Q. **Reference: Schedule 1, page 4, lines 23 to 26.**

> "The concerns regarding delays in the project schedule as a result of having to pause work pending approval, and the associated risks of increased costs remain. Pausing this work to await approval of the 2025 Build Application would have significant implications for the proposed projects' schedules and costs."

a) If the Application for Additional Early Execution Capital Work is not approved, what work items will be paused.

b) What are the specific concerns associated with having to pause work pending approval? In the response focus on the specific concerns and costs associated with (i) continuing into 2026 with only the existing scope and budget approved in Board Order No. P.U. 17(2025); and (ii) waiting until after the Board Order on the 2025 Build Application is released before proceeding with the additional scope of work.

A. **a)** If Newfoundland and Labrador Hydro's ("Hydro") Additional Early Execution Application is not approved, upon notification of the denial, Hydro would immediately assess what can and should be continued for the Build Application projects.

Approval of the Additional Early Execution Application is crucial for the Avalon Combustion Turbine ("CT") project. The present budget does not allow for the execution of any new work in 2026. The work described in the Additional Early Execution Application and detailed in Hydro's responses to PUB-NLH-003 and PUB-NLH-010 of this proceeding could not continue. Most importantly, the next scheduled milestone payment as per the contractual agreement for the CT is required by March 26, 2026. That milestone payment will enable Hydro to fully secure the production slots and overall price. If Hydro is unable to proceed with that payment, or any milestone payment, the contract will be cancelled. The only items that continue to be worked on pertain to early execution work closeout, the geotechnical

investigation report, and the relocation of Newfoundland Power Inc.'s Transmission Lines 38L and 39L.[1]

For the Bay d'Espoir Unit 8 project, a large portion of the existing budget was approved in Board Order No. P.U. 17(2025) remains as the EPCM[2] scope, and the design and model testing scope for the turbine and generator package have been moved to start in 2026. Hydro would assess what portion of the work could be completed within the existing approved budget if the application is not approved.

The delay in execution of the steps required to implement the proposed projects, to allow Hydro to meet the schedules currently set out in the 2025 Build Application,[3] would have significant schedule and financial ramifications, as discussed further below. There would also be considerable reliability risk of events like those recently experienced on the system, particularly with the continued reliance on the Holyrood Thermal Generating Station ("Holyrood TGS"), the reliability of which is unpredictable.

b) (i) Specific concerns associated with continuing into 2026 with only the existing scope and budget approved in Board Order No. P.U. 17(2025) are outlined below:

Significant Project Delays

As stated above, based on the contractual agreement for CT packages, the next scheduled milestone payment is required by March 26, 2026. That milestone payment will enable Hydro to fully secure the production slots and overall price. If Hydro is unable to proceed with that payment, or any milestone payment, the contract will be cancelled. The reserved combustion turbine manufacturing slot would be lost, creating a likely multi-year delay for the Avalon CT project due to high global demand.[4]

[1] Transmission Line 38L outage was completed, and the rerouted line returned to service. Decommissioning of portions of Transmission Lines 38L and 39L will commence after the completion of the Transmission Line 39L outage.
[2] Engineering, Procurement and Construction Management ("EPCM").
[3] "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.
[4] As discussed in the application, Hydro has found that the CT market has accelerated even more than anticipated, largely due to the increased competition for equipment from rapidly evolving technology industries such as artificial intelligence.

Significant Increases in Project Costs

Hydro previously estimated the cost of delay for each of the build application projects at $30 million to $50 million per year. Given the large increases Hydro has seen in the CT package alone, the cost impact of delays is likely much higher.

Significant Costs and Reliability Risks with the Continued Operation of Holyrood

Until both projects requested in the 2025 Build Application are in service, Holyrood TGS operation must be extended and combined fuel, capital, and operating costs for the facility will continue to exceed $100 million per year.

The operational dependency on Holyrood TGS is directly linked to overall system reliability: continued reliance on this aging thermal facility increases exposure to unplanned outages, resulting in the increased likelihood of customer outages.

(ii) For both projects, if the work is paused until future approval of the 2025 Build Application, Hydro would expect material schedule slippage driven by missed seasonal construction windows, re-procurement timelines, restaffing, long-lead equipment requoting, and higher overall costs due to escalation, remobilization, extended project management and engineering duration. The future schedules and overall costs would also be dictated by market demand for power generation equipment and existing suppliers' willingness to return to negotiations. Hydro's reliance on the Holyrood TGS would continue with the cost and reliability risks as stated above and further below.

These projects are required to enable the retirement of the Holyrood TGS, an aging asset that has experienced an increasing number of reliability issues despite continued maintenance efforts and ongoing sustaining capital investments. Hydro's recent experience in late January 2026 has demonstrated that the reliability performance of the Holyrood TGS is erratic due to the age, condition, and inherent limitations of the facility. To retire Holyrood TGS without compromising the reliability of the Island Interconnected System, additional system capacity must be added. The diversity of the new assets proposed in the 2025 Build Application allow for

increased flexibility in handling system events and enhances overall system reliability.[5] The Avalon CT provides reliable thermal generation to support system peaks and significantly reduces the transmission investment to alleviate the Off-Avalon to On-Avalon bottleneck. Bay d'Espoir Unit 8 will increase system capacity and enhance Hydro's ability to manage maintenance outages of other aging assets on the electricity grid to improve winter readiness and system reliability through the winter period.[6]

Hydro also emphasizes that the proposed system additions represent only the *minimum* investments required at this time. They are the first step in addressing the retirement of the Holyrood TGS and forecasted load growth; the capacity additions in the 2025 Build Application are the foundational elements necessary to maintain reliability and meet system needs. Without the capacity additions in the required timeframes, Hydro would be unable to reliably serve its customers or fulfill its mandate to provide safe, reliable electricity service. Proceeding without new capacity is not a viable option for maintaining the reliability of the Island Interconnected System.

In summary, a denial of the Additional Early Execution Application would necessitate the assessment of resource requirements and suspension of supplier and consultant negotiations; if overall approval of the proposed projects follows later, the projects will reengage and face increased costs and significant schedule delays, delays in the projects will mean Hydro will need to extend its reliance on Holyrood TGS with increasing system reliability risk until reliable solutions are in place. Timely approval remains critical to protecting front-end engineering design aligned cost estimates, in-service dates, managing cost exposure, and safeguarding the reliability of the Island Interconnected System.

[5] The Minimum Investment Required Expansion Plan continues to incorporate an assumption of the rotation of up to 100 MW in a LIL shortfall scenario or other equivalent system event.
[6] Bay d'Espoir Unit 8 is being designed to mitigate the risks associated with frazil ice, such as those experienced at the Bay d'Espoir Hydroelectric Generating Facility in late January 2026.