

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

Page 1 of 1

Filed: July 3, 2026

1 Q. (Reference Bates White Phase 2 Expert Report of Vincent Musco and Collin Cain dated
2 February 3, 2026) The report indicates (pages 4 and 5) that the management reserve for
3 BDE Unit 8 fails to incorporate certain strategic risks. It is stated *"The cumulative impact
4 of these three risks is estimated to be as high as \$562.4 million, which would represent
5 an overall project cost increase of 52%. Hydro should address this potential in its
6 updated calculations."*

7 a) The three risks are identified as competition for equipment, tariffs and the Bay
8 d'Espoir Unit 7 life extension. Do two of the three identified risks, competition for
9 equipment and tariffs, also apply to the Avalon CT?

10 b) How much do these risks increase the management reserve for the Avalon CT, and
11 how did Bates White address this cost increase in its analysis of the Build
12 Application?
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14 A. (a) Competition for equipment and tariffs are relevant to the cost of the Avalon CT. As
15 addressed in Hydro's Avalon Combustion Turbine Evidentiary Update of April 16,
16 2026, the change in estimated project costs "is primarily attributable to the CT
17 supply contract, reflecting a change in global market conditions that occurred
18 subsequent to the development of the original estimate."¹ By locking in a significant
19 portion of overall project cost in the CT supply contract, much of cost risk associated
20 with the noted factors has been eliminated for the Avalon CT looking forward.
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22 (b) For a full discussion of the updated Avalon CT project cost and associated impact on
23 Management Reserve, please refer to the Bates White Phase Two Addendum
24 Report, paragraphs 44 through 53.

¹ 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 – Revision 1 and Evidentiary Update," April 16, 2026, page i, lines 10-12.