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June 13, 2025

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

**Re: Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine – Documents Placed on the Record – Hydro's Reply**

On March 21, 2025, Newfoundland and Labrador Hydro ("Hydro") filed its application for capital expenditures for the purchase and installation of Bay d'Espoir Unit 8 ("BDE Unit 8") and the Avalon Combustion Turbine ("Avalon CT") (collectively, "2025 Build Application"). In its cover letter to the 2025 Build Application, Hydro requested that a number of documents from the *Reliability and Resource Adequacy Study Review* proceeding ("*RRA Study Review*") be formally placed on the record of the application.

In correspondence to Hydro on May 14, 2025, the Board of Commissioners of Public Utilities ("Board") confirmed that the documents identified by Hydro, as well as additional documents identified by the Board, had been placed on the record of the 2025 Build Application. The Board identified further documents that have been referenced as part of the *RRA Study Review* and/or the 2025 Build Application, but that they have not yet received. The Board indicated that those should be filed by Hydro as part of the record for the 2025 Build Application.

The Board requested that Hydro provide Front-End Engineering Design ("FEED") for both the BDE Unit 8 and Avalon CT projects; the applicable FEED documentation is enclosed, as requested. However, Hydro notes that the Basis of Estimate and Basis of Schedule documents provided within the 2025 Build Application (Attachments 1 and 2 to Schedules 4 and 5) contained the key outputs from FEED. Various options and alternative analyses were completed for each project through the Front-End Planning and FEED phases, the information provided within the Basis of Estimate and Basis of Schedule documents would supersede any other documentation provided here.

Please find enclosed the additional documents as requested by the Board, which are as follows:

**Avalon CT**

Applicable Avalon CT FEED documentation:

- Attachment 1: 150 MW Combustion Turbine Plant FEED Study, Hatch Ltd., December 9, 2024.[1]
- Attachment 2: Capital Cost Estimate, Hatch Ltd., November 22, 2024.

[1] Hydro has provided reference documentation from items 1, 6, 13, 15, 16, 17 and 42 of Appendix A of this report within this filing. Basis of Estimate and Basis of Schedule documentation was provided as part of the original 2025 Build Application filing.

- Attachment 3: Avalon CT, Basis of Design, Newfoundland and Labrador Hydro, March 25, 2025.[2]
- Attachment 4: Fuel Unloading Options Memo, Hatch Ltd., September 20, 2024.
- Attachment 5: CAPEX Estimate for Incremental 50 MW Size Increase, Class 5, Hatch Ltd., November 28, 2024.
- Attachment 6: O&M and Lifecycle Cost Estimate, Hatch Ltd., December 6, 2024.
- Attachment 7: Community Noise Impact Assessment, Hatch Ltd., September 24, 2024.
- Attachment 8: Best Available Control Technology Documents, which include:
  - Best Available Control Technology Memorandum, Hatch Ltd., September 23, 2024; and
  - Best Available Control Technology Assessment, Independent Environmental Consultants, March 21, 2025.[3]
- Attachment 9: Water Supply Analysis & Environmental Review Report, Hatch Ltd., September 26, 2024.

The following Avalon CT FEED documentation has previously been provided within the 2025 Build Application:

- Risk and Assumption Register, Hatch Ltd., November 18, 2024.[4]

Additional documentation related to the Avalon CT:

- Attachment 10: Avalon CT Comprehensive Risk Register.

**BDE Unit 8**

Applicable documentation for BDE Unit 8 FEED:

- Attachment 11: BDE Unit 8 FEED Report Introduction, AtkinsRéalis, December 18, 2024.[5]
- Attachment 12: BDE Unit 8, Basis of Design, Newfoundland and Labrador Hydro, May 21, 2025.
- Attachment 13: Scope of Work, AtkinsRéalis, December 18, 2024.
- Attachment 14: Options Analysis Report, AtkinsRéalis, September 23, 2024.
- Attachment 15: Concept Design Update Report, AtkinsRéalis, November 11, 2024.
- Attachment 16: Monte Carlo Simulation ("MCS") Strategic and Tactical Risk Documents, which include:
  - MCS Report, AtkinsRéalis, December 18, 2024;
  - MCS Strategic Risks Brief, Newfoundland and Labrador Hydro, November 24, 2024; and
  - MCS Strategic Risks Brief Revision, Newfoundland and Labrador Hydro, November 29, 2024.

