

1 Q. Reference: Schedule 1, page 19, line 22.

2 a) Describe in detail what has happened since the early execution application was
3 approved in Order No. P.U.17 (2005) to increase Hydro's cost exposure by [REDACTED]
4 ([REDACTED]) for Bay d'Espoir Unit 8.

5 b) Explain how Hydro intends to manage this increased cost exposure.

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8 A. a) The original Early Execution Application,¹ approved by the Board of Commissioners of Public
9 Utilities ("Board") in Order No. P.U.17(2025), referenced the cost exposure for the
10 procurement of the turbine and generator package specifically.² This item was highlighted in
11 the Early Execution Application, as it was the primary procurement package included in the
12 early execution work. The \$ [REDACTED] million original Early Execution budget was an estimate
13 based on informal quotes from vendors for the early execution period. Newfoundland and
14 Labrador Hydro ("Hydro") has requested an additional \$ [REDACTED] million to cover the estimated
15 costs to the end of the additional early execution period, for a total early execution capital
16 spend of \$ [REDACTED] million.

17 The reference to \$ [REDACTED] million noted by the Board in its request for information was specific
18 to the EPCM³ Support and Internal Project Management category within Table 2 of Schedule
19 1 of this application.⁴ The cost exposure for this line item has increased by \$ [REDACTED] million (from
20 \$ [REDACTED] million in the original Early Execution Application to approximately \$ [REDACTED] million) as a
21 result of the estimated cancellation costs of \$ [REDACTED] million and \$ [REDACTED] million of proposed

¹ "Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 12, 2025.

² *Supra*, f.n. 1, sch. 1, p. 9/7-9. The total early execution budget requested and approved for the Bay d'Espoir Unit 8 project was \$16.7 million.

³ Engineering, Procurement and Construction Management ("EPCM").

⁴ "Additional Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, December 12, 2025, sch. 1, p. 18, Table 2.

1 additional early execution budget.⁵ The contract for EPCM services is largely based on a time
2 and materials structure; however, the cancellation costs would relate to early termination of
3 office space, staff, and subcontracts should the project not be approved.

4 b) As outlined within Hydro's application, the contracting strategy for Bay d'Espoir Unit 8 early
5 execution includes mechanisms, where appropriate, to enable Hydro to limit or cancel the
6 services or procurement in the event Board approval is not provided on the 2025 Build
7 Application.⁶

8 The cancellation costs within the EPCM contract are only incurred if the project is not
9 approved. Hydro is managing the risk associated with its EPCM contract by using a largely
10 time and materials structure to limit the cost exposure to any work performed up to
11 cancellation and the time associated with the close-out of any ongoing work and assembly
12 of information.

13 Early execution applications are intended to balance compliance with legislative
14 requirements, the requirement for the Board and parties to review and understand the
15 work and expenditures necessary for the overall project application, and the need to ensure
16 wherever possible that schedule and costs are being managed prudently to allow for the
17 provision of safe, reliable, environmentally responsible power at the lowest possible cost to
18 customers.

⁵ The \$█ million in cancellation costs would only be incurred if Hydro does not receive full project approval and has to cancel the contract. If the Bay d'Espoir Unit 8 project is approved, Hydro will not incur the \$█ million and will be able to recover the amounts requested and approved through early execution applications.

⁶ "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.