Q. **Reference: 2024 Resource Adequacy Plan: An Update to the Reliability and Resource Adequacy Study: 2024 Resource Plan Overview, p. vii.**

Regarding the Avalon CT and Bay d'Espoir Unit 8 it was stated that "*Early estimates indicate these new assets will require an investment of $1.2 to $1.6 billion*…" Please provide the associated underlying estimates for each of the two projects that yielded this $1.2 to $1.6 billion range.

A. Newfoundland and Labrador Hydro's ("Hydro") range of $1.2 to $1.6 billion, as provided within the 2024 Resource Adequacy Plan[1] was comprised of Class 5 estimates[2] for:

- Bay d'Espoir Unit 8;
- Avalon Combustion Turbine ("CT"); and
- Potential transmission upgrades.

All the corresponding estimates have been placed on the record as part of the *Reliability and Resource Adequacy Study Review* proceeding and the 2025 Build Application[3] proceeding.

These estimates are now considered outdated and have been replaced by more recent cost estimates provided within the 2025 Build Application proceeding. As Hydro stated in its 2024 Resource Adequacy Plan:

> Major equipment suppliers and large construction contractors are no longer willing to spend time on preparing budgetary pricing and the timeframe for expiry of quotations and tender pricing has decreased significantly. This has created challenges in estimating accurate pricing and delivery times for project

[1] "2024 Resource Adequacy Plan – An Update to the Reliability and Resource Adequacy Study," Newfoundland and Labrador Hydro, rev. August 26, 2024 (originally filed July 9, 2024).
[2] Estimates were in 2023 Canadian dollars.
[3] "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.

planning. This, along with high inflation, has resulted in project cost estimates going "stale" very quickly.[4]

Prior to requesting project approval, Hydro matured its cost estimates for Bay d'Espoir Unit 8 and the Avalon CT to the AACE[5] Class 3 estimates through increased front-end planning and engineering. Both estimates were presented in the 2025 Build Application, including the incorporation of recommendations from the Muskrat Falls Inquiry and best practices within major projects.[6,7] As a result, total project costs are higher than the Class 5 estimate range of $1.2 billion to $1.6 billion initially indicated in the 2024 Resource Adequacy Plan. The higher estimate is driven by a number of factors, including supply chain pressures on pricing for major equipment, refinement of indirect cost estimates, increased financing costs, and the addition of Management Reserve.

The accuracy of each estimate class is provided below:

- Class 5: -50% to +100%
- Class 3: -20% to +30%

Based on the most recent cost information available for the Bay d'Espoir Unit 8 and Avalon CT projects, excluding the Management Reserve,[8] both estimates are within the Class 5 estimate range from the 2024 Resource Adequacy Plan.

The basis for the estimate for Bay d'Espoir Unit 8 within the 2024 Resource Adequacy Plan was a 2017 estimate completed by SNC Lavalin,[9] which had been escalated to $0.5 billion (2022 dollars) as part of the 2022 Reliability and Resource Adequacy Study Update.[10] As a result of the

[4] *Supra,* f.n. 1, 2024 Resource Plan Overview, p. 59/19–23.
[5] Association for the Advancement of Cost Engineering ("AACE").
[6] Please refer to the Basis of Estimate documents provided as Schedule 4, Attachment 1 and Schedule 5, Attachment 1 of the 2025 Build Application for the Bay d'Espoir Unit 8 and the Avalon CT projects, respectively.
[7] Hydro provided the supporting Capital Cost Estimate completed by Hatch Ltd. as Attachment 2 to "Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine – Documents Placed on the Record – Hydro's Reply," Newfoundland and Labrador Hydro, June 13, 2025.
[8] Management Reserve was not included within the range of $1.2 to $1.6 billion.
[9] Please refer to "Proposed Bay d'Espoir Hydro Generating Unit 8 – Class 3 Cost Estimate and Project Execution Schedule," SNC Lavalin, March 22, 2018, provided as Attachment 19 to "Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine – Documents Placed on the Record – Hydro's Reply," Newfoundland and Labrador Hydro, June 13, 2025.
[10] "Reliability and Resource Adequacy Study – 2022 Update," Newfoundland and Labrador Hydro, October 3, 2022, vol. III, att. 6.

passage of time, Hydro considered this estimate to be equivalent to a Class 5 within its 2024 Resource Adequacy Plan analysis.[11]

The initial Class 5 cost estimate of $0.5 billion for the Avalon CT was provided in the CT Feasibility Study filed with the Board in September 2023.[12]

The range provided within the 2024 Resource Adequacy Plan also considered the cost of potential transmission upgrades as identified in the 2023 Avalon Supply Transmission Study.[13] The 2024 Resource Adequacy Plan discussed a range of options, including the construction of a new transmission line, which was estimated at $0.2 to $0.4 billion depending on whether or not reactive power support was required.[14] These costs were not included in the estimates prepared for the 2025 Build Application and have since been updated as a result of the Avalon Remedial Action Scheme ("RAS") Feasibility Study,[15] which confirmed the technical viability of the Avalon RAS as an alternative solution to address transmission constraints. As a result, Hydro will not need to pursue the construction of a new transmission line in the corridor between Bay d'Espoir and Soldiers Pond at this time. The cost of implementing the RAS solution is expected to be significantly lower than that of constructing a new transmission line. While cost estimates have not yet been developed, it is understood that implementation will involve modifications to protection and controls relaying at a fraction of the cost.

[11] *Supra,* f.n. 1, app. C, p. 24 of 163/15–17.
[12] "Newfoundland and Labrador Hydro Concept Design Report – Final Report," Hatch Ltd., September 28, 2023, provided as Attachment 1 to "Combustion Turbine Feasibility Study – Overview," Newfoundland and Labrador Hydro, September 29, 2023.
[13] "Assessment of the BDE/SOP Transmission Constraints," TransGrid Solutions Inc., October 25, 2023, filed as Attachment 1 to "Avalon Supply (Transmission) Study – Overview," Newfoundland and Labrador Hydro, October 31, 2023.
[14] *Supra,* f.n. 1, app. C, sec. 7.3, pp. 117–118 of 163.
[15] "Avalon Remedial Action Scheme (RAS) Feasibility Study," TransGrid Solutions Inc., October 7, 2025, filed as Attachment 1 to "Avalon Remedial Action Scheme Feasibility Study – Overview," Newfoundland and Labrador Hydro, October 14, 2025.