

1 **Q. Reference: Life Extension Application, Schedule 1, page 18, lines 10-11.**

2 “The cost estimate was developed by Hydro based upon estimated costs in the 2023 Condition
3 Assessment report. “

4 What is the basis for the increase in the cost estimate of \$48 million provided in the five-year
5 capital plan of the 2025 Capital Budget Application to \$85.3 million in the Life Extension
6 Application?

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9 **A.** The increase in the base cost estimate accounts for approximately 30% of the overall increase in
10 budget. Newfoundland and Labrador Hydro (“Hydro”) notes that the original budget included in
11 its five-year capital plan constitutes a Class 5 estimate, which carries an expected accuracy range
12 of -50%/+100%. The estimate as presented in the Life Extension Application reflects increased
13 project definition through detailed front-end planning and improved cost certainty, as the
14 estimate has matured from a Class 5 to a more developed Class 3.¹

15 A revised project estimate was developed through detailed front-end planning, resulting in
16 increases due to adjustment of component costs following internal subject matter expert
17 review, more recent vendor quotes, and additions to project scope identified by Hydro as being
18 required for long-term reliability.

19 The main drivers for the base cost estimate increase include additional scope,² the provision of
20 spare parts, the inclusion of a refined internal labour estimate, commissioning, crane testing,

¹ As stated in “Life Extension Application – Bay d’Espoir Unit 7,” Newfoundland and Labrador Hydro, June 20, 2025, sch. 1, att. 1, p. 26 of 225, “The maturity level can be considered to meet the requirements of a Class 3 estimate, considering that, as previously stated, 85% or ██████████ of the direct plus indirect cost of estimated items was deemed to be Class 3, with the remaining 15% or ██████████ of the cost considered as Class 5. Examples of items considered as Class 5 include spare parts, miscellaneous refits such as turbine and generator shaft, and upgrades such as cooling water piping and relief valve upgrades. As a composite, the entire estimate is deemed to be a Class 3.”

² Additional scope items are discussed in “Life Extension Application – Bay d’Espoir Unit 7,” Newfoundland and Labrador Hydro, June 20, 2025, sch. 1, pp. 14–16.

1 and found work allowance. Further details with respect to found work allowance can be found
2 within Hydro's responses to PUB-NLH-005 and PUB-NLH-013 of this proceeding.

3 Other additional items include camp construction, camp operations, provision for emergency
4 response, and Engineering, Procurement and Construction Management consultancy services³
5 were included and may be shared with the Bay d'Espoir Unit 8 Project if that project were
6 approved, potentially resulting in synergies.

7 The addition of project contingency and management reserve for the reasons described in
8 PUB-NLH-008 of this proceeding, as per recommendations from the Muskrat Falls Inquiry, and
9 increases in interest during construction, which were adjusted to reflect the change in the
10 estimated base cost, also represent a portion of the increase. Additional information on Hydro's
11 contingency and management reserve is provided in PUB-NLH-013 of this proceeding.

³ In the event that Bay d'Espoir Unit 8 is delayed or not approved, Bay d'Espoir Unit 7 alone may not require a camp. This would be confirmed in the first quarter of 2026 when proposals for the Unit 7 life extension contract are received, and execution plans are reviewed. If a camp is deemed unnecessary, costs savings are anticipated to be offset by contractor accommodation costs.