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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Newfoundland and Labrador Hydro's – 2021 Capital Budget Supplemental Application Approval of the Construction of Hydro's Long-Term Supply Plan for Southern Labrador – Additional Update

On March 31, 2025, Newfoundland and Labrador Hydro ("Hydro") received Board of Commissioners of Public Utilities ("Board") Order No. P.U. 12(2025) denying Hydro's application for the long-term supply plan for Southern Labrador. The Board directed Hydro to review its plan for the provision of service to Charlottetown and Pinsent's Arm and develop a new long-term plan for Southern Labrador.

In correspondence to the Board on June 25, 2025, Hydro provided an update regarding the work underway to ensure that Charlottetown, Pinsent's Arm, and the other communities in the region receive safe, reliable service now and long-term. On July 8, 2025, the Board requested further details on specific aspects of Hydro's work. The Board's correspondence referenced a portion of Board Order No. P.U. 12(2025), repeating the Board's concerns regarding the provision of reliable service to Charlottetown and Pinsent's Arm. Hydro shares those concerns.

Hydro maintains that the extensive and detailed record developed over several years supports the originally proposed Regional Interconnection and has asked the Board to reconsider its Order on the original application. Hydro's position is that the Board's decision includes findings of fact that do not take into account important filed evidence and that materially impacted the outcome of the application for the long-term supply plan for Southern Labrador. Hydro firmly believes that the medium and long-term reliability of service for Southern Labrador is critical and that a reconsideration of the Order, resulting in the approval of the original proposal, offers the most expedient path to delivering least-cost reliable long-term service improvements to customers in Southern Labrador.

Hydro asserts that a more timely and effective resolution based on the existing evidentiary record is in the best interest of customers, as it limits continued cost increases and schedule delays for customers currently serviced by temporary mobile diesel generation.

Hydro is also pursuing an appeal of the Board's decision before the Court of Appeal on a number of grounds.

The provision of reliable service to Charlottetown and Pinsent's Arm and all of Hydro's customers is of the utmost importance to Hydro, in the near-term as well as the medium and long-term.

Hydro's analysis and conclusions regarding the long-term supply options for southern Labrador communities identified all viable alternatives for service in the region. The analysis described in Hydro's June 25, 2025 correspondence, and in further detail below, will build on the previous substantial analysis filed by Hydro. While

Hydro believes that the results of the analysis will continue to recommend the Regional Interconnection, Hydro will provide the results of its analysis to the Board once complete.

The additional detail regarding Hydro's ongoing analysis, as requested by the Board, is set out below.

- i. **An update on reliability in Charlottetown and Pinsent's Arm over the period January 1, 2023 to April 30, 2025, as compared to historic reliability and as compared to other communities on Hydro's isolated diesel systems.**

For the dates requested, the reliability performance for Charlottetown and Pinsent's Arm and other similar isolated communities on the basis of both SAIDI¹ and SAIFI² is provided in Table 1.

Table 1: Comparison of SAIDI and SAIFI – Historical and January 1, 2023 to April 30, 2025

Particulars	Period	SAIDI	SAIFI
Charlottetown and Pinsent's Arm	January 1, 2023 – April 30, 2025	3.53	4.01
Charlottetown and Pinsent's Arm (Historical)	2017–2022	5.46	4.17
Other Isolated Systems ³	January 1, 2023 – April 30, 2025	3.31	3.15

As detailed in correspondence to the Board in August 2023, Hydro has completed all work that can reasonably be undertaken to reinforce the mobile generating units that have been acting as the interim solution for electrical service in Charlottetown since 2019.⁴ Since this time, Hydro has and will continue with any necessary inspections and regular maintenance, including winterization of the units in advance of any winter season for which they are providing service.

The Charlottetown temporary mobile generation is functioning reliably at present; however, a long-term supply solution is required to address the concerns associated with long-term use of mobile generation in Charlottetown. Hydro does not use the reliability performance of these units as evidence of future reliability; the communities' future reliability is contingent on Hydro's ability to source and maintain an adequate supply of mobile generating units. Hydro has previously experienced difficulty in sourcing replacement units and expects that it will become more difficult to maintain the level of redundancy required as units reach their end of life due to ongoing challenges in procuring suitable mobile generation. This would place the provision of safe, reliable service at significant risk and further demonstrates the need to prioritize resolution and construction of the long-term solution through the most expeditious process available. As Tier 2 emissions-compliant mobiles are no longer being manufactured, Hydro must find used mobiles which are in high demand.

¹ System Average Interruption Duration Index ("SAIDI") measures the length of time that customers experience outages.

