

June 25, 2025

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 for Approval of the Construction of Hydro's Long-Term Supply Plan for Southern Labrador – Update

On March 31, 2025, Newfoundland and Labrador Hydro ("Hydro") received Order No. P.U. 12(2025) issued by the Board of Commissioners of Public Utilities ("Board") 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.

Hydro is committed to ensuring reliable service to Charlottetown and Pinsent's Arm; however, Hydro notes that given the lack of approval for Hydro's proposed long-term plan for Southern Labrador, supply to these communities will continue to rely on mobile generation until such time that a long-term solution is approved by the Board.

Since the loss of the Charlottetown Plant in 2019, Hydro has been planning for a long-term solution for reliable supply for the communities of Charlottetown and Pinsent's Arm.

Given the Board's Order, and the passage of time since Hydro's original proposal, Hydro is currently reviewing, studying, and implementing ways to ensure that Charlottetown, Pinsent's Arm, and the other communities in the region receive safe, reliable service now, and long term. The work underway, intended to supplement the data Hydro has previously developed for its application, includes the following:

1) Condition Assessments and Estimate Updates

Hydro performed its initial cost analysis, to inform the proposal for the regional plant at an Association for the Advancement of Cost Engineering ("AACE") Class 5 level as provided in *"Long-Term Supply Study for Southern Labrador: Economic & Technical Assessment."*¹ While the use of AACE Class 5 level estimates remains the industry standard for screening-level analysis, Hydro is now taking steps to refine that cost information through a third-party condition assessment of the three plants in the Labrador South region to confirm long-term requirements

¹ "Long-Term Supply for Southern Labrador," Newfoundland and Labrador Hydro, rev. October 5, 2023 (originally filed July 16, 2021), sch. 1, att. 1, p. 33, Table 7.

for each diesel plant. The assessment will specify the required investment to ensure reliable operation, including refurbishment or replacement, and will also include an updated estimate for replacement of the Charlottetown plant. This information will be reviewed against previous assumptions in Hydro's alternative analysis.

Hydro is also requesting that the third party perform an assessment to confirm any feasibility of extension of the footprint of the existing plants. This will enable Hydro to refresh its analysis to allow further evaluation of all viable alternatives, including whether there is any opportunity to serve Charlottetown and Pinsent's Arm from one or more of the existing plants while also maintaining other regional and community planning criteria.

2) Renewable Solutions

Hydro has consistently been working to advance renewable energy in the region as a means of off-setting diesel on a non-firm basis. In March 2019, prior to the fire in Charlottetown in July 2019, Hydro engaged with Dunskey Energy Consulting who were preparing phase 1 of an energy plan with NunatuKavut Community Council ("NCC").² At that time, among other support activities, Hydro provided system information to help inform their plan. With the Government of Newfoundland and Labrador, Hydro released an Expression of Interest seeking renewable energy in the region.

The future development of renewable generation in southern Labrador would involve Hydro working with the NCC as was agreed by Hydro and NCC. Through this engagement, the parties would seek alignment on an optimal renewable solution and establish a project development plan. Hydro will work as expediently as possible to do all within its purview to advance this plan to the point where it can accompany an application for a supply solution for Charlottetown and Pinsent's Arm and the Southern Labrador region, as applicable. Hydro notes that the integration of renewable energy, and its associated capital costs, would be in addition to that which is required for firm capacity, given the incremental nature of renewable sources and the lack of economic and technical feasibility for the use of renewable sources for firm capacity.

Hydro notes that the sizing, design, and integration of renewables is highly dependent on the specific configuration of the system into which it is being integrated. As a result, the degree to which renewable integration can be advanced is limited until such time that a long-term firm capacity solution is approved.

3) Interconnection to the Labrador Interconnected System

Previous high-level cost estimates prepared at various times since 2014 by Hydro and its consultants have indicated that the total cumulative net present cost of an interconnection of the Southern Labrador communities to the Labrador Interconnected System would be in excess of \$300 million.

Given the passage of time since these estimates were completed, work is underway to review and update the cost estimates for a transmission line to the Labrador Interconnected System. This will include a reliability assessment as well as a comprehensive review of funding

² From Diesel to Green: An Energy Plan for NunatuKavut Communities," Dunskey Energy + Climate, September 25, 2019, <https://dunskey.com/project/from-diesel-to-green-an-energy-plan-for-nunatukavut-communities/>.

opportunities for the build, which will inform Hydro's refreshed options analysis for long-term supply to the communities of Southern Labrador.

Interim Plan for Reliable Service

In the interim, Hydro will continue to serve the communities of Charlottetown and Pinsent's Arm with mobile generation as has been in place since 2019; Hydro will maintain N-2 redundancy of its mobile generating units in Charlottetown to ensure reliable service while Hydro works to secure a long-term solution for these communities. Hydro will continue to ensure that open and consistent communication with the communities in the Southern Labrador region, in particular Charlottetown and Pinsent's Arm, is maintained such that the communities and customers in the region are aware of the work underway and any resulting plans and there is ample opportunity for the parties to provide their concerns and questions to Hydro. Hydro will ensure that NCC is informed, and their feedback sought, as the above steps proceed.

If the Board believes that the ongoing work, as noted above, does not address the Board's direction in Order No. P.U. 12(2025) or is otherwise not considering a specific issue the Board views as important, please advise.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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