

1    Q.    Reference: Schedule 1, page 11, Table 1.

2            For the CT Procurement item, the description states:

3            "Manage oversight and fabrication of CT package, payment terms for  
4            equipment, **inclusion of cancellation clauses** in contract."

5            Footnotes 14 and 15 refer to project termination costs and cancelation clause payments.

6            Confirm that the originally approved [REDACTED] and the proposed [REDACTED] in additional  
7            capital expenditures requested for approval by the Board do not include any project termination  
8            cost or cancelation clause payments. Further in the response explain how the footnotes apply to  
9            the amounts provided for this item.

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12    A.    Upon the submission of the original Early Execution Capital Work Application in March 2025,<sup>1</sup>  
13            the approved \$[REDACTED] million did not include cancellation payments. The \$[REDACTED] million budget  
14            covered the initial downpayment for the combustion turbine ("CT") package in 2025, estimated  
15            at [REDACTED] % of the final contract cost. The proposed \$[REDACTED] million budget in this application relates to  
16            milestone payments under the CT contract that are due through June 2026.<sup>2</sup>

17            Project termination costs include costs such as demobilization, engineering work performed,  
18            time, and materials. As it relates to footnote 14, the proposed \$[REDACTED] million budget in the  
19            "Additional Early Execution Budget (B)" column within Table 1 of Schedule 1 of this application  
20            does not include any termination costs.

21            The "Cancellation Clause Costs (C)" column within Table 1 of Schedule 1 of this application  
22            provided the cancellation clause costs at the time the application was submitted. As outlined in  
23            Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-012 of this proceeding,

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

<sup>2</sup> Please refer to Hydro's response to PUB-NLH-010 of this proceeding.

1        Hydro has since negotiated the elimination of the cancellation clause cost within the final  
2        contract; therefore, there are no cancellation clause costs applicable to the CT package, and  
3        footnote 15 no longer applies to the CT procurement line item. However, the negotiated  
4        cancellation provisions stipulate that if cancellation were to occur prior to delivery of the CT  
5        packages, the progress payments made as of the date of cancellation are non-recoverable.