² System Average Interruption Frequency Index ("SAIFI") measures how often customers experience outages.

³ Median values for the same time period of the following communities of: Black Tickle, Cartwright, Charlottetown, Hopedale, Makkovik, Mary's Harbour, Nain, Port Hope Simpson, Ramea, Rigolet, St. Brendan's, and St. Lewis.

⁴ "Long-Term Supply for Southern Labrador – Service to Charlottetown – Additional Information," Newfoundland and Labrador Hydro, August 18, 2023.

ii. Information with respect to specific issues and incidents over the same period with respect to the mobile generating units including any issues or concerns with the units or reliability.

A summary of issues and incidents in Charlottetown and Pinsent's Arm related to the mobile generating units, for the period January 1, 2023 to April 30, 2025, is presented in Table 2.

Hydro is ensuring that multiple redundant units (i.e., backups to backups) are available to minimize the risk of customer impact of outages. As such, there is sufficient excess capacity on site in Charlottetown to meet peak community load forecasts even if multiple units are unavailable. As noted above, due to the difficulty in sourcing available replacement units, this interim operating approach is only temporarily sufficient; reliability risk remains each year a long-term solution is not in service.

Hydro will continue to monitor the use of the mobile generating units. The existing supply configuration was implemented as an interim solution; therefore, any future work required onsite related to maintenance or winterization will be dictated by failures of existing equipment or improvement opportunities when they arise, provided that a sustainable supply of temporary units is available.

Table 2: Mobile Generating Unit Issues and Incidents – January 1, 2023 to April 30, 2025

Unit	Engine	Year of Failure	Comment(s)	Status	Town Outage	Date	Approx. Customer Outage Duration (Minutes)	Customers Impacted
CHT 820	XQ800	2023	Intermittent Breaker Failure	Rental Unit, Sent Back	Yes	April 11, 2023 to May 10, 2023 (Intermittent)	152 (Total)	230
CHT 821	XQ1000	2023	Generator Failure	Rental Unit, Sent Back	Yes	February 3, 2023	40	230
CHT 2088	C32 Mobile	2023	Engine Fire ⁵	Repaired	Yes	February 1, 2023	30	230
CHT 2102	C32 Mobile	2023	Engine Damage	Repaired	No	N/A	N/A	N/A
CHT 2108	C32 Mobile	2023	Radiator Fan Failed	Repaired	No	N/A	N/A	N/A
CHT 2090	C27 Mobile	2023	Generator Failure	Repaired	No	N/A	N/A	N/A
CHT 2102	C32 Mobile	2024	Opened Breaker, No Fault Found	Restored, No Fault Found	Yes	January 1, 2024	4	229
CHT 2102	C32 Mobile	2024	Database Issue, No Data	Database Issue, No Data	Yes	June 12, 2024	35	228
CHT 2102	C32 Mobile	2024	Broken Coolant Elbow	Repaired	Yes	July 8, 2024	6	228

⁵ Hydro experienced an additional genset fire on July 2, 2022, that resulted in the loss of that unit. This incident is outside of the reporting period requested by the Board.

iii. The timeline for the completion of Hydro's review with respect to Southern Labrador, including condition assessments, renewable solutions and interconnection to the Labrador Interconnected System.

Additional Analysis

As indicated within its request for reconsideration, Hydro believes that the necessary information and support had been provided in the previous application for the long-term supply of Southern Labrador; that analysis had supported the proposed project. To comply with the Board's direction to develop a new long-term solution for Labrador South, Hydro is completing the additional analysis as directed by the Board's Order No. P.U. 12(2025). This analysis includes condition assessments of the existing plants and continuing to identify opportunities for the integration of renewable generation. Hydro is also completing a reliability assessment of an interconnection to the Labrador Interconnected System, as well as updated cost estimates for the transmission line connecting the region to the Labrador Interconnected System.

On July 21, 2025, Hydro issued a request for professional services to existing engineering master standing offer partners for the completion of multiple diesel plant alternative estimates and the condition assessments of the plants in the Southern Labrador region. The deadline for proposals to be submitted is August 20, 2025. Hydro estimates that the procurement process, award of contract, and completion of estimates and assessments by the contractor will be complete in the first quarter of 2026. Hydro believes that these assessments will validate the assumptions used by Hydro, the analysis completed by Midgard Consulting Inc. ("Midgard") Consultants, and the outcomes included in the evidence filed in the previous application, confirming that Hydro's original proposal remains the least cost solution for Southern Labrador.

