
Newfoundland & Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF A
REQUEST FOR RECONSIDERATION OF
ORDER NO. P.U. 12(2025)
FILED BY
NEWFOUNDLAND AND LABRADOR HYDRO

ORDER NO. P.U. 31(2025)

BEFORE:

Dwanda Newman, LL.B.
Vice-Chair

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
Commissioner

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

ORDER NO. P.U. 31(2025)

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

IN THE MATTER OF a request for reconsideration by Newfoundland and Labrador Hydro of Order No. P.U. 12(2025) which denied the application for approval to construct a new regional diesel generating station and interconnection in Southern Labrador.

BEFORE:

Dwanda Newman, LL.B.
Vice-Chair

John O’Brien, FCPA, FCA, CISA
Commissioner

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1. DECISION SUMMARY

The request for reconsideration of Order No. P.U. 12(2025) is denied. Hydro has not demonstrated that the conclusions in the Order were based on factual inaccuracies or misinterpretations of the evidence. The Board is satisfied that the findings take into account and give appropriate weight to the evidence. In particular:

- The increases in costs to \$110.9 million in December 2024 were not adequately explained, insufficient evidence was provided in relation to other potential changes that might impact the cost analysis and it was not reasonable to rely on the evidence previously filed by Midgard Consulting Inc. without additional supporting evidence.
- The assumed replacement of diesel generating stations at 40 years of service was not supported by the evidence, particularly given Hydro's history of station replacement and the condition and capacity of the existing stations and the costs associated with life extension.
- Hydro's efforts to advance the development of renewable generation in Southern Labrador were not adequate given that the proposed project did not include any new renewable generation or a plan for the implementation of new renewable generation.
- The Labrador Interconnected System interconnection alternative was not shown to have been adequately explored as it was dismissed by Hydro at an early stage and the evidence was unclear and somewhat dated.

2. RECONSIDERATION REQUEST

On June 25, 2025 Newfoundland and Labrador Hydro ("Hydro") filed a request for reconsideration of Order No. P.U. 12(2025), pursuant to subsection 28(1) of the regulations (the "Reconsideration Request").¹ Order No. P.U. 12(2025) was issued on March 31, 2025 denying Hydro's application for approval of capital expenditures associated with its long-term supply plan for Southern Labrador (the "Order"). The Order stated:

While diesel generation may continue to be a part of the solution for the communities of Southern Labrador, the burden is on Hydro to demonstrate that its specific proposal to construct and install a new regional diesel generating station with interconnection of the communities would result in power being delivered to customers in the Province at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service. Hydro has failed to meet this burden.²

The Reconsideration Request states that the Order includes findings of fact that do not take into account important evidence and that materially impacted the outcome of Hydro's application. According to the Reconsideration Request, the conclusions in the Order were based on factual inaccuracies or misinterpretations of the evidence warranting a reconsideration of the decision.

¹ Regulations NLR 39/96 ("**Regulations**"), subsection 28(1).

² Order, page 29.

1 Submissions on the Reconsideration Request were filed by the NunatuKavut Community Council
2 (“NCC”) and comments were filed by the Mary’s Harbour Town Council (“Mary’s Harbour”). Both
3 NCC and Mary’s Harbour opposed the Reconsideration Request.
4

5 NCC submits that the decision and reasons in the Order are fulsome and reasonable and that
6 Hydro simply disagrees with the Order and is effectively seeking an opportunity to re-submit its
7 application. NCC argues that the Reconsideration Request cannot succeed for three reasons:

- 8 i) The request is contrary to well-established legal principles;
- 9 ii) The request is outside the Board’s authority; and
- 10 iii) The request fails to meet the requirements under subsection 28(1) of the
11 **Regulations**.

12
13 Mary’s Harbour does not support the proposed project and argues that the Reconsideration
14 Request includes no substantial changes or new information that would justify a reversal of the
15 Order.
16

17 Hydro in its reply, filed August 28, 2025, submits that the NCC submission is grounded in an
18 incorrect application of judicial review principles to a statutory reconsideration process and a
19 too-narrow definition of an error in finding of fact. In Hydro’s view the Reconsideration Request
20 clearly identified and described the errors in finding of fact.
21

22 The Board acknowledges the submissions of the NCC, but notes that section 118 of the **Act** sets
23 out that the **Act** is to be interpreted and construed liberally in order to accomplish its purposes.
24 In addition, the principles of statutory interpretation require that a broad and purposive
25 approach be taken. In accordance with the legislation and the principles of statutory
26 interpretation, the Board believes that a broad and purposive approach should be taken with
27 respect to the Reconsideration Request. As a result, the Board is not satisfied that the
28 Reconsideration Request should be rejected on either of the three grounds cited by the NCC.
29

