

2026 Capital Budget Application

Overview Presentation

August 19, 2025



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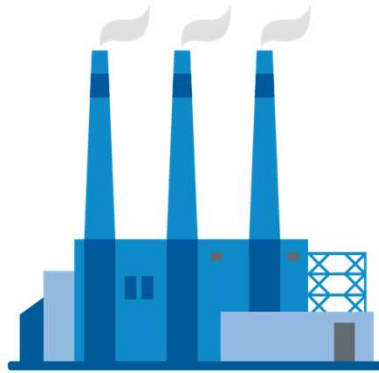
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BACKGROUND

System Overview



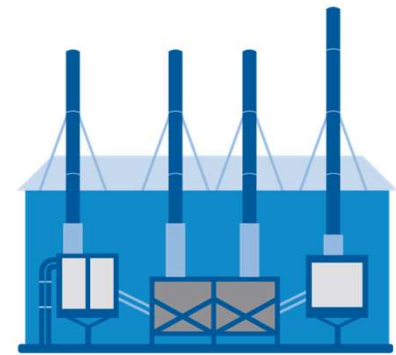
9 HYDROELECTRIC
GENERATING STATIONS



1 OIL-FIRED PLANT



4 GAS TURBINES



23 DIESEL GENERATING
STATIONS

69 HIGH-VOLTAGE
TERMINAL STATIONS

24 LOWER-VOLTAGE INTERCONNECTED
DISTRIBUTION SUBSTATIONS

MORE THAN **7,200km** OF TRANSMISSION
& DISTRIBUTION LINES

Capital Investment Strategy



Invest responsibly in the electrical system to the benefit of customers



Balance system reliability, environmental responsibility, and customer cost



Evidence-based decision-making reflecting asset performance and operational and system requirements

Capital Plan Considerations

When considering the inclusion or deferral of capital projects in its capital plan, Newfoundland and Labrador Hydro (“Hydro”) reviews the following factors for the proposed scope of work:

Operational Risks

- What is the risk to individual assets?
- What is the criticality of the asset to the electrical system and Hydro Operations?

Cumulative Risk

- Hydro is managing risks across the system:
 - Reliability of new assets
 - Reliability of aging assets

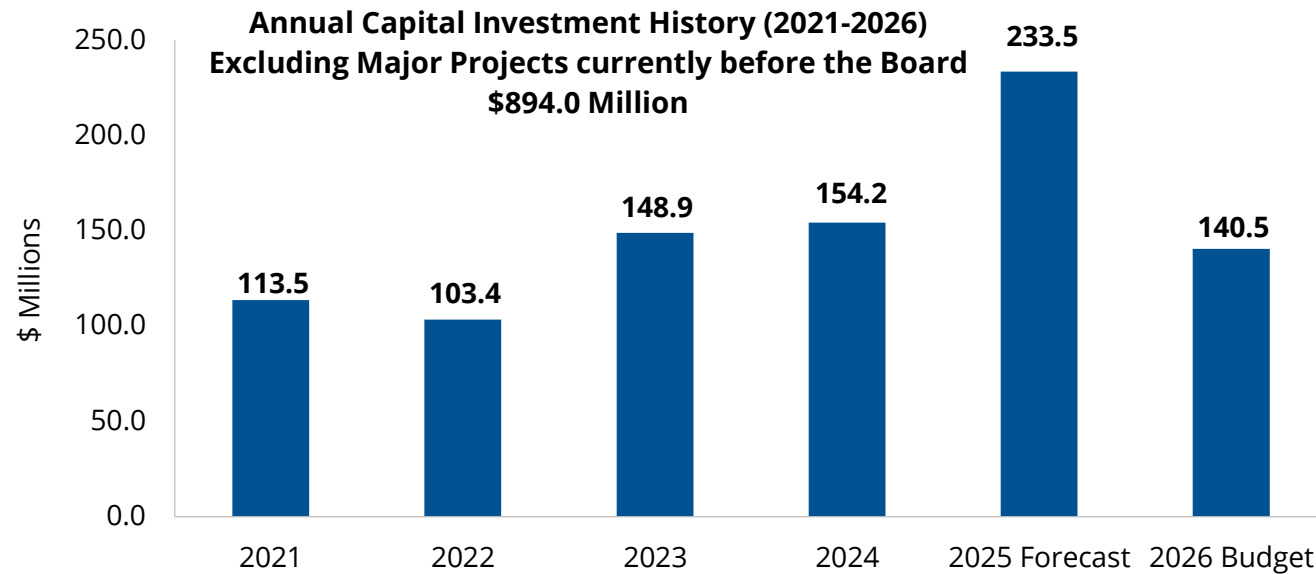
Ability to Execute

- Outage availability
- Resource availability (engineering and construction)
- Supply chain risks

Total Investment

- Hydro is cognizant of the rate impacts of capital investment on customers
- Hydro strives for an investment level with an appropriate balance between cost, reliability and environmental responsibility.

Capital Investment History



- The annual capital investment history excludes capital contribution in aid of construction (“CIAC”) but does include the corresponding Hydro capital. It also excludes front-end engineering design costs related to future years and other adjustments.
- The 2025 Forecast includes costs associated with the Penstock 1 Section Replacement and Weld Refurbishment Major Project.
- The 2025 Forecast estimates expected capital expenditure based on May 2025 month-end reporting. The estimate is subject to change and change management processes will be utilized to update the forecast throughout the year.
- The capital plan outlook for 2026 differs from the 2026 Capital Budget Application (“CBA”) of \$131.6 million, as it includes all anticipated capital expenditures including approved and anticipated supplemental expenditures.

