

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD**

**NO. P.U. 17(2025)**

1 **IN THE MATTER OF the Electrical Power**  
2 **Control Act, 1994**, SNL 1994, Chapter E-5.1  
3 (the “**EPCA**”) and the **Public Utilities Act**,  
4 RSNL 1990, Chapter P-47 (the “**Act**”), as  
5 amended, and regulations thereunder; and  
6

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for  
9 approval of capital expenditures for early  
10 execution work related to the future  
11 construction of the Avalon Combustion  
12 Turbine and Bay d’Espoir Unit 8, pursuant  
13 to section 41(3) of the **Act**.  
14  
15

16 **DECISION SUMMARY**

17  
18 The Board approves the application filed by Newfoundland and Labrador Hydro for approval of  
19 capital expenditures in the amount of \$30,710,000 for early execution work for the Avalon  
20 Combustion Turbine Project and \$16,670,000 for early execution work for the Bay d’Espoir Unit  
21 8 Project on the basis that these expenditures were shown to be reasonable and necessary in the  
22 circumstances and will not be recovered from customers if the Build Application is not approved.<sup>1</sup>  
23

24 **APPLICATION**

25  
26 On March 12, 2025 Newfoundland and Labrador Hydro (“Hydro”) filed an application seeking  
27 approval of capital expenditures for early execution work related to the future construction of the  
28 Avalon Combustion Turbine and Bay d’Espoir Unit 8 (the “Early Works Application”). The proposed  
29 capital expenditures for the early execution work for the Avalon Combustion Turbine Project are  
30 estimated to be \$30,710,000 and the proposed capital expenditures for the early execution work  
31 for the Bay d’Espoir Unit 8 Project are estimated to be \$16,670,000, for total estimated capital  
32 expenditures of \$47,380,000 for both projects.<sup>2</sup>

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<sup>1</sup> The Build Application, filed on March 21, 2025, requests approval of Avalon Combustion Turbine expenditures of \$891 million and Bay d’Espoir Unit 8 expenditures of \$1.08 billion.

<sup>2</sup> The Early Works Application, dated March 12, 2025, page 2.

1 The Early Works Application stated that it is necessary to advance work and analysis that will allow  
2 the Avalon Combustion Turbine Project and the Bay d’Espoir Unit 8 Project to proceed while the  
3 application for approval of these projects is proceeding through the regulatory process (the “Build  
4 Application”).<sup>3</sup> The early execution scope of work consists of detailed engineering, geotechnical  
5 studies, environmental assessment activities, preparation of requests for proposals and  
6 procurement activities. The Early Works Application stated that the ability to proceed with this  
7 work in advance of approval of the Build Application would provide risk mitigation by maintaining  
8 the overall project schedule and budget.<sup>4</sup>

9

## 10 **PROCESS**

11

12 The Early Works Application was copied to Newfoundland Power Inc. (“Newfoundland Power”),  
13 the Consumer Advocate, Mr. Dennis Browne, KC (the “Consumer Advocate”), the Island Industrial  
14 Customer Group<sup>5</sup> and the Labrador Interconnected Group.<sup>6</sup>

15

16 On April 2, 2025 requests for information were filed by the Board, Newfoundland Power and the  
17 Consumer Advocate, which were answered by Hydro on April 8, 2025.

18

19 On April 11 and 14, 2025 submissions and comments were filed. On April 15, 2025 Hydro filed its  
20 reply.

21

## 22 **SUBMISSIONS AND COMMENTS**

23

24 Newfoundland Power did not object to the Early Works Application and stated that it agreed that  
25 new capacity is needed on the Island Interconnected system. Newfoundland Power recognized  
26 that delays in advancing the Avalon Combustion Turbine Project and the Bay d’Espoir Unit 8  
27 Project are likely to result in increased costs to customers. Newfoundland Power noted that Hydro  
28 is not seeking cost recovery in relation to the Early Works Application at this time.<sup>7</sup>

29

30 The Consumer Advocate was opposed to the Early Works Application stating that it undermines  
31 the regulatory process and that the Build Application raises questions about the merits of the  
32 Avalon Combustion Turbine Project and the Bay d’Espoir Unit 8 Project.<sup>8</sup>

33

34 The Island Industrial Customer Group had no comments on the Early Works Application.

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<sup>3</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 2.