30 The Board believes that the primary purpose of a rehearing under subsection 28(1) of the
31 **Regulations** is to provide an efficient and effective means of allowing for the correction of
32 errors. This process can avoid the formalities of an appeal and may allow for the correction of
33 errors in a more cost-effective manner in shorter timeframe. The Board does not accept that
34 legal principles applied in judicial review should be determinative in a review by an
35 administrative tribunal. In addition, the issues raised as to the Board’s consideration and
36 weighing of evidence do not go to the Board’s jurisdiction but may be considered by the Board
37 in its review. Finally, the Board does not believe that a strict interpretation of the requirements
38 of the **Regulations** would be consistent with the broad and purposive approach that should be
39 applied in interpreting enabling statutes and subordinate legislation.

3. ISSUES

The Reconsideration Request states that the findings of fact in the Order do not take into account or give appropriate weight to important evidence that is on the record with respect to four issues:

- i) the increase in project costs in December 2024 to \$110.9 million;
- ii) the assumptions for diesel generating station replacement;
- iii) the prioritization of renewable generation; and
- iv) analysis of the interconnection with the Labrador Interconnected system alternative.

3.1. Increase in Project Costs

The application when initially filed in 2021 requested approval of capital expenditures to proceed with Phase I of a project involving a new regional diesel generating station at Port Hope Simpson with the interconnection of Charlottetown and Pinsent's Arm, Port Hope Simpson, Mary's Harbour and Lodge Bay and St. Lewis (the "Application"). In May 2023, following the filing of a report by Hydro's consultant, Midgard Consulting Inc. ("Midgard"), the Application was revised to reflect higher costs and a new approach. The project costs were subsequently revised in October 2023 and again in December 2024.³ The cost update in December 2024 was filed nine months after the close of submissions. The estimated project costs throughout the proceeding were:

- On July 16, 2021 - \$49.9 million for Phase 1, with total costs of \$72.6 million
- On May 31, 2023 - \$86.4 million
- On October 5, 2023 - \$87.9 million
- On December 6, 2024 - \$110.9 million

The Order, issued on March 31, 2025, set out that insufficient evidence had been provided in relation to the December 2024 increase in the project costs. The Order stated:

The Board is not satisfied that Hydro has provided sufficient detail to support the increase in the estimated proposed Project costs. It is not clear whether there was a full analysis of the circumstances to determine whether there were other changes which may impact the least-cost analysis. The Board finds that without additional evidence and analysis it is not possible to assess the significant change in the costs and whether the proposed Project would result in power being deliver[ed] to customers at the lowest possible cost, in an environmentally friendly manner, consistent with reliable service.⁴

The Order concluded that the December 2024 cost increases were not supported.

³ While the Reconsideration Request referenced updates in October and December 2024, there was no cost update in October 2024.

⁴ Order, page 10.

The Reconsideration Request notes that the December 2024 update explained that the increased project costs were within the sensitivity ranges previously considered by Midgard indicating that the proposed project remained the least-cost option. The Reconsideration Request states:

The Board's conclusion did not fully consider the updated analysis completed by Midgard or the improbability of the small number of sensitivity cases that favored alternative scenarios. The evidence supports that the project remains least cost even with the cost increase to \$110.9 million.⁵

The Reconsideration Request reiterates Hydro's position that the evidence filed by Midgard in November 2023 confirms that the proposed project remained the least-cost option even with higher up-front capital costs. Specifically, it states that this analysis showed that the proposed project remained the least-cost option, except in extreme cases where the interconnection costs increased to 300%, or increased to a minimum of 150% with all other capital costs decreasing or remaining the same.

NCC submits that Hydro reargues and restates its submissions on cost estimates and takes issues with the Board's consideration and weighing of the evidence but fails to identify any error of finding of fact.

Hydro submits in its reply that the Order did not fully consider Midgard's November 2023 analysis and the reliance on the earlier analysis resulted in a finding which did not reflect the full evidentiary record. In addition, Hydro submits that the Order did not appear to consider that cost increases would impact all options.

The Board notes that while the Reconsideration Request states that the cost update in December 2024 reflected schedule delays during the regulatory process, this was not the only driver for the cost increase. There were several other reasons for the estimated increase in costs. In addition to inflationary increases of approximately \$6.6 million, there were cost increases of approximately \$16 million associated with changes in project oversight, the refinement of deliverables and indirect project costs. Each of these drivers were reviewed in the Order and it was found that insufficient evidence had been provided to support the increase in costs:

- i) In terms of the inflationary cost increase of \$6.6 million, Hydro did not provide a breakdown of the increase and did not explain why costs increased by so much in a 14-month period;
- ii) In terms of the project oversight cost increase of \$4.5 million, Hydro did not provide a breakdown of the increase and did not explain why or how the involvement of its Major Projects department increased costs;
- iii) In terms of the refinement of deliverables cost increase of \$3.5 million, Hydro did not explain why the work was necessary and why it was not identified earlier; and

⁵ Reconsideration Request, page 4.