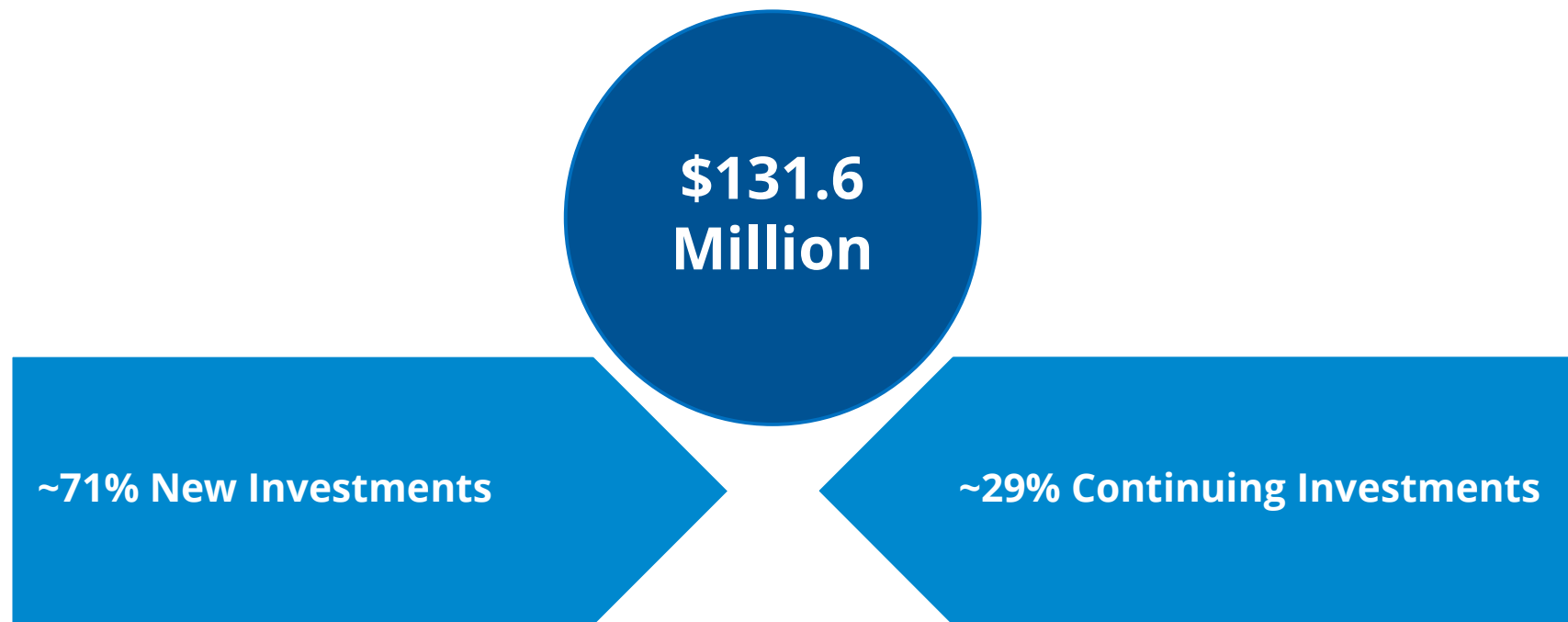
2026 CAPITAL BUDGET APPLICATION

2026 Capital Budget Overview

Key Takeaways

- 2026 CBA requests approval for \$131.6 million of capital investment, driven by increased investment in asset renewal and a period of sustained high inflation in recent years.
 - The 2026 CBA proposed investment equates to 5.5% of the net book value of Hydro's regulated property, plant and equipment, and intangible assets.
 - Investments related to the renewal of existing core assets account for two-thirds of Hydro's planned 2026 capital expenditures.
- As Hydro undertakes the Major Projects to enable the system expansion required to reliably meet growing demand, replace retiring sources of generation and perform major life extension work on its existing assets, Hydro is projecting a significant increase in average annual capital expenditures from historical levels.
- Impacts to customers will be limited as a result of rate mitigation; through 2030, the Government of Newfoundland and Labrador ("Government") has committed to target domestic rate increases limited to 2.25% annually.

2026 Capital Budget Overview



Excluding Major Projects, the total planned 2026 capital spend is \$140.5 Million, including \$1.5 million in specifically assigned customer contributions.

In addition, Hydro is anticipating spending approximately \$154.1 million on Major Projects in 2026.

2026 Capital Budget Overview

Proposal Deferral, Cancellation, and Additions

- In the interest of balancing cost and reliability, Hydro has considered its capital investment portfolio for 2026 to ensure proposed projects contain those most critical to supporting the safe, reliable operation of Hydro's system in an environmentally responsible manner.
- Hydro has deferred or cancelled over 30 projects in preparing its 2026 CBA, which corresponds to an estimated 15,000 internal engineering hours and over \$18.5 million in capital investment in 2026, to ensure its proposed projects, in conjunction with required carry-over work, represents an achievable level of execution success.
- Occasionally, proposals are cancelled that were previously identified because it has been determined to no longer be required or the scope can be included under other capital work.
- Proposals may be added due to changing system conditions and newly identified requirements, with the majority of additions in 2026 related to IS expenditures.