<sup>4</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 10.

<sup>5</sup> The members of the Island Industrial Customer Group are Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited.

<sup>6</sup> The members of the Labrador Interconnected Group are the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City.

<sup>7</sup> Newfoundland Power Submission, dated April 11, 2025, page 3.

<sup>8</sup> Consumer Advocate Submission, dated April 11, 2025, page 4.

1 **BOARD DECISION**

2

3 The Early Works Application seeks the approval of the Board to proceed with early execution work  
4 for both the Avalon Combustion Turbine Project and the Bay d’Espoir Unit 8 Project while the  
5 Build Application is being reviewed. The Consumer Advocate questioned whether the Board has  
6 the authority to approve the proposed capital expenditures in advance of the conclusion of the  
7 Build Application and suggested that such approval would set a bad precedent. The Board notes  
8 that the **Act** sets out that Hydro cannot proceed with the construction, purchase or lease of  
9 improvements or additions to its property without the prior approval of the Board.<sup>9</sup> The  
10 legislation does not limit the Board’s authority with respect to the approval of capital  
11 expenditures. In addition, the legislation is to be interpreted liberally to accomplish its purposes  
12 and the Board has all additional, implied and incidental powers appropriate or necessary to carry  
13 out the powers specified in the **Act**.<sup>10</sup> Given the broad authority provided to the Board and the  
14 requirement for a liberal interpretation of the legislation, the Board is satisfied that it has the  
15 authority to approve the proposed capital expenditures for early execution work. In addition, the  
16 Board does not believe that approval of capital expenditures for early execution work would  
17 create a bad regulatory precedent if the Board finds that based on the evidence such approval is  
18 reasonable and necessary in the circumstances.

19

20 The Board acknowledges that the capital expenditures proposed in the Early Works Application  
21 are substantial, totaling approximately \$47.4 million. These expenditures are a small part of the  
22 very substantial capital expenditures proposed in the Build Application which have now escalated  
23 to almost \$2 billion. As a result, the Board believes that the proposed capital expenditures in the  
24 Early Execution Application must be given careful scrutiny to ensure that approval is reasonable  
25 and necessary in the circumstances. At the same time, it is important to note that Hydro is not  
26 seeking recovery from customers of the capital expenditures proposed in the Early Works  
27 Application. Hydro stated that this matter would be deferred to the Build Application and  
28 confirmed that the costs associated with the early execution work would not be recovered from  
29 customers if the Build Application is not approved by the Board.<sup>11</sup>

30

31 The Board notes that prior to the filing of the Early Works Application there was a lengthy process  
32 addressing matters related to the supply of power on the Island Interconnected system, the  
33 Reliability and Resource Adequacy Review. This process included the participation of a number of  
34 stakeholders, including the Consumer Advocate, Newfoundland Power and the Island Industrial  
35 Customer Group. Through this process there was a great deal of information filed, including  
36 numerous reports from Hydro and experts on a variety of topics related to the issues to be  
37 addressed in the Build Application. As a result of this process a Settlement Agreement was filed  
38 setting out that, among other things, a recommendation that a combustion turbine on the Avalon  
39 Peninsula and an additional unit at Bay d’Espoir is appropriate as part of the first step in  
40 addressing the requirement for additional capacity for the Island Interconnected system.<sup>12</sup> The  
41 Settlement Agreement also set out that Hydro should file an application for approval of these

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<sup>9</sup> Section 41(3) of the **Act**.

<sup>10</sup> Section 118 of the **Act**.

<sup>11</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 2 and CA-NLH-002.

<sup>12</sup> The Early Works Application, dated March 12, 2025, Schedule 3.