- iv) In terms of the indirect project cost increase of \$8.3 million, Hydro did not provide details as to these increases or an explanation as to why the indirect costs increased by 55% when the direct project costs increased by approximately 20%.⁶

In addition, the Order expressly addressed Hydro's position that the proposed project continued to be least-cost based on Midgard's sensitivity analysis. The Order stated:

The Board does not accept that it is reasonable to conclude that the revised costs are least-cost based on the sensitivity analysis previously conducted by Midgard.⁷

The Board notes that Midgard's analysis was completed in November 2023, over a year before the project costs increased to \$110.9 million in December 2024. While the Reconsideration Request states that the Order did not appear to consider that cost increases would eventually affect all options, the Board notes that the lack of evidence as to other changes in circumstances was in fact one of the issues addressed in the Order. The Order stated that the Board had concerns about such a significant change in costs being considered in isolation from other potential changes. While it is reasonable to assume cost escalation generally, the evidence did not address the extent of the changes in the costs of the other alternatives and whether other changes in circumstances might have impacted the least-cost analysis. The Order noted that Midgard's sensitivity analysis showed that small changes in assumptions can have a significant impact.⁸ As a result, the evidence was insufficient for the Board to determine that the proposed project was consistent with the provision of least-cost, environmentally responsible, reliable service.

In addition, the Board provides the following comments in relation to certain statements in the Reconsideration Request:

- i) The Board does not agree that the statement in the Order as to the potential impact of the significant increase in costs is inconsistent with other findings.⁹ The evidence does not demonstrate that the next least-cost alternative in the October and November 2023 Midgard analysis which was reviewed in the Order involved the continued exclusive use of mobile generation in Charlottetown. Rather the Charlottetown diesel generating station was assumed to be replaced with a new plant in the relevant scenarios in this analysis.¹⁰

⁶ Order, pages 9 to 10.

⁷ Order, page 10.

⁸ Order, page 10; Midgard Report, October 3, 2023, pages 36 and 49; PUB-NLH-097, Attachment 1, Midgard Report, November 5, 2023, page 9.

⁹ Reconsideration Request, page 3; and Order, page 10. The Order set out that with the significant increase in costs, the proposed project would likely not be the least-cost option until much later in the study period and there would likely be more scenarios where it would not be least-cost.

¹⁰ Board Letter, August 1, 2023, page 3; PUB-NLH-097, Attachment 1, Midgard Report, November 5, 2023, pages 5 and 6; Midgard Report, October 3, 2023, pages 14 and 64; and Hydro's letter, December 6, 2024, page 8.

- 1 ii) The Board does not accept Hydro's submission that the Order does not reflect the
- 2 full evidentiary record and notes that the November 2023 sensitivity analysis
- 3 provided by Midgard was addressed in the Order.¹¹
- 4 iii) The Board did not rely on Midgard's initial Integrated Resource Plan to find that the
- 5 costs of the interconnection of the communities would only need to increase by 54%
- 6 to alter the outcome of the alternative analysis as suggested in the Reconsideration
- 7 Request.¹² The Order did not discuss a 54% increase but rather noted the
- 8 interconnection cost increase of 34% reflected in Hydro's comments in its December
- 9 6, 2024 letter which referenced October 2023 analysis.¹³

10
11 In conclusion, the Board is satisfied that the Order fully addressed Midgard's evidence and that
12 the findings are based on the full evidentiary record. The Order found that it was not reasonable
13 to rely on the evidence filed by Midgard over a year before the increase in project costs without
14 additional supporting evidence given the magnitude of the increase and the fact that there was
15 inadequate evidence provided with respect to the increase. The Order concluded that there was
16 insufficient evidence as to the increase in project costs and other potential changes to assess
17 whether the proposed project continued to be consistent with the provision of reliable,
18 environmentally responsible service at the lowest possible cost.

