

1 Q. **Reference: Bates White Addendum Report, June 5, 2026, page 16, paragraphs 34 and 35.**

2 Hydro noted that it may bring forward a separate capital budget application if further
3 infrastructure or supply chain solutions are determined to be justified with respect to fuel
4 challenges during extended operation.

5 Explain the impact, if any, that additional capital expenditures may have on the Avalon CT
6 project being the least cost option.

7
8
9 A. The Avalon Combustion Turbine ("CT") design includes approximately ten days of onsite fuel
10 storage at full-load operation, which is sufficient to support normal planned operations and
11 provides time during an emergency event to coordinate fuel deliveries.

12 During prolonged emergency operation, fuel supply would require careful coordination with fuel
13 suppliers and relevant industrial and provincial stakeholders, particularly where adverse
14 weather or other disruptions could constrain road-based deliveries. Newfoundland and
15 Labrador Hydro ("Hydro") is continuing to assess both infrastructure and commercial
16 alternatives to enhance supply flexibility in these circumstances.

17 Should further measures be justified for the Avalon CT, a commercial or operational
18 arrangement may provide a means of mitigating the fuel-supply risk without a significant
19 dedicated capital investment. Alternatively, if further infrastructure is demonstrated to be
20 required, Hydro would assess the incremental cost and reliability benefit of the preferred
21 solution before bringing forward a separate capital application.

22 Additional engineering and engagement with fuel suppliers is required to identify the preferred
23 approach, define its scope, and establish an appropriate cost estimate. Hydro does not yet have
24 sufficient information to quantify the cost of a commercial fuel-supply arrangement that may be
25 used to support prolonged emergency CT operation. Accordingly, the potential cost of such a
26 solution has not been incorporated into the expansion plan analysis.

1 The possibility of an incremental fuel-supply cost does not, in Hydro's view, reasonably change
2 the conclusion that the Avalon CT remains a least-cost and prudent component of the
3 recommended expansion plan. Hydro's updated expansion analysis already tested higher CT-
4 cost assumptions and fuel burn-off assumptions. In the limited cases in which Bay d'Espoir
5 ("BDE") Unit 8 and Cat Arm Unit 3 are selected in advance of the Avalon CT, the analysis did not
6 include other material system costs and risks associated with these differing alternative. For
7 example, an expansion path relying on BDE Unit 8 and Cat Arm Unit 3 without the Avalon CT
8 would require additional reactive-power support on the Avalon Peninsula following retirement
9 of the Holyrood Thermal Generating Station ("Holyrood TGS").¹ The costs of the required
10 reactive-power solution, which could include synchronous condensers, STATCOMs,² or other
11 transmission investments, are under further study and were not included in the expansion plan
12 analysis. The costs of reactive power support associated with additional off-Avalon generation
13 would likely be comparable to the cost of addressing fuel supply during prolong operation of the
14 Avalon CT. In addition, Cat Arm Unit 3 remains at an earlier stage of development and is not
15 expected to be available before 2034. This would require continued operation of Holyrood TGS
16 in the intervening period, with associated costs and reliability risks.

17 Further, the Avalon CT provides material reliability benefits that are not fully reflected by a
18 comparison of generation capital costs alone. The Labrador-Island Link ("LIL") shortfall analysis
19 demonstrates that the combination of BDE Unit 8, as an off Avalon resource, and the Avalon CT
20 materially reduces the magnitude and duration of capacity shortfalls relative to pathways in
21 which only one of those resources is available. A pathway without timely Avalon generation
22 would therefore result in greater reliance on load shedding during prolonged LIL shortfall
23 conditions, in addition to materially greater load shedding requirements in the event of the
24 activation of a Remedial Action Scheme.

25 Therefore, while Hydro will continue to assess the most efficient means of managing fuel supply
26 during prolonged emergency operation, any potential incremental cost must be considered
27 alongside the avoided costs and risks associated with continued Holyrood operation, alternative

¹ Hydro is studying the requirement for reactive power support associated with incremental off-Avalon generation and intends to file the Avalon Reactive Power Study – Phase 2 in the fourth quarter of 2026.

² Static Synchronous Compensator ("STATCOM").

1 reactive-power or transmission investments, delayed availability of Cat Arm Unit 3, and
2 increased reliance on load shedding. On both a quantitative and qualitative basis, Hydro
3 considers it highly unlikely that such potential fuel-supply costs would alter the conclusion that
4 the Avalon CT is a least-cost and prudent supply addition.