

1 Q. Update Schedule 1, Appendix D: Incremental Rate Impacts – Planned Budget, filed in the 2025
2 Build Application, incorporating the revised cost estimate for the Avalon Combustion Turbine.

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5 A. Please refer to Request 4, Attachment 1. Total Incremental Revenue Requirement was updated
6 for the revised cost estimate for the Avalon Combustion Turbine Project. Newfoundland and
7 Labrador Hydro (“Hydro”) also updated its forecast for operating and maintenance costs
8 associated with both the Avalon Combustion Turbine and Bay d’Espoir Unit 8, and its fuel costs
9 for the Avalon Combustion Turbine. In addition, the Weighted Average Cost of Capital was
10 updated, and asset useful lives were updated to reflect Hydro’s latest approved Depreciation
11 Study.¹

12 The incremental revenue requirement based on the planned budget has decreased from
13 Hydro’s original calculation in its 2025 Build Application, despite the cost increase in the Avalon
14 Combustion Turbine Project. This is due to the change in service lives of the assets in the latest
15 approved Depreciation Study² in addition to a decrease in forecasted fuel costs for the Avalon
16 Combustion Turbine.

¹ “2017 General Rate Application,” Newfoundland and Labrador Hydro, rev. July 4, 2018 (originally filed July 28, 2017), vol. II, exh. 11. Approved in Board Order No. P.U. 16(2019).

² The Avalon Combustion Turbine estimated useful service life changed from 35 years to 45 years, and the useful service life for Bay d’Espoir Unit 8 has changed from 60 years to 70 years.

Appendix D – Revised

Planned Project Budget Rate Impact Analysis - Updated



1 Incremental Rate Impacts – Planned Budget

2 Table 1 outlines the estimated planned budget incremental revenue requirement in the first full year in
3 service associated with the Avalon Combustion Turbine and Bay d’Espoir Unit 8. The planned project
4 budget estimates used for the Avalon Combustion Turbine have been updated for the cost estimates
5 filed within Newfoundland and Labrador Hydro’s (“Hydro”) Evidentiary Update filed on April 16, 2026.¹
6 The planned project budget estimates used for Bay d’Espoir Unit 8 are consistent with those proposed
7 within Hydro’s 2025 Build Application filing in March 2025. The incremental revenue requirement has
8 been calculated using Hydro’s incremental weighted average cost of capital² and uses a composite
9 depreciable life of 45 years for the Avalon Combustion Turbine and 70 years for Bay d’Espoir Unit 8.³ The
10 calculation is also inclusive of forecasted operating costs associated with both assets and forecasted fuel
11 costs associated with the Avalon Combustion Turbine.⁴ The incremental revenue requirement excludes
12 the future reduction in Hydro’s revenue requirement associated with the retirement of aging assets,
13 namely the Holyrood Thermal Generating Station.

Table 1: Incremental Revenue Requirement - Updated (\$Millions)

	Planned Budget
Avalon CT	84.6
BDE Unit 8	71.1
Total	155.7

14 The Government of Newfoundland and Labrador’s (“Government”) rate mitigation plan provides clarity
15 on Hydro's annual rate increases up to and including 2030. The Government has publicly committed to
16 rate mitigation post-2030, but details on the structure and applicability of rate mitigation in that period
17 remain under consideration, as do the longer-term rate forecasts for other regulated utilities across the
18 country. As such, the impact to customer rates associated with the Avalon Combustion Turbine and Bay

¹ “Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Revision 1 and Evidentiary Update,” Newfoundland and Labrador Hydro, April 16, 2026.

² Forecasted to be 5.90%.

³ Useful life assumptions are consistent with Hydro’s latest approved Depreciation Study. “2017 General Rate Application,” Newfoundland and Labrador Hydro, rev. July 4, 2018 (originally filed July 28, 2017), vol. II, exh. 11. Approved in Board Order No. P.U. 16(2019).

⁴ Revenue requirement estimates include operating costs for BDE Unit 8 and Avalon CT of \$3.0 million and \$3.5 million, respectively. As well, fuel costs of \$10.7 million were included for the Avalon CT.

2025 Build Application

Schedule 1: Application Overview – Bay d’Espoir Unit 8 and Avalon Combustion Turbine, Appendix D

1 d’Espoir Unit 8 will not be fully known until further work evolves and concludes with the Government in
2 the coming years before 2030. Hydro will work with the Government in advance of 2030 to determine
3 future rate mitigation requirements once more information on the landscape of the electricity sector in
4 that period is known.

5 Factors that could influence customer rates over the next decade in our province include, but are not
6 limited to, rate impacts associated with Newfoundland Power Inc. costs and the Government’s future
7 decisions around rate mitigation in the post-2030 period. Hydro understands the levers that can drive
8 customer rate impacts with respect to its generation expansion proposals and is doing everything
9 possible to manage these impacts in a positive way for customers. Hydro is committed to making
10 prudent investments, as necessary, to meet its legislative requirement to provide customers with service
11 that is least-cost, reliable, and environmentally responsible.