

August 11, 2025

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Notification of Change to Project Budget – Perform Level 2 Condition Assessment Stage 1 & 2 Cooling Water Sump Structures – Hydro's Reply

On June 3, 2025, Newfoundland and Labrador Hydro ("Hydro") filed correspondence with the Board of Commissioners of Public Utilities ("Board") regarding the Level 2 Condition Assessment of the Stage 1 & 2 Cooling Water Sump Structures at the Holyrood Thermal Generating Station ("Holyrood TGS"), previously approved in Board Order No. P.U. 28(2024). Hydro's correspondence advised that the estimated cost had increased from the initial estimate of \$891,919 to \$2,802,166.

Hydro noted that deferral of this project is not a viable option due to the progressive deterioration of the concrete support beams beneath the pumphouse floors. These beams have already been identified as structurally compromised, resulting in loading restrictions that now permit foot traffic only. This severely restricts Hydro's ability to perform necessary preventive and corrective maintenance on equipment located in the pumphouses. The details of these restrictions are provided in Hydro's response to PUB-NLH-002 of this proceeding.

Hydro responded to a number of Requests for Information ("RFIs") from the Board, describing the importance of the proposed work to the accurate determination of the current condition of the floor structures and in defining the scope of future refurbishment. After reviewing submissions filed by both Newfoundland Power Inc. ("Newfoundland Power") and the Island Industrial Customer Group, who acknowledged the importance of the continued operation of the Holyrood TGS until new sources of supply are commissioned and the necessity of this project despite the cost escalation, Hydro filed a reply submission reiterating the information provided in the responses to the RFIs and asserting that proceeding with the Level 2 Condition Assessment is a prudent step that aligns with the requirement to provide the least cost reliable service, as well as allows Hydro to meet the Board's evidentiary standards for capital projects.

Additional RFIs and Party Comments

On July 22, 2025, the Board advised that they had additional questions with respect to information provided in Hydro's July 15, 2025 reply as well as information provided in a report filed with Hydro's 2026 Capital Budget Application. The Board requested that the responses to the additional RFIs be filed by July 29, 2025,¹ after which the deadline for further party comments would be August 7, 2025.

¹ Hydro requested a brief extension to this deadline and filed the responses to RFIs on August 1, 2025.

Newfoundland Power advised that they had no further comments, and no other party filed comments at this stage.

Hydro continues to believe that remediation of the cooling water sumps is required to ensure safe, reliable operation of the Holyrood TGS; however, to ensure that any actions taken are in accordance with Hydro's mandate and in the best interests of customers, Hydro needs the condition assessment to provide the information that will be considered against the risk associated with unmitigated continued operation and the identified options and costs associated with remediation of the cooling water sumps.

As Hydro advised in its responses to PUB-NLH-009 and PUB-NLH-010 of this proceeding, due to constraints around equipment and outage availability that have arisen since Hydro's proposal for approval of the increased project budget, Hydro has determined it is not possible to complete the inspection of Pumphouse 1 in 2025. Hydro, therefore, is proposing to proceed with the inspection of Pumphouse 2 in 2025 and, once the inspection of Pumphouse 2 is complete, to extrapolate the findings on Pumphouse 2 to define the scope of the Pumphouse 1 refurbishments. Based on the results on the inspection of the Pumphouse 2 inspection, Hydro believes there are three potential outcomes:

- The inspection identifies significant refurbishment work required, requiring a further application to the Board for the scope of remediation. The inspection results would provide the justification and evidence required under the Capital Budget Guidelines to enable the Board to make an informed decision;
- The inspection identifies minor remediation work required which can be completed within existing regulatory mechanisms (i.e. Supplemental project less than \$750 thousand, or In-Service Failures) enabling Hydro to complete the remediation work this year and avoid de-watering the Pumphouse 2 sump a second time, resulting in substantial cost savings; or
- The inspection determines that Hydro can continue to operate without remediation, with existing mitigations in place, without posing undue safety and reliability risk to plant operation.

In addition to the potential ability to avoid de-watering Pumphouse 2 a second time,² this approach will also allow Hydro to complete the de-watering of the sumps in Pumphouse 1 just once, resulting in substantial cost savings.

Hydro acknowledges there are risks associated with the extrapolation of findings from the inspection of one pumphouse to the other, given the difference in age of the sumps, which is why this was not proposed in the original application or when the cost increase was first identified. However, deferral of the inspection of Pumphouse 1 to 2026 with the corresponding deferral of the remediation of that pumphouse would expose the plant to undue risk. Hydro's revised approach of extrapolating the findings on Pumphouse 2 to Pumphouse 1 provides a tenable balance of cost and risk.

To move this matter forward and mitigate those risks, Hydro is proposing to cancel the condition assessment of Sump 1 and to utilize the findings from the Pumphouse 2 Sump condition assessment to

² As noted in Hydro's response to PUB-NLH-009 of this proceeding, if the refurbishment of Pumphouse 2 is determined to be necessary and can be completed within the 2025 outage window and at a cost that does not necessitate further regulatory process, Hydro may complete the Pumphouse 2 remediation this year which would eliminate the need to dewater that sump twice.

inform the approach to Sump 1. The cost of this revised proposal is \$1,747,033. The benefits of proceeding in this matter are described further in the responses to PUB-NLH-009 and PUB-NLH-010.

Conclusion

Until alternative sources of supply are commissioned, the Holyrood TGS is essential for ensuring reliable service to customers. In light of the issues delaying the schedule for an inspection of the Pumphouse 1 Sump, Hydro believes that proceeding with the Level 2 Condition Assessment of the Pumphouse 2 Sump is a prudent step and necessary step to ensure that Hydro is able to meet its requirement to provide least cost reliable service, and to meet the Board's evidentiary standards for capital projects. Hydro respectfully requests that the Board approve Hydro's application to proceed with a Level 2 Condition Assessment on Pumphouse 2 at the Holyrood TGS.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
Ryan Oake
Board General

Island Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Glen G. Seaborn, Poole Althouse

Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

Consumer Advocate
Dennis M. Browne, KC, Browne Fitzgerald Morgan & Avis
Stephen F. Fitzgerald, KC, Browne Fitzgerald Morgan & Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Bernice Bailey, Browne Fitzgerald Morgan & Avis

Newfoundland Power Inc.
Dominic J. Foley
Douglas W. Wright
Regulatory Email