The additional analysis required by the Board regarding the interconnection to the Labrador Interconnected System is currently underway and is also anticipated to be completed in the first quarter of 2026. Hydro anticipates that the cost estimate for the interconnection will reconfirm the conclusion in Hydro's previous application that the interconnection is not the least-cost solution.

Once the analyses outlined above are complete, there will be a subsequent re-examination and comparison of all the alternatives identified in the original application. Hydro will engage Midgard to refresh its Integrated Resource Plan ("IRP"). This is anticipated to take approximately 9–12 months from the time the condition assessment and interconnection analysis work is completed in the first quarter of 2026. Therefore, the results of the analysis requested by the Board are not likely to be available until 2027. Throughout this process, Hydro will continue to meet, inform, and consult with local communities and the NunatuKavut Community Council ("NCC").

Hydro is continuously reviewing the required work and associated timelines and intends to expedite tasks wherever possible while balancing the time required for robust analysis and appropriate levels of community consultation.

Renewable Generation

Concurrently, as outlined in Hydro's original application, Hydro is continuing its work to advance renewable generation in Labrador South. Through an agreement between Hydro and the NCC,⁶ Hydro has agreed to work with NCC and Nunacor on renewable energy initiatives led by those organizations. This includes:

- The sharing of system information necessary to advance technical and economic modelling of potential renewable energy projects; and
- The establishment of a master renewable energy agreement, with Nunacor having the responsibility for the development, financing, construction, ownership and operation of Nunacor renewable energy projects that could include partnerships with third parties or Hydro.

Hydro intends to provide the details of its plan for renewable energy to the Board when further details are available; however, ultimately, any renewable generation will serve to complement the firm energy solution identified by Hydro and reduce the utilization of diesel generation in the isolated communities, consistent with Hydro's strategic plan.

iv. The anticipated date for the filing of an application for approval of a long-term plan for Southern Labrador, including the anticipated timing for the implementation of the changes that will be proposed.

Hydro continues to believe that the reconsideration of its application is the most appropriate and expedient approach to securing the long-term supply for Southern Labrador. Should Hydro's request for reconsideration be denied, Hydro anticipates filing the resulting application in 2027.

Hydro is unable to provide a specific date for the filing of an application to the Board, should it be deemed necessary. As noted above, Hydro is undertaking substantive work to meet the directions in Board Order No. P.U. 12(2025).

Hydro is unable to reliably estimate the anticipated timing for the implementation of the outcome, including any proposed changes should they be required, in advance of concluding the work described above. Once that has been completed, Hydro will provide the proposed timelines for completion of the proposed project. Those timelines would be dependent on the Board's schedule for the review of the application and the timeframe associated with receiving approval.

v. A report addressing available alternatives to permit an earlier long-term solution for Charlottetown and Pinsent's Arm, as suggested in the Board's order.

Hydro's review of long-term supply options for Labrador South has been ongoing for some time. Hydro's review resulted in a comprehensive determination of service alternatives for the region, along with the information demonstrating why only one of those options met Hydro's mandate for least-cost, safe, reliable, environmentally responsible service.

⁶ As referenced in "Newfoundland and Labrador Hydro and Nalcor Energy Transparency and Accountability 2024 Annual Performance Report," Newfoundland and Labrador Hydro, June 2025, Hydro entered into a Relationship Framework Agreement with NCC with a sharper focus on renewable projects to be developed by NCC or its subsidiary, Nunacor.
<<https://www.assembly.nl.ca/business/electronicdocuments/NLHydroAnnualReport2024.pdf>>.

The Board's July 8, 2025 correspondence provided, as context for question (v) above, a reference to page 27 of its Order. The Board's comments on that page of the Order were that the latest proposal that Hydro had filed, which was in December 2024, indicated that the long-term solution for Charlottetown and Pinsent's Arm would not be complete prior to the end of 2029. The Board's July 8, 2025 request is for a report identifying alternatives that would permit a long-term solution earlier than 2029.

Hydro's anticipated schedule, as provided in December 2024, was based on receiving approval of the proposed least cost regional interconnection and beginning construction in early 2025. That timeframe is no longer accurate or feasible. Even if Hydro were to receive approval to proceed with the originally proposed application now, the in-service date of 2029 could not be met.

To advance a project, other than the one previously proposed, for any long-term solution for firm capacity for supply to the communities of Charlottetown and Pinsent's Arm, a comprehensive feasibility study, front-end engineering, alternative analysis, and development of a capital budget application with its subsequent regulatory process would be required before receiving approval from the Board. The identification of the solution to propose for regulatory approval would require clear identification of the decision criteria the recommended solution would meet, before an application could be successfully made. Following regulatory process and approval, detailed engineering design, procurement, construction and commissioning activities would be required, which would certainly extend the in-service date beyond 2029.