[2] The Basis of Design document referenced on page 10 of Schedule 4, Attachment 1 of Hydro's 2025 Build Application was revision A0, the initial draft that was used as input to the Basis of Estimate. The approved final version, rev. B0, has been provided to the Board for their review.
[3] This document was filed publicly with the Department of Environment and Climate Change as part of Hydro's Environmental Assessment for the Avalon CT.
[4] "2025 Build Application," Newfoundland and Labrador Hydro, March 21, 2025, sch. 5, att. 1, pp. 114–125.
[5] Hydro has provided documentation from appendices A, B, C, E, G, and H from this report within this filing. Basis of Estimate and Basis of Schedule documentation was provided as part of the original 2025 Build Application filing.

- Attachment 17: BDE Unit 8 FEED Risk and Assumption Register, Atkins Réalis, December 18, 2024.

Additional documentation[6] related to BDE Unit 8:

- Attachment 18: Proposed Bay d'Espoir Hydro Generating Unit 8 – Hydraulic Analysis of the Conveyance, SNC-Lavalin Inc., March 22, 2018.
- Attachment 19: Proposed Bay d'Espoir Hydro Generating Unit 8 – Class 3 Cost Estimate and Project Execution Schedule, SNC-Lavalin Inc., March 22, 2018.
- Attachment 20: Bay d'Espoir Hydro Generating Unit 8 Summary Report, Newfoundland and Labrador Hydro, November 2018.[7]
- Attachment 21: Bay d'Espoir Hydro Generating Unit 8 Summary Report, Newfoundland and Labrador Hydro, November 2022.[8]

Additionally, the Board had requested that the Posterity Group – Potential Study on electrification, conservation and demand management measures be placed on this record. The Potential Study has not yet been finalized. The parties previously agreed within the Settlement Agreement reached within the *RRA Study Review,* and filed with the 2025 Build Application,[9] that the Potential Study would be filed as part of the Joint Utility 2026–2030 Electrification, Conservation and Demand Management Plan.

**Confidentiality**

This additional information contains commercially sensitive information that, if made public, would undermine Hydro's ability to obtain goods and services at the lowest possible cost and therefore negatively impact Hydro's customers. Hydro has considered the practices of other utility regulators in Canada in determining the level of redaction to apply to information provided in regulatory proceedings. The information Hydro requests to be kept confidential is that which could be reasonably expected to:

i. Result in undue material financial loss or gain to a person or party directly affected by the hearing or other proceeding;

ii. Cause significant harm or prejudice to a party's competitive or negotiating position; or

iii. Interfere with the contractual obligations of a party.

Additionally, if any information is personal, financial, commercial, scientific, labour relations, or technical in nature and has consistently been treated as confidential, Hydro would propose to maintain that confidentiality.

In the information within, Hydro proposes to keep the following information confidential and not be made publicly available:

- Base Cost Estimate;
- Contingencies and Management Reserves;

[6] Attachments 18 and 19 are collectively referred to as the "2017–2018 Study" in the 2025 Build Application.
[7] Previously filed in "Reliability and Resource Adequacy Study," Newfoundland and Labrador Hydro, rev. September 6, 2019 (originally filed November 16, 2018), vol. III, att. 12.
[8] Previously filed in "Reliability and Resource Adequacy Study – 2022 Update," Newfoundland and Labrador Hydro, October 3, 2022, vol. III, att. 6.
[9] "2025 Build Application," Newfoundland and Labrador Hydro, March 21, 2025, sch. 2.

- Escalation and Interest During Construction ("IDC");
- FEED support for the Basis of Estimate;
- Escalation Factors;
- FEED support for the Basis of Schedule and Critical Path Schedule;
- Vendor quotes;
- Vendor information prepared specifically for Hydro; and
- Other third-party commercially sensitive information.