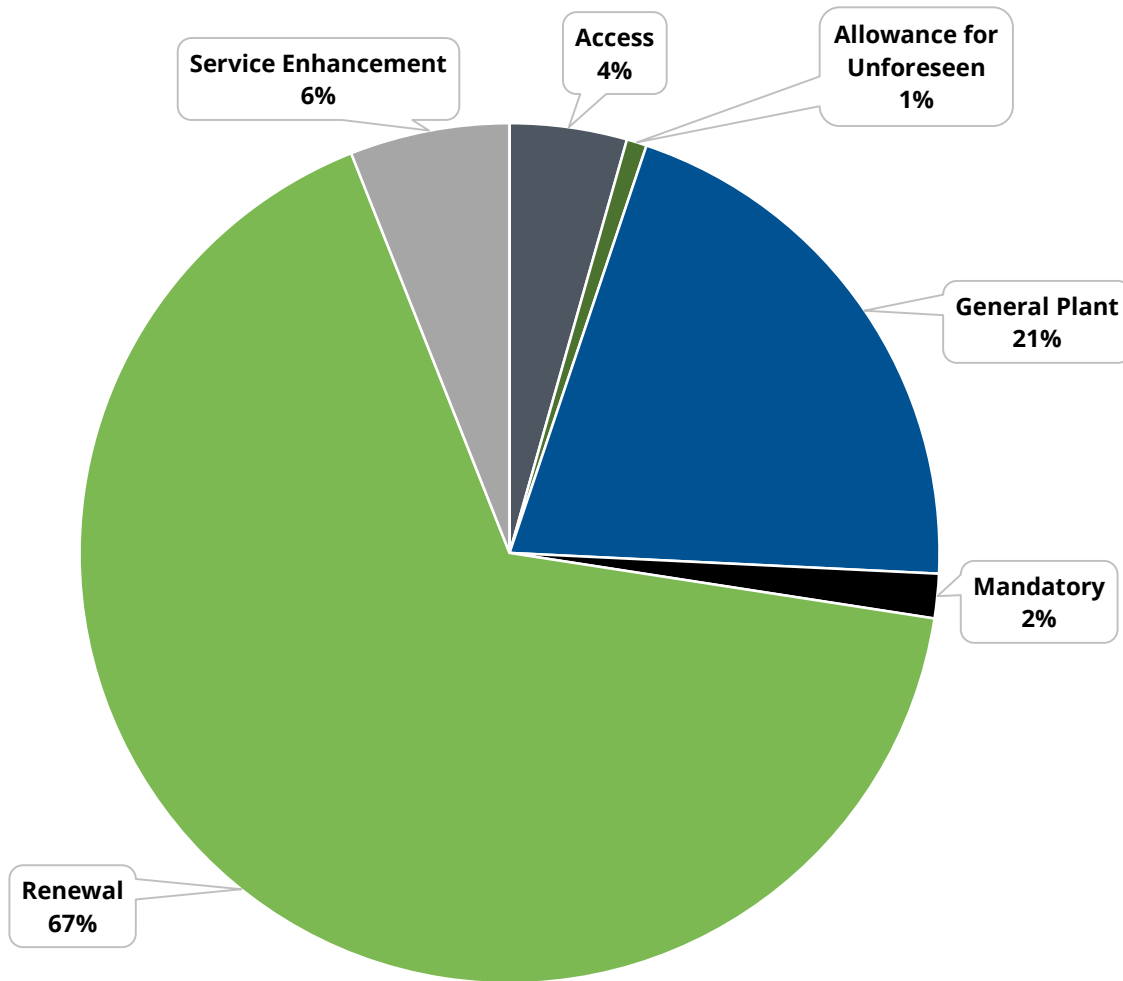
Projects Deferred: 2026 deferred cost of \$16.2 million (27 projects)

Projects Cancelled: 2026 cancelled cost of \$2.3 million (6 projects)

Projects Cancelled (Scope Re-allocation): 2026 cost of \$6.7 million (5 projects)

Projects Added: 2026 additional cost of \$9.0 million (11 projects)

