

1     **Q.       Reference: Avalon Combustion Turbine**

2             In relation to the Avalon Combustion Turbine, please advise what decisions, if any, made during  
3             the Early Execution Capital Work may bind Hydro and limit other available options during the  
4             2025 Build Application, for example entering a detailed procurement contract early in the build  
5             process. Please describe the potential impacts of these decisions.

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8     **A.**     The Early Execution contracting and procurement approach for the Avalon Combustion Turbine  
9             (“CT”) is described in Newfoundland and Labrador Hydro’s (“Hydro”) response to PUB-NLH-001  
10            of this proceeding. As detailed in that response, the primary Early Execution Capital Work  
11            commitments include the engagement of the Engineering, Procurement and Construction  
12            Management (“EPCM”) Consultant and the Award of the CT Package and the Generator Start Up  
13            (“GSU”) Transformer Package. The total estimated expenditure for the Early Execution Capital  
14            Work is \$30,710,000, representing the anticipated limit of the commitment for the Early  
15            Execution Capital Work necessary to maintain cost and schedule.

16            The activities Hydro will undertake as part of the Early Execution Capital Work, such as initiating  
17            procurement of long lead equipment or securing engineering and permitting support, are  
18            essential to preserving project schedule and cost estimate. As the project schedule for the  
19            Avalon CT plans for the asset to become operational in 2029, two years ahead of the Bay  
20            d’Espoir 8 Unit comes online, both the capital expenditures and the work scope in Early  
21            Execution is more significant.

22            **General Impacts on Project Options**

23            The proposed expenditure would not limit the consideration of other options. Should another  
24            option involve a totally different generation alternative, Hydro would need to complete front-  
25            end planning for that alternative and submit a new application for approval. As outlined in the  
26            Settlement Agreement filed as Schedule 2 of the 2025 Build Application, the Consumer

1 Advocate, Newfoundland Power Inc., and the Island Industrial Customer Group agree that the  
2 recommendation to build a new 150 MW CT on the Avalon Peninsula is appropriate as part of  
3 the first step in addressing the requirements for additional capacity for the Island  
4 Interconnected system.

5 For the Avalon CT project to achieve the appropriate accuracy of a cost estimate required for  
6 approval, it must achieve a level of project definition per the Association for Advancement of  
7 Cost Engineering guidelines. To achieve this level of project definition, key project decisions  
8 must be made in the front end planning phase and prior to full project approval. These decisions  
9 directly inform the basis of the project cost estimate.

10 During Early Execution, Hydro will advance detailed engineering and execution planning. As  
11 detailed planning progresses, it is possible that certain aspects of the project execution may  
12 change; however, Hydro does not expect fundamental changes that would impact the  
13 commitments made through Early Execution.

14 While the Early Execution scope of work includes several activities where the decisions taken  
15 will bind Hydro to contractual commitments, these activities are required to maintain the  
16 project schedule and cost in line with current market conditions. In the event the Board  
17 approval is not provided on the 2025 Build Application, please refer to Hydro's response to PUB-  
18 NLH-002 of this proceeding, for discussion on how Hydro intends to utilize mechanisms to  
19 mitigate Early Execution procurement risks.

#### 20 **Award of the GSU Transformer Package**

21 The GSU Transformer Package is one of the critical path items for the Avalon CT project and  
22 must be delivered in 2028 to meet the 2029 project in-service date. Based on current market  
23 information this package must be procured in 2025. Hydro's current project schedule shows an  
24 anticipated award date in June 2025.

25 The impact of the decision to award this package during the Early Execution period includes  
26 commitment to the GSU manufacturer, size, and model of GSU transformers, including securing  
27 a manufacturing slot. A change in this decision would have both a cost and schedule impact. The

likely cost impact has been included in the overall budget outlined in the Early Execution application.

### **Award of the CT Package**

Like the GSU transformer package, the CT package is one of the critical path items for the Avalon CT project and must be delivered between May 2028 and January 2029 to meet the 2029 planned project in-service date. Based on current market information this package must be procured in 2025. Hydro's current project schedule shows an anticipated award date in July 2025.

The impact of the decision to award this package during the Early Execution period includes commitment to the turbine manufacturer, quantity, and model that make up the multi-unit, nominal 150 MW CT plant, including securing a manufacturing slot. A change in this decision would have both a cost and schedule impact. The likely cost impact has been included in the overall budget outlined in the Early Execution application.

### **Award of the EPCM Contract**

An EPCM consultant is required to complete the detailed design on this project. Detailed design must be started in 2025 to meet the 2029 planned in-service date for the project.

The impact of the decision to award the EPCM within the Early Execution period includes commitment to the EPCM approach, and commitment to the selected EPCM contractor. While this engagement is essential to advancing detailed planning and preserving project schedule, a change in this decision would primarily result in schedule delays rather than significant sunk costs, given the engineering-focused nature of the work. The likely cost impact has been included in the overall budget outlined in the Early Execution application.

### **Site preparation in readiness for major civil works in 2026**

Hydro's current project schedule to achieve a project in-service date of 2029 requires major civil works to occur in 2026. Given the seasonal nature of civil works, getting the site ready for this work in 2025 will increase the likelihood that planned work can be completed in 2026. This

1 includes early site development to support relocation of transmissions lines that are located  
2 within the project footprint.

3 The impact of the decision to award the site preparation scope within the Early Execution period  
4 includes a commitment to the transmission line routing; however, the planned routing is the  
5 only available routing to remain consistent within the easements provided and facilitates ease  
6 of access for any geotechnical work required to confirm the major civil scope. A change in this  
7 decision would have both a cost and schedule impact. The likely cost impact has been included  
8 in the overall budget outlined in the Early Execution application.

### 9 **Limiting Cost Exposure**

10 Ordering long lead items early in the project lifecycle is a well-established project management  
11 strategy. This approach is commonly used in capital projects across the utility and energy sectors  
12 to:

- 13 • Reduce procurement cycle time and help maintain project timelines;
- 14 • Improve project schedule certainty by securing critical equipment early;
- 15 • Mitigate risks associated with delays in equipment delivery;
- 16 • Enable strategic procurement (e.g., Company Furnished Mechanical Equipment) to  
17 improve cost control and quality; and
- 18 • Support advanced contracting models, such as novation, which streamline execution  
19 and handoffs.<sup>1</sup>

20 These commitments are taken with deliberate consideration of cost, risk, and schedule and  
21 include safeguards to preserve flexibility wherever possible. Hydro's approach reflects industry-  
22 standard major project execution strategies and is designed to protect customers from  
23 unnecessary cost increases and schedule delays.

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<sup>1</sup> As shown in case studies such as Hammad, M. A. (2006). Schedule improvement through innovative procurement strategies. Paper presented at PMI® Global Congress 2006—Latin America, Santiago, Chile. Newtown Square, PA: Project Management Institute.