

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

2 Please confirm that the Cancellation Clause Costs amount of [REDACTED] for Avalon CT Procurement
3 is coincidentally the same amount as the Total Early Execution Capital Budget amount which is
4 the sum of the Approved Budget Amount and the Additional Early Execution amount (Columns
5 A+B) if not an error.

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8 **A.** The cancellation clause cost included in this application for the Avalon Combustion Turbine
9 ("CT") procurement was not an error. At the time that this application was submitted, consistent
10 with Request for Proposal submissions and discussions with the potential vendor, the contract
11 cancellation clause was assumed to be equal to the amount forecasted to be paid under the
12 agreement up to the end of June 2026, effectively doubling the payment obligation to the date
13 of cancellation. This cancellation penalty is not part of the requested Additional Early Execution
14 Budget. Subsequent to the submission of this application, Newfoundland and Labrador Hydro
15 ("Hydro") negotiated the elimination of this cancellation clause within the final contract with the
16 vendor. No additional costs, besides those already paid to the vendor as of the date of
17 cancellation, are required should Hydro terminate the contract.¹ All progress payments are non-
18 recoverable if cancellation were to occur prior to delivery of the CT packages. The value of
19 termination costs for CT procurement in the "Cancellation Clause Costs (C)" column within Table
20 1 of Schedule 1 of this application is now \$0 (nil).

21 In addition, Table 1 of Schedule 1 of this application included a cancellation clause cost amount
22 of \$[REDACTED] million for the generator step-up transformer procurement based on an assumed [REDACTED]%

¹ The agreement details specific progress payments through the life of the agreement, and the negotiated cancellation provisions stipulate that if cancellation were to occur prior to delivery of the CT packages, the progress payments made as of the date of cancellation are non-recoverable. The next scheduled milestone payment is required to be paid by March 26, 2026, for which Hydro requires approval by the Board of Commissioners of Public Utilities of this application. That milestone payment will enable Hydro to fully secure the production slots and overall price. If Hydro is unable to proceed with that, or any, milestone payment, the contract will be cancelled.

1 cancellation fee; however, since the submission of this application, Hydro has negotiated the
2 cancellation costs to ■%, per the milestones below:

- 3 • Award – ■% of contract price.
- 4 • Engineering Drawing Approval – ■% of the contract price.

5 Please refer to Hydro’s response to PUB-NLH-013 of this proceeding for a revised Table 1.