19 20 **3.2. Diesel Generating Station Replacements**

21
22 The proposed project involved the replacement of the existing diesel generating stations in
23 Charlottetown, Port Hope Simpson, Mary's Harbour and St. Lewis with a new regional diesel
24 generating station in Port Hope Simpson. In the analysis of alternatives, it was assumed that the
25 diesel generating stations in Port Hope Simpson, Mary's Harbour and St. Lewis would need to
26 be replaced when they reached 40 years of service or earlier.¹⁴

27
28 The Order concluded that the evidence did not justify the assumption that the diesel generating
29 stations in St. Lewis, Port Hope Simpson and Mary's Harbour would need to be replaced when
30 they reach 40 years of service. The Order noted that Hydro has eleven diesel generating stations
31 which are older than 40 years and stated:

32
33 In conclusion, the Board finds that Hydro's assumption that the diesel generating stations at
34 St. Lewis, Port Hope Simpson and Mary's Harbour would be replaced at 40 years of service or
35 earlier is not consistent with Hydro's past practice. Hydro has never replaced a diesel
36 generating station in the absence of a capacity deficit or a catastrophic loss. In addition, the
37 Board notes that Hydro did not assume that the new regional diesel generating station would
38 be replaced at 40 years of service. Based on the evidence as to the load, capacity and
39 condition of St. Lewis, Port Hope Simpson and Mary's Harbour, the Board is not satisfied that

¹¹ Order, page 10; Midgard filed analysis on March 28, 2023, October 3, 2023 and November 5, 2023.

¹² Reconsideration Request, page 2.

¹³ Order, page 10; and Letter from Hydro, December 6, 2024, Attachment 2, pages 6 to 7.

¹⁴ The Mary's Harbour station was to be replaced in 2030 in one alternative and 2035 in another, Port Hope Simpson was to be replaced in 2035 and St. Lewis in 2045.

1 it is reasonable to assume that these stations would be replaced when they reach 40 years of
2 service or before. While capital costs would be required to extend the service lives of these
3 stations, the evidence does not demonstrate that these costs would outweigh the savings
4 associated with delaying the replacement of these stations.¹⁵

5
6 The Reconsideration Request notes that the 50-year sensitivity set out in Midgard's November
7 2023 analysis revealed that the proposed project remained the top-ranked scenario in 264 of
8 300 of the sensitivity instances and states:

9
10 The Board's conclusion did not account for the low probability of the scenarios in which the
11 extension of the service life of the existing diesel plants resulted in the proposed project no
12 longer being the least-cost solution. The evidence supports the reasonableness of Hydro's
13 assumptions and the continued support for the viability of the proposed project as the least-
14 cost option.¹⁶

15
16 The Reconsideration Request notes that each sensitivity request does not have equal probability
17 of occurrence and sensitivity cases involving high transmission cost variances are particularly
18 unlikely. Further, the scenarios where the Islanded Life Extension became the top-ranked
19 scenario were deemed to be unreasonable as they would require community interconnection
20 costs to dramatically increase over any other cost increases. The Reconsideration Request states
21 that there was no evidence indicating that life extension beyond 50 years would impact the
22 recommended options, particularly given that life extension would have associated costs and
23 that cost increases over time generally impact all options.

24
25 NCC submits that the Order reviewed Hydro's submissions in relation to the life extension of the
26 diesel generating stations and that Hydro takes issue with the Board's consideration and
27 weighing of the evidence and fails to identify any error of finding of fact.

28
29 Hydro states in its reply submission that the findings in the Order in relation to the service life
30 of the diesel generating stations were based on generalized assumptions and/or lacked
31 supporting engineering assessments. Further Hydro submits that the findings did not account
32 for the operational risks and cost implications of continued reliance on aging infrastructure.
33 While Hydro's submission states that the Order found that the evidentiary record did not
34 "address" the assumption of a 40-year life for the diesel generating stations, the Order set out
35 that the assumed replacements were not "justified."¹⁷

36
37 The Board notes that the Order reviewed the evidence and concluded that it did not support
38 the assumed replacement of the diesel generating stations in St. Lewis, Port Hope Simpson and
39 Mary's Harbour at 40-years of service. The Order addressed the evidence as to how Hydro
40 determined that the diesel generating stations would be replaced and the evidence provided by

¹⁵ Order, page 16.

¹⁶ Reconsideration Request, page 5.

¹⁷ Reconsideration Request, page 4; Hydro Submission, page 4 and Order, page 29.

Midgard in support of this determination.¹⁸ Based on the evidence Hydro has never replaced a diesel generating station except in the case of a capacity shortfall or a catastrophic failure. The evidence as to the condition and capacity of each of the plants was reviewed in detail.¹⁹ The Order found that based on the evidence as to the load, capacity and condition of each of the St. Lewis, Port Hope Simpson and Mary's Harbour diesel generating stations it was not reasonable to assume that it would be necessary to replace these stations when they reach 40 years of service or that it would be uneconomic to extend the service lives of these plants.²⁰

While the Reconsideration Request argues that the Board did not consider the evidence as to the low probability of the scenarios in which the proposed project was not least-cost, the Board notes that the Order did address the sensitivity analysis conducted by Midgard. The Order noted that using a 50-year service life changed the results of the analyses. The Order set out that it would not be unreasonable to assume that the service life of one or more of these stations could be extended and this could have a significant impact on the results of the analysis.

