

Office of the Consumer Advocate

April 1, 2026

The Board of Commissioners of Public Utilities

Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2 Canada

Attention: Colleen Jones, Assistant Board Secretary

Dear Ms. Jones:

Re: NLH - Application for Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d'Espoir Hydroelectric Generating Facility Penstock 3 - Early Execution Expenditures

On March 13, 2026 Newfoundland and Labrador Hydro ("Hydro") submitted to the Public Utilities Board (the "Board") an Application for Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d'Espoir Hydroelectric Generating Facility Penstock 3 (the "Application"). The Application requests approval of \$77,462,128. Hydro indicates that full project approval is needed by August 18, 2026.

The Application includes a request for approval to proceed with certain aspects of the work in advance of the overall project approval ("Early Execution") to allow for regulatory review of the Application without resulting in delays to the overall construction timeline for the proposed project. The Early Execution capital expenditures are estimated at \$1,942,814 and include, but are not limited to: (i) procurement of raw steel for the sections of the penstock that will be replaced, and (ii) relocation of an existing distribution line adjacent to Penstock 3. Hydro indicates that approval of the Early Execution component of the Application is needed by late April 2026.

On March 27, 2026 the Board established the schedule for review of the Early Execution component of the Application which includes comments from the parties by April 2, 2026. This document conveys the comments of the Consumer Advocate.

According to the Application (Application, para 2):

The Bay d'Espoir generating facility provides 613 MW of electrical capacity and 2,560 GWh of energy annually to the Island Interconnected System. It consists of four penstocks that supply water to the seven generating units. Penstock 3 supplies water to Units 5 and 6

in the Bay d'Espoir Powerhouse 1 and is an integral component of the 153 MW of generation from these two units.

Needless to say, the continued operation of Bay d'Espoir is critical to the reliable operation of the Island System. Penstock 3 has been in operation for 55 years (Application, para 3).

According to Hydro (Application, para 14):

The request to proceed with Early Execution work in advance of full project approval is to allow Hydro to maintain the overall project schedule and budget and to mitigate the related risks to the system and risk of project cost increases to project costs. The Early Execution work comprises raw steel procurement and line relocation, the expenditures for which will become necessary in April 2026.

Hydro goes on to say that it is not requesting recovery of any expenditures related to the Early Execution prior to Board approval of the overall project.

It is of utmost importance that Hydro properly maintains its existing generating assets in light of its request for about \$2 billion for new generating facilities in the 2025 Build Application. The Consumer Advocate therefore recommends that the Board approve the Early Execution activities of the Application on condition that costs will be recovered from customers only if Hydro receives approval of the overall project identified in the Application.

Please contact the undersigned if you have any questions relating to this submission.



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