2026 Capital Budget by Investment Classification



Hydro's Focus

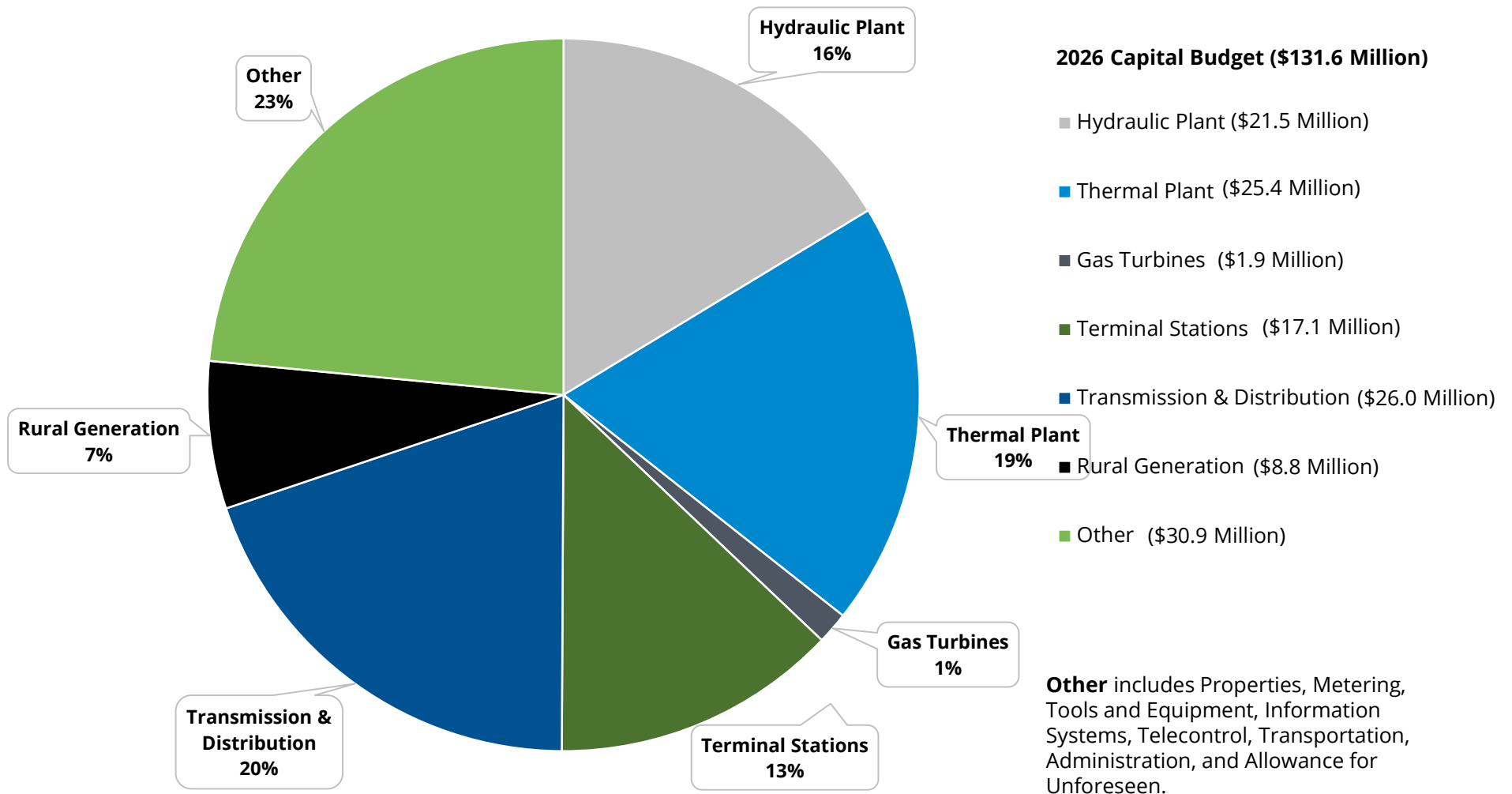
- Classification of investments is reflective of capital plan considerations and asset management strategy drivers.

2025 Capital Budget (\$131.6 Million)

- Access (\$5.8 Million)
- Allowance for Unforeseen (\$1.0 Million)
- General Plant (\$27.1 Million)
- Mandatory (\$2.2 Million)
- Renewal (\$87.6 Million)
- Service Enhancement (\$7.9 Million)
- System Growth (\$0.0 Million)

