Q. **Reference: 2025 Build Application - Avalon Combustion Turbine Evidentiary Update, Attachment 2, Basis of Estimate and Impact Analysis, page 10 of 20, Table 2: Potential Contract Changes.**

Table 2 identifies a calculated increase of $10,254,154 for potential contract changes to be included as a specific risk item in the model for simulation.

a) Is this amount included in the revised Authorized Budget as part of the Contingency and Management Reserve? If not, explain.

b) What amounts were included in the original Monte Carlo simulation for these potential contract change items and is the $10,254,154 incremental to the original proposed amounts?

c) How does this $10,254,154 project specific risk item relate to the estimated [redacted]?

A. **a)** Yes, the $10,254,154 is the collective cost impact of the risk items identified in Table 2: Potential Contract Changes. This amount was a combination of six other items that are not fixed in the Combustion Turbine ("CT") contract and include estimated values, specifically:

- Foreign exchange ("FX") rates;
- Onsite vendor support;
- Transportation;
- Design changes during detailed design;
- Tariff impacts; and
- Factory acceptance testing and training.

These items were assigned an assessed probability of increase and then aggregated to the total $10,254,154. This amount was then added to the expected-value portion of the hybrid

Quantitative Risk Analysis model, with a probability of occurrence of [redacted] and a range of [redacted][1] This modelling would influence the model outcomes in terms of the necessary project reserves (contingency and management reserve). Due to the nature of probabilistic modelling, the exact influence is difficult to determine, but based on the input information, the values would fall within the range of [redacted] to [redacted], with a median value of around [redacted]. That is, the full aggregated risk total (approximately $10.3 million) was not added into the project reserves, only the amounts dictated by the expected value of the risk based on a [redacted] probability. This value would be part of the project reserves, and not the base cost. Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-007 of this proceeding for more detailed information related to the Expected Value method and implications of specific risks on reserves estimating.

b) The amount included in the FEED[2] cost estimate generally included these items as part of the CT supply cost, without any specific granularity. There are, however, two items of note:

1. While FX was included in the project estimate, and likewise is included in the CT contract, this is a macroeconomic variable. What is included as a component of this $10.3 million is an allowance for the variability in the FX rate and represents the difference between the 1.3605 rate used in the contract and the rate that has been noted to rise to 1.41.

2. The FEED estimate did not include an amount for tariffs imposed by the US (or other) Government, due to the timing of the estimate preparation and the subsequent change in the US administration. There is an estimated amount included in the CT contract for tariffs. These are based upon a financial model that General Electric had built by PricewaterhouseCoopers. What is included as a component of this $10.3 million is an allowance for changes or variability in the tariff rates, which are included in the CT contract as an estimate.

[1] Please refer to "Briefing Note: Impact Analysis of CT Price Increase on Project Estimate," Newfoundland and Labrador Hydro, April 9, 2026, provided in "2025 Build Application – Avalon Combustion Turbine Evidentiary Update," Newfoundland and Labrador Hydro, April 16, 2026, att. 2, att. 5.
[2] Front-End Engineering Design ("FEED").

c) [redacted], respectively, found in Table 2: Potential Contract Changes.[3] Hence, the probable cost variability of the ancillaries is accounted for in the $10,254,154.

[3] Please refer to "2025 Build Application - Avalon Combustion Turbine Evidentiary Update," Newfoundland and Labrador Hydro, April 16, 2026, att. 2, att. 5, p. 10 of 20.