1 projects. This does not mean that the approval of the capital expenditures associated with these  
 2 projects is a foregone conclusion. The Settlement Agreement does not set out that the parties  
 3 agree with approval of the Build Application just that it should be filed and reviewed. The Build  
 4 Application seeks approval of substantial capital expenditures which are now higher than the  
 5 capital cost estimates at the time that the Settlement Agreement was signed. The specific  
 6 proposals in the Build Application must now be reviewed by the Board as part of a comprehensive  
 7 process with the participation of the interested stakeholders. The issues noted by the Consumer  
 8 Advocate in relation to costs, rate impacts, load forecasts and demand side management are  
 9 among the issues to be addressed as a part of the review of the Build Application.

10  
 11 The Early Works Application seeks approval of expenditures in advance of the conclusion of the  
 12 Build Application on the basis that certain advance work and analysis needs to be done in 2025  
 13 to allow the projects to proceed as planned. According to Hydro pausing this work until the  
 14 conclusion of the Build Application would have significant implications for the schedule and costs  
 15 of these projects.<sup>13</sup> Hydro stated that the project estimates are time sensitive and supply chain  
 16 pressures continue to increase so that any delay during the regulatory proceeding or project  
 17 execution increases the risk of higher costs to rate payers.<sup>14</sup> According to Hydro if critical activities  
 18 are not advanced as planned in 2025 the overall project will be delayed and project costs will  
 19 increase. Hydro also noted the potential impacts of an overlap with the recently announced  
 20 planned work for the Churchill Falls Expansion and Upgrades and the Gull Island project. Other  
 21 benefits of early approval of these expenditures cited by Hydro include the ability to engage  
 22 equipment manufacturers at this time and maintain the continuity of key project staff.<sup>15</sup>

23  
 24 The early execution scope of work for the Avalon Combustion Turbine Project includes:

- 25 i) preparation, issuance and award of the tenders for the combustion turbine and the  
 26 GSU transformers;
- 27 ii) completion of the environmental assessment report and registration and continued  
 28 stakeholder engagement;
- 29 iii) engaging an EPCM contractor to complete geotechnical investigations and surveys and  
 30 detailed execution planning activities;
- 31 iv) Avalon Combustion Turbine assessments in areas such as fire water supply and overall  
 32 site fuel utilization; and
- 33 v) Preparation of early execution requests for proposals and engaging with early  
 34 execution contractors to complete initial geotechnical work and minor excavations to  
 35 support line relocation and new line installations.<sup>16</sup>

36  
 37 The Board accepts that delay of the proposed early execution scope of work for the Avalon  
 38 Combustion Turbine Project would have impacts on the schedule.<sup>17</sup> In particular early  
 39 procurement of the combustion turbine is critical to secure production capacity and maintain the  
 40 project's in-service date. Based on the evidence a delay in the issuance of the award of the

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<sup>13</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 2.

<sup>14</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 10.

<sup>15</sup> The Early Works Application, dated March 12, 2025, Schedule 1, pages 10-11.

<sup>16</sup> The Early Works Application, dated March 12, 2025, Schedule 1, pages 4-5.

<sup>17</sup> PUB-NLH-001.

1 combustion turbine contract could lengthen the project schedule by 12 to 24 months which could  
2 impact the availability of standby or peaking power in 2029.<sup>18</sup>

3  
4 The early execution scope of work for the Bay d’Espoir Unit 8 Project includes:

- 5 i) Engaging an EPCM contractor to support execution planning activities and the  
6 completion of geotechnical investigations and surveys and engineering and  
7 specifications for long lead or early equipment such as the turbine and generator;
- 8 ii) Engaging equipment manufacturers to complete computational fluid dynamics  
9 modelling and model testing; and
- 10 iii) Completion of environmental assessment registration and continued stakeholder  
11 engagement process.<sup>19</sup>

12  
13 The Board accepts the evidence that delay of the proposed early execution scope of work for the  
14 Bay d’Espoir Unit 8 Project would have impacts on the schedule.<sup>20</sup> In particular, there is risk in  
15 relation to turbine generator procurement given the high demand in the hydroelectric industry  
16 and that the estimated timelines for delivery are around 4 years.<sup>21</sup>