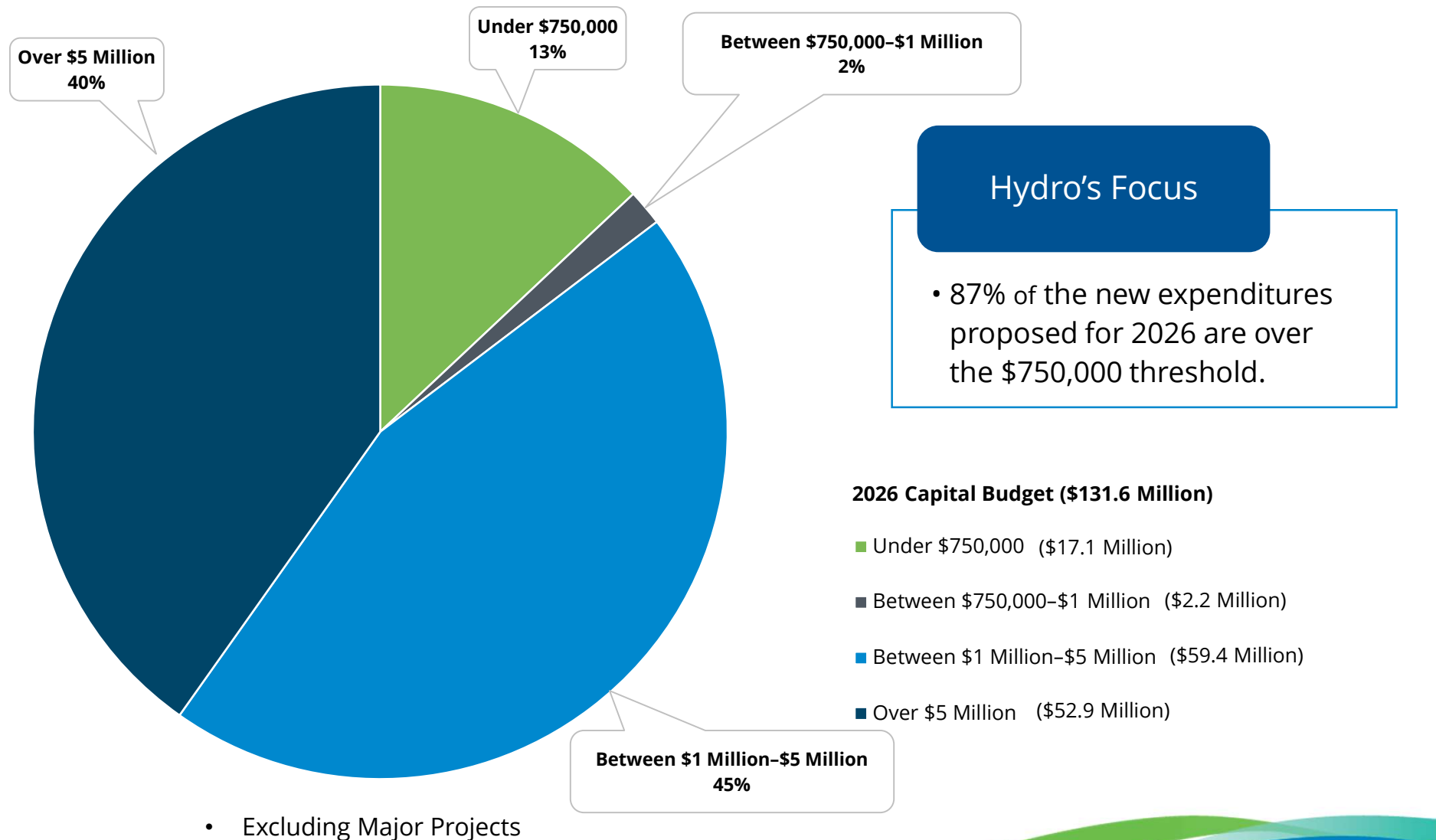
- Excluding Major Projects

2026 Capital Budget by Asset Classification

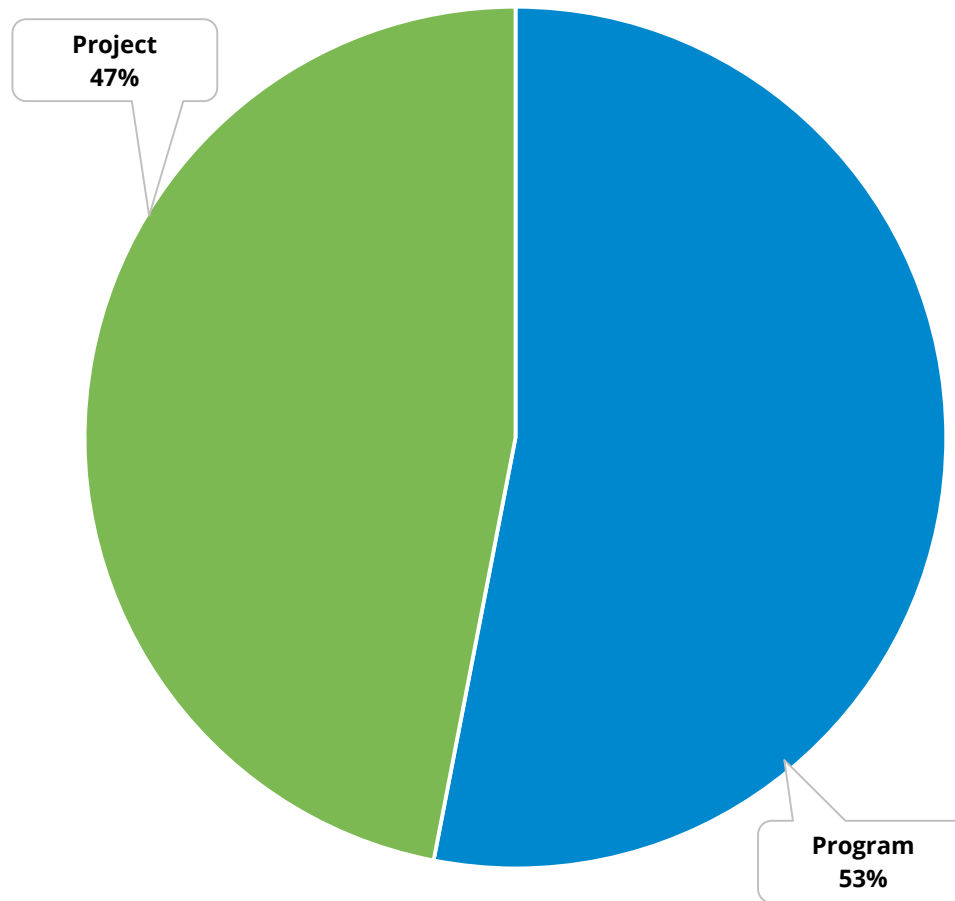


- Excluding Major Projects

2026 Capital Budget by Materiality



2026 Capital Budget by Investment Type



2026 Capital Budget (\$131.6 Million)

- Program (\$69.8 Million)
- Project (\$61.8 Million)

Program

- Ongoing and repetitive
- No defined end date
- Comprise assets with individual asset values significantly less than the lowest materiality threshold

Project

- Work on one well defined asset or group of assets
- Schedule has defined start and stop dates
- Budget is defined over a fixed period of time

- Excluding Major Projects

FIVE-YEAR CAPITAL PLAN

Five-Year Capital Plan

Five-Year Capital Plan: 2026–2030 including Major Projects

- In the submission of its 2026 CBA, Hydro provided:
 - Schedule 2: Planned capital expenditures from 2026–2030 excluding Major Projects.
 - Schedule 8: Five-year plan and ten-year outlook for Major Projects exceeding \$50 million.
- Subsequent to the submission of the 2026 CBA, the Board directed Hydro “to file a Five-Year Capital Plan that incorporates both major capital and non-major capital projects in a single report”.

Hydro’s Five-Year Plan reflects the capital investments necessary to maintain infrastructure and provide safe, reliable, least-cost electricity for customers, while aiming to balance cost, reliability, and environmental impacts.