In terms of the suggestion that there was no evidence as to life extension beyond 50 years, it is Hydro's burden to demonstrate the reasonableness of its assumptions. As noted in the Order Hydro has never replaced a diesel generating station in the absence of a catastrophic failure or capacity shortfall. The Order reviewed the evidence and found that it did not demonstrate that condition or capacity concerns support the assumed replacement of these three plants or that the costs of life extension would be uneconomic. While Hydro submits that the finding did not account for the operational risks and the cost implications of continued reliance on aging infrastructure, there was little evidence provided in relation to these issues.

The Board does not accept that the findings with respect to life extension of the diesel generating stations were based on generalized assumptions. The findings were based on Hydro's history with respect to diesel generating station replacement, the evidence as to the condition and capacity of the plants, the least-cost analysis and the fact that there was insufficient evidence as to life extension, including the associated costs.

3.3. Renewable Generation

The Application set out that the proposed project had increased potential for renewable energy penetration as renewables can be more easily integrated into larger systems.²¹ Further the proposed project would support the reduction of diesel consumption while allowing for the potential integration of renewable generation sources in the future.²²

The Order stated that Hydro had not demonstrated that it made reasonable efforts to advance the development of renewable generation in Southern Labrador:

¹⁸ Order, pages 11 and 12.

¹⁹ Order, pages 13 to 16.

²⁰ Order, page 16.

²¹ Application, July 16, 2021, Schedule 1, page 16.

²² Application, July 16, 2021, Schedule 1, page 16.

1 Despite the importance of this issue, the clear preference of the stakeholders for renewable
 2 generation, the concerns expressed by the Board and the recommendations of both Midgard
 3 and Hatch, the proposed Project does not include any new renewable generation and the
 4 Application does not set out a plan for the implementation of new renewable generation in
 5 the short, medium or long-term. This is a significant issue and a significant gap in the
 6 Application.²³

7
 8 The Reconsideration Request states that the Board did not fully consider Hydro's expressed
 9 commitments, the technical limitations of renewables, or the other environmental benefits
 10 provided by the proposed project. The Reconsideration Request states:

11
 12 ...the Board appeared to focus its attention on the preference of stakeholders for renewable
 13 generation without consideration of the environmental benefits of the proposed project nor
 14 the primary requirement for firm supply which renewables do not currently provide
 15 economically or technically.²⁴

16
 17 NCC submits that the Order summarized the evidence and highlighted the gaps and lack of clarity
 18 and also found that the lack of a defined path towards renewables was inconsistent with the
 19 provincial energy policy and stakeholder priorities. NCC submits that the Reconsideration
 20 Request reargues its earlier submissions without identifying any error of finding of fact and takes
 21 issue with the Board's consideration and weighing of the evidence. NCC states that it is not
 22 necessary for a decision-maker to address every single argument or piece of evidence.

23
 24 Mary's Harbour opposes the proposed construction of a regional diesel plant to serve Southern
 25 Labrador for the next 50 plus years and submits that this is fundamentally misaligned with the
 26 goals of growth, sustainability and economic opportunity of the communities.

27
 28 Hydro submits that the Order focused solely on the lack of a specific renewable generation
 29 component and did not consider the full range of environmental benefits of the proposed
 30 project or the technical limitations of current renewable technologies in providing firm supply.

31
 32 The Board notes that the Reconsideration Request raises three specific issues in relation to
 33 renewable energy:

- 34 i) Renewable energy as firm supply;
- 35 ii) Integration of renewable energy; and
- 36 iii) Additional environmental benefits of the proposed project.

37
 38 In terms of firm supply, the Reconsideration Request states that it appears that the Board did
 39 not consider the evidence which showed that diesel generation is the only economical source
 40 of "firm" long-term capacity for Southern Labrador. The Board notes that the Order did not state
 41 that renewable energy should be treated as firm energy for Southern Labrador. Rather the Order
 42 set out that Hydro had not demonstrated that the potential additional renewable capacity was

²³ Order, page 20.

²⁴ Reconsideration Request, page 8.

1 of value or that reasonable efforts had been made to advance the development of renewable
 2 generation in Southern Labrador.²⁵ The Order acknowledged that reliance on diesel generation
 3 to provide dependable energy and capacity to remote isolated loads continues to be prevalent
 4 in Canada and that fully renewable/battery supported systems may not be economic for some
 5 years.²⁶

6
 7 In terms of the integration of renewables, the Reconsideration Request states that Hydro had
 8 committed to integrating renewable projects post-approval and its planned approach was to
 9 integrate renewable energy sources through power purchase partnerships with Indigenous and
 10 Community groups such as through its commitment to work with Nunacor Development
 11 Corporation. The Board notes that the evidence showed that the proposed project did not
 12 include new renewable generation and further Hydro did not set out a plan for the
 13 implementation of renewable generation in the short, medium or long-term. On this basis the
 14 Order found that Hydro had not made reasonable efforts to advance the development of
 15 renewable generation in Southern Labrador.