The various service alternatives for the region, also considered within Hydro's previous application, are listed below in Table 3 along with the status of their recommendation. **None of these alternatives could be implemented prior to 2029, as any one of these options includes multi-year regulatory, engineering and construction phases once the alternatives analysis is completed.** For illustrative purposes, high-level milestones for the replacement of the Charlottetown Diesel Plant, which would take approximately three to four years to construct, include:

- Engagement of NCC (ongoing).
- Alternative Analysis and Integrated Resource Planning (2026).
- Application to the Board (2026/2027).
- Regulatory and environmental approvals (2027/2028).
- Detailed Engineering Design and Construction (2028/2032).
- Commissioning (2032/2033).

Table 3: Alternatives for Long-Term Reliable Service for Charlottetown and Pinsent's Arm

Alternative	Firm Capacity	Energy⁷	Recommendation
Maintain Charlottetown Mobile Diesel Plant – NOT ACCEPTABLE	Diesel	Diesel/ Renewables	Continued use of mobile generation is not an acceptable long-term solution for Charlottetown. This was accepted in Board Order No. P.U. 12(2025).
Construct only a new Charlottetown Diesel Plant	Diesel	Diesel/ Renewables	Previously determined to not be the least-cost alternative. Currently being studied to perform refresh of alternatives analysis. Renewables will be considered with this alternative.
Interconnect Charlottetown with Port Hope Simpson and expand Port Hope Simpson Diesel Plant	Diesel	Diesel/ Renewables	Previously determined to not be the least-cost alternative. There is insufficient capacity at the Port Hope Simpson Diesel Generating Station to supply that community and Charlottetown and Pinsent's Arm without expansion of the Port Hope Simpson Diesel Generating Station. Currently being studied to perform refresh of alternatives analysis, with integration of renewables.
Interconnect Southern Labrador Systems but continue with disbursed generation stations	Diesel	Diesel/ Renewables	Previously determined to not be the least-cost alternative. Currently being revisited as part of the updated analysis of diesel plant estimates and IRP, along with condition assessments of individual plants. The Southern Labrador communities are capacity-constrained. Renewables will be considered with this alternative.
Interconnect Southern Labrador Systems and construct a Regional Plant	Diesel	Diesel/ Renewables	Previously determined to be the least-cost alternative. Currently being studied to perform refresh of alternatives analysis. Renewables will be considered with this alternative.
Interconnect the Southern Labrador communities to the Labrador Interconnected System	Large Hydro (LIS)	Large Hydro (LIS)	Previously determined to not be the least-cost alternative. Currently being studied to perform refresh of alternatives analysis.
Stand-alone Solar and Wind Generation	N/A	Renewables	Not a supply of firm capacity and therefore not a viable alternative as a sole option for long-term, reliable service.
Development of two small-scale hydroelectric developments and interconnection with the communities.	Diesel	Diesel/ Small Hydro	Previously determined to not be the least-cost alternative. Preliminary cost estimates prepared by Hydro indicated, as of 2021, that the total capital cost of this alternative would be in the range of \$160 million to \$210 million. This cost does not include operational considerations for the hydro plants, nor for the continued operation and maintenance for the St. Lewis and Port Hope Simpson Diesel Generating Stations. Due to the magnitude of this cost and the factors noted, this alternative was not considered viable further for analysis.

⁷ Analysis carried out with a range of 0% to 50% penetration of renewable energy procured through a Power Purchase Agreement.

As noted above, Hydro has previously identified an exhaustive list of long-term options to serve the communities and the region, and none of the viable options can be implemented any earlier than previously indicated. Hydro remains committed to ensuring safe and reliable supply to its customers in Charlottetown and Pinsent's Arm and recognizes the need to obtain approval and begin the implementation of a long-term supply solution for the community as urgently as possible. Hydro continues to monitor the performance and reliability of its mobile diesel gensets to ensure it has sufficient redundancy and operational support to enable reliable service. The work requested by the Board and described in Hydro's June 25, 2025 correspondence, as well as discussed further above, will add to the substantial analysis previously completed and filed with the Board.

Hydro continues to believe that the reconsideration of its application is the most appropriate and expedited approach to securing the long-term supply for Southern Labrador. However, to meet the requirements set out in Board Order No. P.U. 12(2025), Hydro is developing further evidence to support the least-cost, reliable, and environmentally responsible service solution in an effort to facilitate a process that leads to approval to proceed with a long-term solution for reliable service in the region.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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