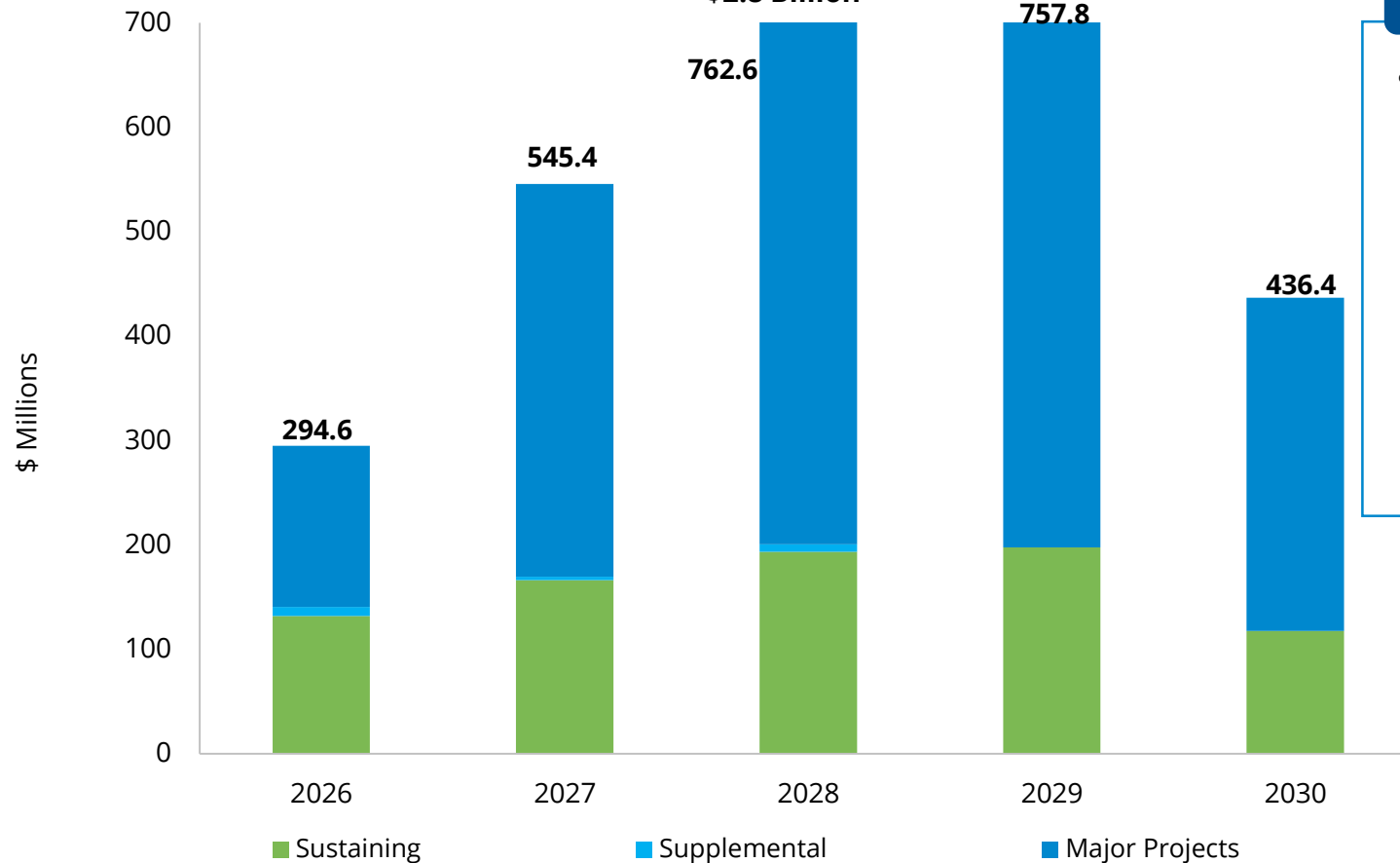
Five-Year Capital Plan including Major Projects

- Hydro's five-year plan reflects an investment of approximately \$2.80 billion in plant and equipment over the 2026–2030 period.
 - Includes \$1.97 billion related to Major Projects, and \$3.09 million related to investment with up-front contributions (e.g., specifically assigned assets) over the five-year period.
 - Average total annual capital expenditure of \$559.4 million including Major Project additions, or \$165.0 million when excluded.
- Major Project system growth investments include Hydro's Build Application for Bay d'Espoir Unit 8 and Avalon Combustion Turbine, filed in March 2025.
- Renewal-driven capital investments include Major Projects to extend the life of Unit 7 (filed in June 2025), Penstock 2, and Penstock 3 at Bay d'Espoir.

Recognizing major investment requirements in the five-year capital plan, Hydro continues to take deliberate actions to achieve a lower level of capital investment where appropriate and when associated risks can be acceptably mitigated.

Five-Year Capital Plan Outlook: 2026–2030

Capital Budget and Major Capital Projects
(2026–2030)
\$2.8 Billion



Hydro's Focus

- Continued focus on appropriate level of investment to manage operational risk and balance rate impacts, while representing an achievable level of execution success.

- The capital plan outlook differs from the 2026 Capital Budget as it includes all anticipated capital expenditures such as supplemental applications, major projects, and CIACs.

RISK ASSESSMENT

Risk Assessment

Based on Safety,
Environment, and
Reliability per
Guidelines

Corporate Risk
Evaluation Matrix is
Aligned with ISO
31000

Assessed Risk
Pre- and Post-
Implementation of
Capital Work

Impact	Pre-Implementation Risk Scores				
Very High (5)		3	11	10	1
High (4)		1	7	19	4
Moderate (3)			4	6	11
Low (2)			1	2	
Very Low (1)					
Likelihood	Very Low (1)	Low (2)	Moderate (3)	High (4)	Very High (5)

Impact	Post-Implementation Risk Scores				
Very High (5)	17	5			
High (4)	15	13	2		
Moderate (3)	17	6			
Low (2)	3				
Very Low (1)	1		1		
Likelihood	Very Low (1)	Low (2)	Moderate (3)	High (4)	Very High (5)

HOLYROOD THERMAL GENERATING STATION

Holyrood Thermal Generating Station

Holyrood Thermal Generating Station Overview

- Beginning with Hydro's 2013 CBA, the Board of Commissioners of Public Utilities ("Board") requested an overview in relation to the proposed Capital Expenditures for the Holyrood Thermal Generating Station ("Holyrood TGS").
- This report outlines Hydro's operational outlook, maintenance strategy, and capital plan for 2026–2030.
- Given Hydro's commitment to having the Holyrood TGS available as a generation source until 2030 or alternate supply is available, the Board requested a more comprehensive report with its 2024 CBA, with an updated report to be provided with its 2025 CBA, outlining its planned operation and estimated capital costs over the full period.