16
 17 In terms of the additional environmental benefits, the Reconsideration Request states that the
 18 Order did not reference the fact that the proposed project would reduce diesel consumption
 19 and greenhouse gas emissions and that the project is in accordance with all federal and
 20 provincial legislation. The Board notes that greenhouse gas emissions and compliance with
 21 federal and provincial legislation was not an issue in the proceeding and therefore was not
 22 discussed.²⁷ Further, while the Order did not specifically reference the reduction in diesel
 23 consumption, it was inherent in the cost analysis which reflected the cost savings associated
 24 with the proposed new larger regional diesel plant. In addition, the reduction in diesel
 25 consumption was not relevant to the findings with respect to renewable generation which
 26 related to the failure to provide a plan for the implementation of renewable energy sources and
 27 to demonstrate the value of the additional renewable potential associated with the proposed
 28 project.

29
 30 In conclusion, while Hydro stated that it was committed to working with third parties in the
 31 development of renewable energy projects, the evidence lacked specifics and the Order found
 32 that Hydro had not demonstrated reasonable efforts to advance development of such projects
 33 in Southern Labrador. The Order stated:

34
 35 The Board believes that more could and should be done by Hydro to ensure the development
 36 of alternatives which are more consistent with community and government objectives in this
 37 developing area. While the proposed Project would increase the potential for renewable
 38 generation, the evidence does not show that this increase would be of value given the unused
 39 potential now available and the lack of a plan or timeline for the addition of renewable
 40 generation.²⁸

²⁵ Order, page 20.

²⁶ Order, pages 20 and 28.

²⁷ The potential reduction in greenhouse gas emissions was referenced in the Order, at page 6.

²⁸ Order, page 28.

The Board is satisfied that the Order addressed Hydro's expressed commitments in finding that there was no plan for the integration of renewables. In addition, the technical limitations of renewables as firm energy were acknowledged and the Order found that the additional renewable potential of the proposed project was not shown to be of value. Further, the other environmental benefits of the proposed project were reflected in the Order but were not relevant to the findings related to additional renewable generation.

3.4. Interconnection with the Labrador Interconnected System

The Application stated that the interconnection of the Southern Labrador communities to the Labrador Interconnected System ("LIS") would involve the construction of approximately 400 kilometres of 138 kV transmission line, a new terminal station in Port Hope Simpson and the construction of distribution lines to connect the communities. Hydro's preliminary cost estimates indicated that the total capital cost of such an interconnection with the LIS would be in excess of \$400 million. Due to the magnitude of this cost, Hydro did not consider this alternative further for analysis.²⁹

The Order set out that Hydro had not demonstrated that it had adequately explored the LIS interconnection option and stated:

Given the importance of this matter for the region and the clear stakeholder preference for interconnection with the rest of Labrador, the Board is not satisfied that the interconnection to the LIS was adequately explored as part of a comprehensive long-term plan for Southern Labrador.³⁰

The Reconsideration Request notes that evidence was filed showing that the LIS interconnection would cost in excess of \$300 million and was screened out as, based on this cost, it would not be viable in comparison to other alternatives. The Reconsideration Request states:

The Board's finding overlooks the comprehensive evidence provided that demonstrates that interconnection with the Labrador Interconnected System is not a viable least-cost alternative.³¹

The Reconsideration Request also notes that Midgard concluded that the interconnection with the LIS had a net present value life cycle cost of over \$127 million higher than the proposed project.

NCC submits that the Board reviewed the evidence and notes that the LIS interconnection alternative was not the subject of comprehensive engineering analysis, the cost estimates were high level and based on dated information and details were unclear and inconsistent, and the evidence as to efforts to pursue funding opportunities was lacking. NCC argues that Hydro takes

²⁹ Application, July 16, 2021, Schedule 1, page 7.

³⁰ Order, page 23.

³¹ Reconsideration Request, page 9.

1 issue with the Board's consideration and weighing of the evidence and fails to identify any
 2 alleged error of finding of fact. NCC states that it strongly supports further evaluation of the
 3 interconnection with the LIS as a long-term solution for the provision of sustainable and reliable
 4 energy for Southern Labrador.

