

1 Q. Please explain the rationale for the original roof not being replaced when the facility underwent
2 a significant upgrade to extend the engine hall in 2020. In this explanation, address what
3 consideration was given to the coating system, which was applied in 2010 in an attempt to
4 prolong the life of the roof, having minimal effect on leaking.

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7 A. The Diesel Genset Replacement - Makkovik project was submitted as a three-year project
8 (2018–2020) in 2017 as part of Newfoundland and Labrador Hydro’s (“Hydro”) “2018 Capital
9 Budget Application.”¹ In 2017 at the time of application, it was Hydro’s expectation that the
10 existing coating system would suffice until 2025. While it was known at the time that the coating
11 system would not be a long-term solution, the roof had not yet shown signs of deterioration
12 indicative of requiring immediate refurbishment or replacement. As a result, Hydro believed an
13 acceleration of the replacement was not justified. Although Hydro considered proposing a
14 replacement of the roof in its 2022 Capital Budget Application, Hydro believed the condition was
15 manageable and failure was not imminent; as such Hydro chose not to proceed at that time. The
16 roof has since deteriorated at a faster pace than expected and is now in need of intervention
17 (replacement being the least-cost alternative). The extent of the leaking following the August
18 2021 weather event confirmed that the roof is particularly susceptible to harsh weather.

19 Hydro notes that the application for the upgrade, and the decision not to refurbish or replace
20 the roof at that time, was made in 2017 in the context of a pre-COVID-19 pandemic operating
21 environment. The decision could not have foreseen pandemic-related global supply chain issues,
22 which substantially impact Hydro’s ability to procure materials and parts. Due to the accelerated
23 deterioration of the roof and the current supply chain delays, it is Hydro’s belief that the risk of
24 deferring the proposed capital work is no longer acceptable.

¹ “2018 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. October 3, 2017 (originally filed July 27, 2017), vol. II, tab 15.