Holyrood Thermal Generating Station

Holyrood TGS Capital Plan: 2026–2030

- Hydro has committed to having the Holyrood TGS available as a generation source until 2030 or until such time an alternate supply is available.
- New 2026 Investments included in this CBA total \$24.4 million.
 - Primarily generation-related work.
- Planned capital expenditures through 2030 for the Holyrood TGS total \$113.7 million.
 - Approximately \$61.9 million is associated with the continuation of existing capital programs and routine expenditures.
- Hydro's proposed projects and programs in the 2026 CBA are informed by the original LECA and the 2024 Capital Plan Refresh, supplemented by Hydro's operational experience and updated asset condition information.

The 2026 capital project proposals were identified considering safety, environment, asset condition, equipment obsolescence, forecast production requirements, and Hydro's commitment to have the Holyrood TGS fully available through the Bridging Period.

BAY D'ESPOIR HYDROELECTRIC GENERATING STATION

Bay d'Espoir Hydroelectric Generating Station

- Beginning with Hydro's 2025 CBA, the Board requested a report setting out its capital plan for the Bay d'Espoir facility, addressing anticipated and potential work and expenditures over a ten-year period.
- This facility is a critical hydraulic generating asset, with an installed capacity of 613.4 MW generating an average of 2,672 GWh of energy annually (~41% of Hydro's average annual Island energy sales).
 - Provides continuous base-load generation, as well as unit dispatch to meet higher demand at system peaks.

To ensure these assets continue to be managed efficiently, Hydro plans and schedules capital investments to minimize impacts to generation availability while maximizing the useful life of the assets.

Bay d'Espoir Hydroelectric Generating Station

Bay d'Espoir Capital Expenditure Outlook: 2026–2035 Excluding Major Projects

2026–2030

- Primarily renewal-driven capital, largely driven by the age and condition of Bay d'Espoir.
- Total investment of approximately \$29.5 million; average annual capital expenditure of \$5.9 million.
 - This total includes \$3.1 million of previously approved capital, and excludes anticipated Major Projects.

2031–2035

- Primarily represents time-based capital interventions, in addition to various stand-alone projects.
 - Subject to change based on planned and future condition assessments, routine maintenance, and inspection activities.
- Investment of approximately \$18.4 million; average annual capital expenditure of \$3.7 million.

Hydro remains committed to completing regular routine inspections, overhauls, and condition assessments in Bay d'Espoir to ensure that the most accurate asset information is available for consideration in the management of the province's power grid.

2026–2030 Planned Capital Work for Bay d’Espoir

Project/Program Title (Bay d'Espoir)

Overhaul Unit 7 (2026)
Perform Level 2 Condition Assessment - Penstock 4 (2026)
Upgrade Spherical Valve Controls (2026-2029)
Overhaul Units 5 & 6 (2027)
Intake Access Road Realignment (2027)
Refurbish Draft Tube Deck - Phase 3 (2027-2029)
Refurbish Intake 4 (2027-2028) - Bay d'Espoir
Refurbish Spherical Valves - Units 1-6 (2027-2032)
Refurbish Phase 1 Exterior Precast Concrete Panel - Powerhouse 1 (2028-2029)
Replace Battery Bank 1 & 2 Powerhouse 1 (2028-2029)
Replace Powerhouse 2 Roof (2028)
Overhaul Units 3 & 4 (2029)

Major Project Title (Bay d'Espoir)

Installation of Bay d'Espoir Unit 8
Life Extension – Bay d’Espoir Unit 7
Bay d’Espoir Penstock 2 Life Extension Project
Bay d’Espoir Penstock 3 Life Extension Project

Hydro’s total capital plan for Bay d’Espoir during the 2026-2030 period, including Major Projects, is \$1.1 billion.

SPECIFIC INVESTMENT HIGHLIGHTS

Highlighted Investments

Hydro Continues to
Manage its Investments
to Ensure a Balance of
Cost and Reliable Service

Project/Program	2026 Budget (\$ Million)	Total Budget (\$ Million)
Perform Boiler Condition Assessment and Miscellaneous Upgrades - Holyrood	9.6	9.6
L23/24 Steel-Tower Transmission Line Renewal	0.6	8.6
Overhaul Turbine Valves and Generator - Unit 2 - Holyrood	7.0	7.0
Perform Facilities Refurbishments	3.0	3.0
Relocate Section of Line - TL220	0.1	4.1

Highlighted Investments

Perform Boiler Condition Assessment and Miscellaneous Upgrades - Holyrood

- Hydro is proposing to continue with the annual project in 2026.
- This project has been completed on an annual basis since 2017 and has been integral in supporting the safe and reliable operation of steam supply systems at the Holyrood TGS.

Overhaul Turbine Valves and Generator - Unit 2 - Holyrood

- Hydro is proposing to complete the three-year overhaul of the valves and the six-year overhaul of the generator for Unit 2.
- Unit 2 turbine valves and generator overhauls were last performed in 2023 and 2020, respectively. As such, according to the established overhaul cycles, an overhaul is required in 2026.