5
 6 Mary's Harbour submits that a long-term diesel generation project directly contradicts national
 7 and provincial commitments and notes the potential for the recent Memorandum of
 8 Understanding to generate \$225 billion in revenue which must also benefit Labrador's coastal
 9 communities particularly those close to the energy resources. According to Mary's Harbour, it is
 10 unacceptable that Hydro continues to advocate for diesel as a primary energy source for the
 11 region when the rest of the province and country are moving toward clean alternatives:

12
 13 At a time when the Province is investing in and exporting clean energy to other jurisdictions,
 14 it is only fair and logical that **coastal Labrador**-which lies closest to these resources-should
 15 also benefit. Spending **\$110 million** on a diesel plant to serve just six communities (all of which
 16 are now road-connected) is neither **economically responsible** nor **environmentally**
 17 **sustainable**. When long-term operational and fuel costs are factored in, the total cost
 18 becomes more burdensome.³²

19
 20 Hydro submits in reply that while the Order found that certain details were unclear this
 21 information had been repeatedly detailed in Hydro's evidence. According to Hydro the Order
 22 overlooked this evidence and did not reflect the economic and logistical challenges of the
 23 interconnection in the near term and did not consider additional backup plant costs, which
 24 would be additive to the estimates.

25
 26 The Board notes that the Order reviewed the evidence filed in relation to the LIS interconnection
 27 alternative and found that Hydro had not demonstrated that this alternative had been
 28 adequately explored. Hydro itself indicated that its analysis was based on a preliminary cost
 29 estimate and that, due to the magnitude of the cost, it was not considered further for analysis.³³
 30 The Order found that the cost information for the LIS interconnection alternative was unclear,
 31 was at a high level and was somewhat dated. The cost estimates ranged from \$350 million to
 32 almost \$440 million and were based on estimates from 2014, 2016 and 2020. Further Midgard
 33 confirmed it did not develop its own estimate for the LIS interconnection, and instead relied on
 34 the 2020 Hatch report which provided high level cost estimates.³⁴ The Order also questioned
 35 whether sufficient efforts had been made in relation to potential funding opportunities for the
 36 LIS interconnection option.³⁵

37
 38 While Hydro submitted that the findings did not reflect the economic and logistical challenges
 39 associated with the LIS alternative in the near term, these issues were not sufficiently detailed
 40 in the evidence. Further, the Order did not state that it was unclear whether the construction of

³² Mary's Harbour letter, August 12, 2025, page 2.

³³ Application, July 16, 2021, Schedule 1, page 7.

³⁴ Midgard Report, March 31, 2023, pages 74 and 79.

³⁵ Order, page 23.

1 a regional “interconnection” would be necessary, but rather that the evidence was unclear as
 2 to the need for a new regional *generating station* in this alternative.³⁶ As noted in the Order, the
 3 evidence was not clear as to the backup plant requirements and costs associated with this
 4 alternative.³⁷

5
 6 The Board notes that there are many factors which are considered in the assessment as to
 7 whether a project is consistent with the provision of least-cost environmentally responsible
 8 reliable service. In making this assessment the Board requires fully developed alternatives to
 9 ensure that it is in the best position to weigh the factors to be considered. As noted in the Order,
 10 the Application proposed a major generation and transmission project which would change the
 11 way Southern Labrador is supplied. Despite the significance of this proposed change Hydro did
 12 a preliminary analysis on the LIS interconnection alternative and, on this basis, determined that
 13 the alternative was not viable. The evidence provided in relation to this alternative was found
 14 to be inadequate for the Board to weigh the relevant considerations in the context of its
 15 legislative mandate. This was particularly important given the significance of the proposed
 16 changes, interest of the stakeholders in ensuring all reasonable efforts are made to assess the
 17 viability of the LIS interconnection option, expressed government climate objectives, and the
 18 recent announcements with respect to energy developments in Labrador. The Board does not
 19 accept that the evidence demonstrated that the LIS interconnection was not a viable least-cost
 20 alternative.

21 22 **4. MIDGARD LETTER**

23
 24 The Board notes that the Reconsideration Request includes a letter from Midgard dated June
 25 18, 2025 and states:

26
 27 Midgard has also reviewed the Board’s Order and has provided correspondence regarding how
 28 their analysis, findings, and recommendations were considered and referenced in the Order.
 29 Midgard stated that while the Board did not explicitly discount Midgard’s evidence, Midgard
 30 believes certain aspects of its evidence may have been overlooked or misinterpreted.
 31 Midgard’s findings are provided with this correspondence as Attachment 1.³⁸

32
 33 NCC argued that the Midgard letter is not properly before the Board and should not be
 34 considered.

35
 36 Hydro argued that NCC is incorrect and states that the letter clarifies previously submitted
 37 evidence and does not introduce new material. As a result, in Hydro’s view it is appropriate for
 38 the Board to consider Midgard’s letter in the reconsideration.

