

**NLH - Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon  
Combustion Turbine (Avalon Combustion Turbine)**

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**Q. (Reference Bates White Phase 2 Expert Report of Vincent Musco and Collin Cain dated February 3, 2026) It is stated (page 1) “Appropriate fuel management equipment and procedures would likely eliminate any uneconomic fuel burn-off at the Avalon CT, making it more economic than BDE Unit 8.”**

**a) Did Bates White produce a cost estimate and undertake an economic assessment of the fuel management equipment and procedures necessary to eliminate uneconomic fuel burn-off at the Avalon CT?**

**b) Does the above statement take into consideration the recent increase in the project cost estimate for the Avalon CT to about \$1.0 billion?**

**A. (a)** Bates White has not performed an independent cost estimate of equipment and procedures necessary to eliminate uneconomic fuel burn-off at the Avalon CT. In Hydro’s March 12, 2026 response to the February 3, 2026 Bates White Phase Two Report, the company noted that it had provided an estimate of costs for fuel recirculation and filtration equipment in the fuel design for the Avalon CT, “to aid in the reduction or elimination of burning off excess fuel.”<sup>1</sup> Hydro further noted “[t]he cost estimate was provided in ‘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,’ Newfoundland and Labrador Hydro, June 13, 2025, att. 2.”<sup>2</sup>

**(b)** The quoted statement does not explicitly reflect recent reported cost increases for the Avalon CT. It is based on the observation that the assumed uneconomic fuel burn-off at the Avalon CT was a primary driver of BDE Unit 8 being selected in economic preference to the Avalon CT.<sup>3</sup>

Under the assumption that both the Avalon CT and BDE Unit 8 are subject to similar major cost drivers, such as the industry-wide demand for generation equipment, commodity prices, tariffs, etc., we would expect our conclusion to hold when the respective costs for the two projects are updated to the same degree of confidence.

<sup>1</sup> Newfoundland and Labrador Hydro, “Newfoundland and Labrador Hydro – 2025 Capital Budget Supplemental Application – Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Bates White Economic Consulting Expert Report – Phase Two – Hydro’s Response to Identified Issues for Avalon Combustion Turbine,” March 12, 2026, page 3, lines 6-7.

<sup>2</sup> Newfoundland and Labrador Hydro, “Newfoundland and Labrador Hydro – 2025 Capital Budget Supplemental Application – Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Bates White Economic Consulting Expert Report – Phase Two – Hydro’s Response to Identified Issues for Avalon Combustion Turbine,” March 12, 2026, page 3, footnote 3.

<sup>3</sup> For a full discussion of this issue, please refer to the Bates White Phase One Addendum Report, November 6, 2025, paragraphs 16 through 26.