The reasoning for the confidential nature of these aspects of the application are as follows:

***Base Cost Estimate***

Base Cost Estimates, broken down by construction work package, are considered confidential and commercially sensitive, particularly during the early stages of the procurement process. Disclosing Hydro's forecasted cost for specific construction work packages could influence the pricing submitted by proponents. Further, knowledge of the budget available within a construction work package could incentivize contractors to seek claims to access known budget availability.

For projects with a low number of construction work packages, disclosing the total Base Cost Estimate would provide indicative information on the budget available in a construction work package and could negatively influence the cost of a project.

***Contingencies and Management Reserves***

Contingency is generally defined as a provision made for variations to the basis of an estimate of time or cost that are likely to occur but cannot be specifically identified at the time the estimate is prepared and/or the commitment amount is determined.

Management Reserve is generally defined as a provision held outside the baseline budget and is reserved for unforeseen costs that are within the project scope. It is usually available to senior management to address strategic risks that materialize outside of Hydro's control.

The amount of Contingency and Management Reserve is considered confidential and commercially sensitive. Disclosure of this information could impact the procurement process by revealing Hydro's estimate of the value of work and Hydro's assessment of the risk around project execution, both of which could influence bid pricing. Further, knowledge of the existence of Contingencies and Management Reserves can influence contractors to be more claims-focused and attempt to access these budget reserves, thereby increasing cost.

***Escalation and IDC***

Escalation and IDC is not commercially sensitive; however, owners would not normally provide an indication to the marketplace of the forecasted escalation assumptions during a bid phase. Additionally, providing the marketplace with this information may make it easier to extrapolate the budget that remains for other scopes of work or contingencies and management reserves, thereby increasing the risks noted above.

***Basis of Estimate***

The Basis of Estimate for a major project outlines the key inputs, assumptions, and exclusions used by Hydro to estimate not only the Base Cost Estimate, but also Contingencies and Management Reserves. This information is considered confidential and commercially sensitive, and these aspects of the Basis of Estimate continue to be redacted in the documentation. If the information were publicly available, it would provide insight into Hydro's assumptions, methodologies, and data used in determining a cost estimate and could influence proponents' bid pricing as well as contractors' claims. Disclosing Hydro's pricing strategies, cost structures, and internal processes could significantly impact bid pricing and claims.

***Escalation Factors***

The Escalation Factors provided in the Basis of Estimate are not generally publicly available and would provide insight into elements of the project estimate that contractors could use to their advantage in bidding and negotiations.

***Basis of Schedule and Critical Path Schedule***

The Basis of Schedule documents the basis and assumptions underpinning the project schedule for the proposed project. That document and the Project Control Schedule are meant to be complementary and read together. The Basis of Schedule documents the current execution intent, sequence, assumptions, risks, and opportunities developed during the front-end planning phase of the project, and these aspects of the Basis of Schedule continue to be redacted in the documentation.

The Critical Path Schedule for a major project outlines the control schedule as well as various assumptions made by Hydro in developing the control schedule and planning the project execution strategy. It specifically outlines the critical path work and any schedule contingency that Hydro may have reserved for project execution.

The information described above would be considered confidential and commercially sensitive for various reasons including the following:

- Having knowledge of Hydro's detailed assumptions around work execution timelines can negatively influence approaches to work and timeline optimization during the competitive bidding process, which can negatively influence the ability to realize opportunities in cost and schedule for Hydro and, ultimately, the ratepayers.
- Contractor's knowledge of Hydro's schedule contingency may influence work performance and hinder Hydro's ability to apply delay claims against contractors.
- Contractor's knowledge of other scheduled work and critical path activities may provide them with leverage when negotiating with Hydro.

Also confidential is vendor information prepared specifically for Hydro which includes commercially sensitive information as discussed above, as well as information that vendors deem to be proprietary or have commercial sensitivity for their operations.

An unredacted version of the information is being provided to the Board and parties on a confidential basis. Hydro requests that the Board use the redacted version for posting to its website.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

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