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**Newfoundland and Labrador Hydro**

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Dear Madam/Sirs:

**Re: Newfoundland and Labrador Hydro - 2025 Capital Budget Supplemental Application - Application for Capital Expenditures for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine - To Parties – Request to Hydro to Provide Additional Information**

The Board has reviewed Newfoundland and Labrador Hydro’s application for approval to proceed with the construction of Bay d’Espoir (“BDE”) Unit 8 with associated capital expenditures of \$1.08 billion and a new combustion turbine on the Avalon peninsula (“Avalon CT”) with associated expenditures of \$0.891 billion (the “Application”), and has determined that Hydro should provide additional information at this time. This information will assist the Board and the parties in assessing the proposals in the Application and will form the basis for further inquiries by the Board and the parties as the Application proceeds through the review process. It is expected that the provision of this information at this time will streamline the process.

As a part of its review of the Application, the Board engaged Bates White Economic Consulting, LLC (“Bates White”). Bates White has reviewed the Application and has completed a report (“Bates White Report”) which was circulated to the parties on June 27, 2025. The Board requests that Hydro provide the following additional information which reflects both the recommendations set out in the Bates White Report and the additional information and clarifications identified by the Board.

1. The Bates White Report identified a possible inconsistency in the modeling of the fuel burn-off issue with respect to the expansion plan scenario data provided by Hydro.<sup>1</sup>

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<sup>1</sup> Paragraph (103), pages 50-51.

- Hydro should address and reconcile the potential modeling inconsistency regarding the resource selection identified by Hydro under Scenario 4AEFC.
2.
    - a) Provide three additional capacity expansion model runs for Scenarios 4AEF, 4AEFC, and 4AEFDH. In each run, Hydro should:
      - i) relax the combustion turbine (“CT”) constraints and battery energy storage systems (“BESS”) prohibition. If there are any methodological differences in updating capital cost assumptions across technologies (for example the methodology for updating BESS capital costs compared to incremental CT capital cost) these differences should be reconciled in the analysis.
      - ii) relax the constraints around the Avalon CT, including both the 150 MW limit and the 150 MW “blocks” modeled, to allow for smaller, 50 MW blocks, and additions beyond the 150 MW limit.
      - iii) include BESS resources of 4-hour and 8-hour duration, assuming ELCCs of 60%, using updated capital cost estimates for BESS resources.
    - b) Should either of these capacity expansion model runs result in CT capacity additions above 150 MW, provide additional information as to the fuel supply issue, including a discussion of the marine terminal option.
  3. Provide three additional LIL Shortfall Analysis runs to address BESS resources, potential hydrological resource constraints at Bay d’Espoir and the life extension of Hydro’s thermal generation.
    - a) One LIL Shortfall Analysis run should be conducted using BESS resources that are selected as part of expansion plans identified in the additional capacity expansion model run associated with Scenario 4AEF, identified in (2)(a) above. If no BESS resources are selected in that model run, this additional LIL Shortfall Analysis run would be unnecessary.
    - b) One LIL Shortfall Analysis run should be conducted that limits the output of Bay d’Espoir to match potential hydrological resource constraints identified in the Bates White Report.<sup>2</sup> Alternatively, Hydro could provide additional evidence that Bay d’Espoir will be able to produce at the collective output levels assumed in the LIL Shortfall Analysis runs included in the Application, and that those volumes can be deliverable to the Avalon Peninsula in all hours.
    - c) One LIL Shortfall Analysis run should be conducted that assumes Holyrood Thermal Generating Station, Stephenville Gas Turbine, and Hardwoods Gas Turbine are not retired, the Avalon CT is in service, and BDE Unit 8 is not in service.
  4. Provide an additional capacity expansion model run and LIL Shortfall Analysis which incorporates Newfoundland Power’s plans to extend the lives of its gas turbines in 2028 and 2029.<sup>3</sup>
  5. Bates White filed an expert assessment of the 2024 Resource Adequacy Plan with the Board on August 30, 2024, providing over sixty action items for Hydro to consider before moving forward in the resource planning process. In the Bates White Report, they reiterate their recommendation for Hydro to consider employing competitive

<sup>2</sup> Section III.H. LIL Shortfall Analysis, page 63.

<sup>3</sup> Newfoundland Power’s 2026 Capital Budget Application, 2026-2030 Capital Plan, pages 12 and 19.

