Q. **Reference: Schedule 1: Capital Budget Overview**

Page 6, footnote 23.

"..for the Holyrood TGS that the evidentiary requirements for programs are better suited to allow a fulsome review of these expenditures."

a) Please explain how proposing these expenditures as programs allow for a more fulsome review.

b) Programs are defined as capital investments comprised of a number of asset-related activities that are high volume, repetitive, like-for-like capital replacements, enhancements, or additions that are expected to continue into the foreseeable future. Please explain how proposing programs for a limited life asset such as the Holyrood TGS is appropriate.

A. **a)** Newfoundland and Labrador Hydro ("Hydro") has proposed one program for the Holyrood Thermal Generating Station ("Holyrood TGS") within its 2026 Capital Budget Application, which is its Thermal In-Service Failures (2026) Program, implemented in 2018. Programs require trending data for budgets over $1 million. Proposing this work as a program allows for fulsome review of trending data, including the number of in-service failure projects initiated under this program over the past five years, historical expenditures in the last five years, and forecast program costs through 2030. Further, proposing this work as a program also incorporates utilization of historical averages in the estimating.

b) Hydro's Thermal In-Service Failures (2026) Program is intended to allow the completion of capital work due to the failure of equipment or the recognition of an incipient failure that cannot wait for the next capital application cycle. This program also includes the purchase of critical capital spares to reduce downtime and increase availability should a failure of a key component occur. Hydro uses historical data and engineering judgment

to predict the magnitude of in-service failure expenditures. This program is currently anticipated to continue into the foreseeable future, albeit with reduced expenditures, under the assumption that when steam generation is complete at the Holyrood TGS, the site is currently anticipated to continue to operate Unit 3 as a synchronous condenser. For these reasons, Hydro feels it is appropriate to propose Thermal In-Service Failures (2026) as a program. Once the Holyrood TGS transitions to post-steam operation, Hydro will assess whether the continuation or modification of this program is necessary.