

1 Q. Reference: 2025 Build Application - Avalon Combustion Turbine Evidentiary Update, pages 3,
2 lines 1-5.

3 "As part of the assessment, Hydro reviewed other major project cost elements,
4 including EPCM services, transformers, civil works, transmission scope, early
5 execution activities, and detailed design. While several of these elements
6 remain subject to ongoing procurement and design development, no material
7 variances from the original estimate were identified at the time of the updated
8 analysis. Consequently, no additional adjustments were included beyond those
9 directly associated with the CT package."

- 10 a) What is the threshold amount for a material variance?
- 11 b) Provide a summary of any variances in the major project cost elements. Specifically
12 address any variance in the expenditures for the EPCM contract and the relocation of
13 Newfoundland Power's transmission lines 38L and 39L.
- 14 c) Have there been any developments since Hydro's assessment that may result in other
15 variances?

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18 A. a) Newfoundland and Labrador Hydro ("Hydro") does not apply a fixed threshold amount in
19 determining whether a variance is material. Materiality is assessed on a case-by-case basis
20 using professional judgment, having regard to the nature, magnitude, and potential impact
21 of the variance in the context of the matter under consideration.

22 In assessing materiality, Hydro may consider a variety of factors including:

- 23 • The dollar value of the variance;
- 24 • The percentage variance relative to the approved forecast, budget, or benchmark;
- 25 • The underlying cause of the variance; and
- 26 • Guidance provided by the Capital Budget Guidelines and/or Orders of the Board of
27 Commissioners of Public Utilities.

1 As such, materiality is determined through a combination of quantitative and qualitative
2 considerations rather than by reference to a single defined threshold. This approach reflects
3 prudent project management practice, as it allows Hydro to assess variances in context,
4 apply appropriate professional judgment, and focus management attention on matters that
5 may reasonably affect project cost, schedule, scope or risk.

- 6 **b)** The Engineering, Procurement and Construction Management contract is currently
7 unawarded and is undergoing final evaluation. Current indications are that the bids are
8 within the expected estimate bounds.

9 Work on Transmission Line 38L was completed, and the rerouted line returned to service.
10 Work on Transmission Line 39L was deferred due to weather forecasts in December 2025
11 and again in April 2026. Hydro is anticipating a change order from Newfoundland Power Inc.
12 (“Newfoundland Power”) for additional mobilization and demobilization costs from the April
13 delay. The outage to complete the work is currently forecast for September 2026. The
14 purchase order for this work is valued at [REDACTED]; as of May 2026, no cost impact
15 notification has been received from Newfoundland Power. The forecasted cost is
16 approximately [REDACTED]; this is below the 2025 Build Application budget of approximately
17 [REDACTED].

18 The civil works contract for clearing and grubbing was completed as part of early works. The
19 actual cost equated to approximately [REDACTED] and the approved budget [REDACTED]
20 [REDACTED].

21 The generator step-up transformer contract is approximately [REDACTED], compared
22 to the [REDACTED] included in the front-end engineering design estimate for this
23 equipment.

- 24 **c)** There have been no other developments since Hydro’s impact assessment that would result
25 in any material variances at this time.