

April 7, 2026

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

Attention: Mike McNiven
Board Secretary

Re: Application for Approval of Capital Expenditures for Section Replacement and Weld Refurbishment for Bay d'Espoir Hydroelectric Generating Facility Penstock 3 – Hydro's Reply

On March 13, 2026, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board of Commissioners of Public Utilities ("Board") requesting approval of capital expenditures of approximately \$77,462,128 for section replacement and weld refurbishment of Penstock 3 at the Bay d'Espoir Hydroelectric Generating Facility ("Bay d'Espoir"). As part of the application, Hydro requested approval of certain capital expenditures in advance of the overall project approval ("Early Execution") to permit specified work to proceed and allow for regulatory review of the overall application to proceed without impacting the overall construction timeline for the proposed project. The Early Execution capital expenditures for which approval is requested are estimated at \$1,942,814.

The Board established a schedule for review of the Early Execution component of the application that requested intervenor comments by Thursday, April 2, 2026, and Hydro's reply by Tuesday, April 7, 2026. Comments were received from Newfoundland Power Inc. ("Newfoundland Power") and the Consumer Advocate.

Hydro's Response

Newfoundland Power

Newfoundland Power supports approval of the Early Execution portion of Hydro's application, noting the importance of Bay d'Espoir to the reliable operation of the Island Interconnected System and the possible impacts to system reliability and operational flexibility associated with continued restrictions on the units supplied by Penstock 3. Newfoundland Power observes that the capital expenditures proposed for Early Execution are limited in scope, required to maintain the overall project schedule, and intended to mitigate risks of delays and associated cost increases. Newfoundland Power agrees with Hydro's statement that expenditures related to the Early Execution work would not be approved for recovery from customers unless and until the Board approves the full project.

Consumer Advocate

The Consumer Advocate also supports the approval of Hydro's request to proceed with Early Execution activities, acknowledging the criticality of the continued operation of Bay d'Espoir to the reliable operation of the Island Interconnected System. The Consumer Advocate referenced the importance of prudent maintenance of existing generation assets, particularly in light of Hydro's broader capital plans. The Consumer Advocate's submission stresses that allowing Early Execution is reasonable to avoid schedule and cost risks but is also contingent on the recovery of any Early Execution to only be in circumstances where the full Penstock 3 project is ultimately approved.

There were no comments forthcoming from any other intervenor.

As stated in the application, timely resolution of the Bay d'Espoir Penstock 3 issues is necessary to ensure ongoing safe, reliable service from Bay d'Espoir and to enable Hydro to continue meeting established planning criteria. Utilizing the 2027 outage window would ensure the issues are addressed as expeditiously as possible and would avoid impacts to Hydro's planned capital improvements and maintenance for other assets that could affect system reliability and capital cost. Hydro must begin certain project activities in 2026 to utilize the 2027 outage window, but recognizes the time required for Board and intervenor review of the application. In light of these considerations, Hydro requests approval for expenditures related to certain Early Execution work, as described in Schedule 1 to Hydro's application. Hydro is not requesting the recovery of any of these expenditures prior to the Board's review and approval of the overall project.

As Newfoundland Power and the Consumer Advocate are in support of the Early Execution proposal, and as no objections have been made by any other intervenor, Hydro respectfully requests that the Board approve Hydro's proposed Early Execution capital expenditures as submitted.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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SAW/sk

ecc:

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