³⁶ Reconsideration Request, page 8; and Order, page 22.

³⁷ Reconsideration Request, page 8; and Order, pages 21 to 22. Midgard’s evidence set out that a regional diesel generating station would be required but was not clear as to whether these costs were included in the analysis.

³⁸ Reconsideration Request, page 9.

1 The Board does not accept that the Midgard letter is a clarification of previously submitted
 2 evidence and not new material. The Board believes that the letter from Midgard is new evidence
 3 which may clarify or add to the evidence previously provided by Midgard. The Midgard letter is
 4 quite lengthy and provides comments on all four of the issues raised by Hydro in the
 5 Reconsideration Request.

6
 7 The Board notes that **Regulation 28(1)** provides for the introduction of new evidence in the case
 8 of a re-opening prior to a final order. It would be extremely unusual for new evidence to be filed
 9 following the issuance of an order of the Board. Despite this Hydro does not address the Midgard
 10 letter in a substantive way, either in the Reconsideration Request or in its submissions.
 11 Considering the breadth and extent of the content of the Midgard letter and the complexity of
 12 the issues and evidence in this proceeding, the Board does not believe that it would be
 13 appropriate to consider the new material in this Reconsideration Request, particularly given the
 14 passage of time and the potential for other changes.

15
 16 In addition, the Board does not believe that Hydro's suggestion of further process at this stage
 17 of the matter is reasonable in the circumstances. The Board has issued its Order on the
 18 Application and if Hydro wishes to introduce additional evidence and have further process it
 19 may file a new application where comprehensive updated evidence can be filed and appropriate
 20 processes can be established for the review of this evidence with the participation of interested
 21 parties.

22 23 **5. CONCLUSION**

24
 25 The Board notes that in making its determinations with respect to the proposed project it is
 26 required to assess whether approval would be consistent with the provision of reliable,
 27 environmentally responsible service at the lowest possible cost. All three aspects must be
 28 considered and, as a result, there are circumstances where the least-cost project may not be
 29 approved. In making this determination the Board considers all of the circumstances including
 30 the magnitude of the differences in costs between each of the alternatives and the associated
 31 risks and benefits, including cost, schedule and service risks. For example, the Board recently
 32 approved a project which was not least-cost on the basis that it provided additional firm capacity
 33 at a marginal incremental cost while also providing a buffer for additional load growth.³⁹

34
 35 The Order found that insufficient evidence had been provided in relation to the increase in the
 36 project costs to \$110.9 million, diesel generating station replacements, renewable generation
 37 and the LIS interconnection alternative. As a result, the evidence was insufficient for the Board
 38 to assess whether the proposed project was consistent with the provision of least-cost,
 39 environmentally responsible, reliable service. The Board does not agree with the
 40 Reconsideration Request that the conclusions in the Order are based on factual inaccuracies or
 41 misinterpretations of the evidence or were based on unsupported or incomplete interpretations
 42 of fact or that the findings of fact did not take into account or give appropriate weight to

³⁹ Order No. P.U. 25(2024).

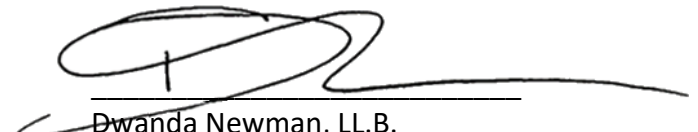
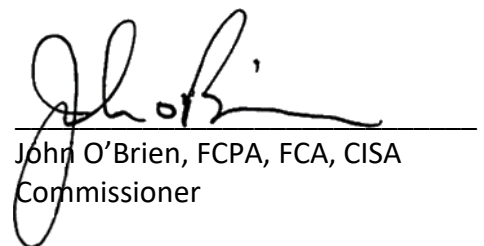
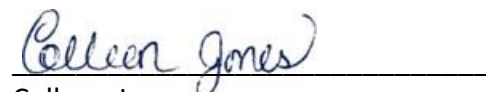
important evidence. The Board notes that it is Hydro's burden to demonstrate on a balance of probabilities that the proposed project should be approved and the Board is satisfied that Hydro failed to meet this burden.

6. ORDER

IT IS THEREFORE ORDERED THAT:

1. Newfoundland and Labrador Hydro's request for reconsideration of Board Order No. P.U. 12(2025) is denied.
2. Newfoundland and Labrador Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador this 24th day of October 2025.


Dwanda Newman, LL.B.
Vice-Chair
John O'Brien, FCPA, FCA, CISA
Commissioner
Christopher Pike, LL.B., FCIP
Commissioner
Colleen Jones
Assistant Board Secretary

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