisions.

³⁰ CA-NLH-007, response to part (c), page 5.

³¹ Ibid

³² Expert Addendum Report of Vincent Musco and Collin Cain, June 5, 2026, page 16.

³³ PUB-NLH-012.

³⁴ Bates White, *Expert Addendum Report of Vincent Musco and Collin Cain*, June 5, 2026, page 10.

³⁵ Expert Addendum Report of Vincent Musco and Collin Cain, June 5, 2026, page 5.

F. Newfoundland Power's Submission

The evidence filed in this proceeding demonstrates that new generation capacity will be required on the IIS to maintain reliable service to customers and that the need for new resources is driven by both forecast system requirements and reliability considerations. The evidence also demonstrates that continued reliance on Holyrood TGS exposes customers to increasing reliability risks and significant operating costs, while the operational experience of recent years has highlighted the importance of maintaining adequate dispatchable generation resources on the system.

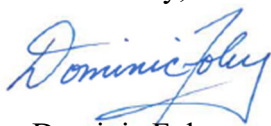
The record further demonstrates that prolonged LIL outages remain a material reliability risk and that the relatively isolated nature of the IIS requires the continued availability of local generation resources capable of responding to major electrical system events. Hydro's planning studies, together with the independent review conducted by Bates White, provide support for the conclusion that new dispatchable capacity is required to address those risks and maintain system reliability.

Based on the evidence filed throughout this proceeding, Newfoundland Power submits that approval of the Avalon CT represents a reasonable and prudent response to the reliability and capacity requirements identified through Hydro's resource planning process. Accordingly, Newfoundland Power supports approval of Hydro's Revised Application for the Avalon Combustion Turbine.

G. Concluding

We trust this is in order. If you have any questions regarding these comments, please contact the undersigned.

Yours truly,



Dominic Foley
Legal Counsel

Enclosures

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