Q. **Reference: CA-NLH-087.**

Table 1 shows hugely higher annual costs for Boiler Condition Assessment and Miscellaneous Upgrades for 2024, 2025 and 2026 compared to the preceding years, which is largely due to very large increases in Contract Work.

a) Please provide an explanation for this and describe any steps that Hydro is taking to contain these costs.

b) Please explain the $483,400 figure for interest during construction for 2026 and why it is so much larger than interest during construction in the other years.

A. **a)** When the planned end of generation date for the Holyrood Thermal Generating Station ("Holyrood TGS") was extended to 2030, several miscellaneous required upgrades were added to the project scope, starting in 2024, to maintain the safety and reliability of the plant during its extended operating period. In addition to the refurbishment of other aging boiler components and rising material and contractor labour costs, these overhauls and upgrades have contributed to the increased expenditures starting in 2024 compared to previous years. As Newfoundland and Labrador Hydro's ("Hydro") objective is to limit this project scope to essential repairs and replacements required for safe and reliable operation through 2030, these cost increases are expected to be mitigated to the extent possible as the Holyrood TGS approaches its end of life as a generation plant. The capital expenditures associated with this program are necessary to ensure safe and reliable operation of the Holyrood TGS and are fully supported by an independent third-party condition assessment.

b) Hydro notes that the value included in Table 1 for Interest During Construction ("IDC") for 2026 is a combination of both interest during construction and escalation, as is typical of the budget tables within proposals. The estimated value for interest during construction for 2026 is $180,500 (the remainder being escalation). The IDC estimate is in line with the amounts estimated in previous years and the increase in value is driven by the increase in project budget.

When developing estimates assets are estimated to be placed in service following the outage season as a worst-case assumption. In execution this may occur differently, which accounts for differences in the IDC estimated versus the IDC charged to the project once completed.