17  
18 The Board accepts that the approval of the proposed early execution work in advance of the  
19 conclusion of the Build Application would serve to reduce risks to the schedule and costs of the  
20 projects. Based on the evidence the project estimates are time sensitive and increasing supply  
21 chain pressures increase the risk of delays and higher costs for ratepayers.<sup>22</sup> The Board accepts  
22 that the financial consequences of delays in these projects could be substantial, including price  
23 escalation, higher demand costs and additional interest during construction. These costs could be  
24 between \$30 to \$50 million per year plus the potential costs associated with the extension of  
25 steam operations at the Holyrood Thermal Generating Station of over \$120 million per year.<sup>23</sup> The  
26 Board finds that the approval of the proposed capital expenditures for the early execution work  
27 is reasonable and necessary in the circumstances. Given the significance of these expenditures  
28 the Board will require Hydro to provide monthly updates on the early execution work, including  
29 the ongoing activities, procurement milestones, project control schedules, budget and  
30 expenditures. Updates are to be filed with the Board starting June 16, 2025 and continue each  
31 month thereafter.

32  
33 The Board is satisfied that the proposed capital expenditures for the early execution work for the  
34 Avalon Combustion Turbine Project, in the amount of \$30.7 million, and the proposed capital  
35 expenditures for the early execution work for the Bay d’Espoir Unit 8 Project, in the amount of  
36 \$16.7 million, should be approved on the basis that these expenditures were shown to be  
37 reasonable and necessary in the circumstances and will not be recovered from customers if the  
38 Build Application is not approved.<sup>24</sup>

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<sup>18</sup> PUB-NLH-001.

<sup>19</sup> Application, dated March 12, 2025, Schedule 1, page 8.

<sup>20</sup> PUB-NLH-004.

<sup>21</sup> PUB-NLH-004.

<sup>22</sup> The Early Works Application, dated March 12, 2025, Schedule 1, page 2.

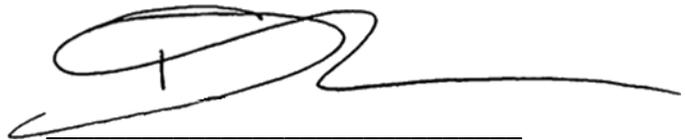
<sup>23</sup> CA-NLH-001.

<sup>24</sup> CA-NLH-002

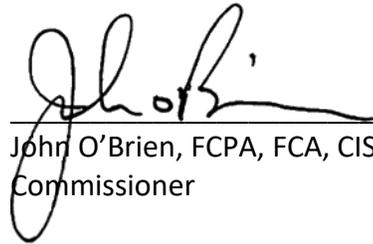
1 **IT IS THEREFORE ORDERED THAT:**  
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- 3 1. Capital expenditures, in the amount of \$30,710,000, for the proposed early execution work  
4 for the Avalon Combustion Turbine Project, are approved.  
5  
6 2. Capital expenditures, in the amount of \$16,670,000, for the proposed early execution work  
7 for the Bay d’Espoir Unit 8 Project, are approved.  
8  
9 3. Hydro shall provide monthly updates on the early execution work for the Avalon Combustion  
10 Turbine Project and Bay d’Espoir Unit 8 Project, starting June 16, 2025.  
11  
12 4. Newfoundland and Labrador Hydro shall pay the expenses of the Board arising from this  
13 application.

**DATED** at St. John’s, Newfoundland and Labrador this 25<sup>th</sup> day of April, 2025.



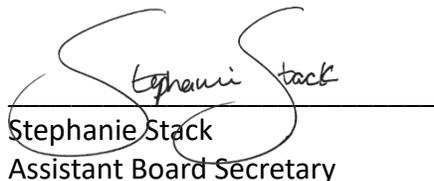
Dwanda Newman, LL.B.  
Vice-Chair



John O'Brien, FCPA, FCA, CISA  
Commissioner



Christopher Pike, LL.B., FCIP  
Commissioner



Stephanie Stack  
Assistant Board Secretary