Highlighted Investments

L23/24 Steel-Tower Transmission Line Renewal

- Hydro is proposing a four-year project to maintain the lifespan of L23/L24, two parallel 230 kV steel tower transmission lines built in the late 1960s and early 1970s between Churchill Falls and Wabush.
- Following Hydro's initial assessment and subsequent third-party inspections, 142 structure locations were identified as either high or medium priority and needed repair.
- Engineering analysis by the consultant has strongly recommended that the critical and undersized bracings identified be replaced with members having adequate structural capacity.

Highlighted Investments

Perform Facilities Refurbishments

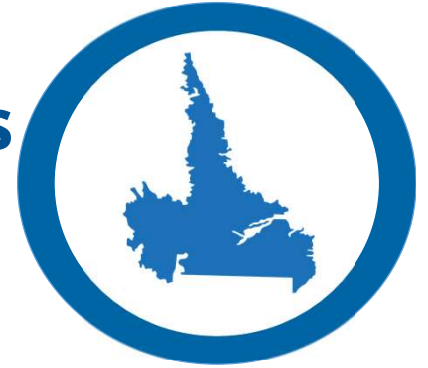
- Hydro has developed a new annual capital program to refurbish its building class of assets as they reach the end of their design life or require attention due to obsolescence or anticipated failure.
- Hydro owns, operates and maintains 342 buildings, which contain approximately 1 million gross square feet of usable space.
- The refurbishment scope included in this program is selected utilizing Hydro's Enterprise Risk Management – Risk Rating, in conjunction with risk spend efficiency.
- In 2026, work scopes and asset condition were primarily derived from existing assessments, which have been completed on a select number of facilities.

Highlighted Investments

Relocate Section of Line – TL220

- Hydro is proposing to reroute the southern section of TL220, which contains deteriorated poles and is located in a challenging area that is inaccessible by current-day transmission line construction equipment.
- The proposed reroute is approximately 10.6 km in length alongside Route 360 and will consist of approximately 120 poles.
- The deteriorated poles pose a risk to the reliability of TL220, and the locations of these poles currently pose a risk to the resiliency of the line.
- TL220 is a radial transmission line with no backup generation, and therefore, without redundancy, the impacts to customers of such an extended unplanned outage would be significant.

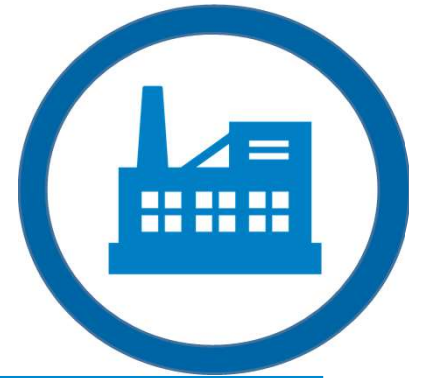
Labrador Interconnected Investments



**Total Newly Proposed Labrador Investment = ~\$5.5 Million
in 2026**

- Asset Renewal (\$3.1 Million)
- Access (Extensions) (\$1.3 Million)
- Mandatory (Metering) (\$1.1 Million)

Specifically Assigned Investments for Industrial Customers



Total Specifically Assigned Investments for Industrial Customers = \$1.5 Million in 2026

- Circuit Breaker and Disconnect Replacement (Tacora: \$0.7 Million)
- Transformer Protection Relay Replacement (Braya: \$0.4 Million)
- Wood Pole Inspections and Circuit Breaker Overhaul (Teck: \$0.3 Million)
- Circuit Breaker and Protective Relay Replacement (IOC: < \$0.1 Million)

CUSTOMER IMPACT

Revenue Requirement Impact

- 2026 CBA request of \$131.6 million, *on a pro-forma basis*, expected to result in increases of **approximately \$4.0 Million and \$16.7 Million in revenue requirement** for 2026 and 2027, respectively.
- Relative to the 2019 Test Year, this represents an increase in Hydro's total revenue requirement of **approximately 0.6% and 2.6%** in 2026 and 2027, respectively.
- These amounts do not reflect any reduction that may occur as a result of asset retirements or potential changes to operating and maintenance charges.

While Hydro's expenditures will increase, in part due to the infrastructure required to meet growing electricity needs, the impacts to customers will be limited as a result of the province's rate mitigation plan.

Through to and including 2030, the Government has committed to target domestic rate increases limited to 2.25% annually.

CONCLUSION

Conclusion

- 2026 CBA requests approval for \$131.6 million of capital investment, driven by increased investment in asset renewal and high inflation in recent years.
- The focus of the 2026 CBA is to maintain the expected level of reliability while ensuring prudent and reasonable expenditures reflective of Hydro's capital plan considerations, which represent an achievable level of execution success.
- Hydro believes all of the expenditures proposed in its 2026 CBA are prudent and necessary for the safe and reliable operation of the electrical system.
 - Hydro has deferred or cancelled over 30 projects in preparing its 2026 CBA, which corresponds to over \$18.5 million in capital investment in 2026.
- As part of the ongoing Reliability and Resource Adequacy Study Review proceeding, a digital engagement process indicated customers largely prioritize the lowest impact on electricity rates rather than other factors, and Hydro is mindful of this concern as it continues asset management planning.

The proposals presented within this application align with Hydro's mandate to provide safe, reliable and least-cost service in an environmentally responsible manner, and support Hydro's focus to maintain the level of reliability expected while ensuring prudent and reasonable expenditures.

Questions?



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