- solicitation for its energy and capacity needs. Please detail Hydro's response to this recommendation.
6. The Bates White Report identified an inconsistency in the calculation of management reserve.<sup>4</sup> Please confirm the inconsistency in the calculation of management reserve identified in the Bates White Report and recalculate that Net Present Values calculations of the capacity expansion modeling runs accounting for the corrected management reserves.
  7. The Bates White Report identified discrepancies between the load forecast figures presented in the Application and numerical data presented in the 2023 and 2024 Load Forecast reports.<sup>5</sup> Please address the load forecast discrepancy.
  8. Hydro has filed an application for Life Extension of BDE Unit 7. If the decision to construct BDE Unit 8 were to be delayed beyond what has been proposed in the Application, would Hydro see merit in including a capacity increase to BDE Unit 7 as studied in the 2024 Resource Adequacy Plan?<sup>6</sup> As part of the response, please provide the information that led Hydro to not include the uprate of BDE Unit 7 as referenced by Hatch in its 2024 Uprate Report.
  9. In the Application, Hydro is using a composite depreciable life of 35 years for the Avalon CT and 60 years for BDE Unit 8. What was the rationale for selecting these depreciable lives? In the response, include a discussion on how these depreciable lives align with those used in Hydro's most recent depreciation study, and the assumed 50-year design life in Hydro's Basis of Design report, dated March 25, 2025.<sup>7</sup> Explain the justification for variances.
  10. In the Application, Hydro has stated that the impact to customer rates associated with the Avalon CT and BDE Unit 8 projects will not be fully known in advance of 2030. Please provide a *pro-forma* incremental customer rate impact analysis over the 2030 to 2040 period for each project, on a per kWh and percentage basis assuming the proposed capital expenditures are approved in full and the current rate mitigation plan continues beyond 2030 but the BDE Unit 8 and Avalon CT project costs are not rate mitigated.
  11. As part of the Reliability and Resource Adequacy Settled Issues dated March 11, 2025, Schedule A to the Settled Issues List has identified the following studies that would be filed with the Board throughout 2025 as part of the continuous planning associated with current and future reliability and resource adequacy of the Island Interconnected System:<sup>8</sup>
    - The Final Lower Churchill Project Operational Study - Q2, 2025
    - Evaluation of BESS for Frequency Support - Q4, 2025
    - Evaluation of a Remedial Action Scheme for the Avalon 230 kV Corridor - Q4, 2025
    - Transmission Expansion Feasibility Study - Q4, 2025

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<sup>4</sup> Paragraphs (95) through (97) and Table 8, pages 46-48.

<sup>5</sup> Paragraphs (31) through (34) and Figure 2, pages 21-23.

<sup>6</sup> 2024 Resource Adequacy Plan, Appendix C, Attachment 2.

<sup>7</sup> Additional Information filed by Hydro, June 13, 2025, Attachment 3.

<sup>8</sup> Application, Schedule 2, Attachment 1.

- Marine Terminal Station FEED - Q3, 2025
- CDM Potential Study - Q2, 2025
- ELCC Study - Q4, 2025
- 2025 Load Forecast Update - Q4, 2025

Provide an update on the status of these studies, including an update as to the month that each report is anticipated to be filed.

12. Based on the timing of the Transmission Expansion Feasibility Study, currently not expected until Q4, 2025, please address the considerations associated with (i) a possible separation of the process for the review of the two projects and (ii) an earlier review of the proposed Avalon CT.
13. Hydro has indicated that deviations from the anticipated application schedule will increase costs and extend the in-service date and that approval of both projects is required by Q4, 2025. Please address the impact for each of the projects if approval is not received by year end, including whether an application for additional early execution work would be anticipated.
14. In the Application Hydro notes plans for consultation with interested groups including Miawpukek First Nation.<sup>9</sup> Has Miawpukek First Nation or any other indigenous community asserted that Hydro has a constitutional obligation to consult and accommodate its interests in relation to the BDE Unit 8 Project or the Avalon CT projects? If so, please identify the indigenous community and provide details of the scope of work and timelines needed to discharge any such duty.

Upon receipt of the additional information from Hydro, the Board will set a schedule for further process which will include an opportunity for the Board and the parties to file requests for information and may include a technical conference or a series of technical conferences and further reports from Bates White.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacquie Glynn, by email, [jglynn@pub.nl.ca](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Sincerely,



Jo-Anne Galarneau  
Executive Director and Board Secretary

JAG/cj

ecc

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<sup>9</sup> Application, Schedule 4 Appendix C and Schedule 5, Appendix D.