Q. By filing the Bay d'Espoir Unit 8 and the Avalon CT Early Execution Capital Work application and a second application for Capital Expenditures:

(a) How much time on the schedule does NL Hydro expect to save over filing a single application for Capital Expenditures?

(b) What is the additional regulatory cost associated with filing two applications rather than one?

(c) How much money does Hydro expect to save as a result of filing the Early Execution Capital Work Application relative to filing a single application for Capital Expenditures?

(d) Please quantify the schedule and cost risk mitigated by filing the Early Execution Application.

A. Newfoundland and Labrador Hydro ("Hydro") has proposed the Early Execution Capital Work application to mitigate project schedule and cost risks associated with the Bay d'Espoir Unit 8 ("BDE Unit 8") and Avalon Combustion Turbine ("CT") projects. Approval of this application is essential to prevent significant schedule delays and cost escalations that would ultimately impact ratepayers. Under the *Public Utilities Act*, Hydro must obtain approval from the Board of Commissioners of Public Utilities ("Board") before proceeding with construction, purchase, or lease of improvements or additions to its property. Denial or postponement of the Early Execution Capital Work application would force Hydro to halt critical path activities until the approval of the 2025 Build Application, which is anticipated by the end of 2025.

Halting project activities would have several consequences with regards to the project schedules:

- Suspension would require releasing the current project team. Re-recruiting and familiarizing a new team would further delay the project and require refreshing outdated project estimates.

- The cumulative impact of recruitment, familiarization, and estimate updates, in addition to the regulatory review timeline, could extend the project timeline by over 18 months.
- If cost estimates change significantly, Hydro may need to file a revised application with the Board, introducing further delays.

The financial consequences of project delays are also substantial:

- Postponed equipment procurement exposes Hydro to price escalation, higher demand costs, and additional Interest During Construction. Hydro estimates these factors could increase costs by $30 million to $50 million per project per year of delay.
- Delayed in-service dates for the Avalon CT and BDE Unit 8 would require extending the steam operation of Holyrood Thermal Generating Station, costing over $120 million per year.[1]
- Delays may result in overlap with projects associated with the New Energy Partnership between Hydro and Hydro-Québec, further intensifying cost increases due to competition for labor, engineering, equipment, and materials.

Early Execution phases are recognized as key components of effective front-end planning. These activities are typically undertaken to initiate time-sensitive elements, such as securing long-lead equipment, advancing permitting, or initiating critical design work, prior to full project sanction. Case studies show that progressive commitment, including early procurement supported by flexible contracting terms, is a recommended strategy for managing uncertainty while preserving project schedule and cost control.[2]

Hydro believes the approval of this application is essential to prevent significant schedule delays and cost escalations that would ultimately impact ratepayers. Hydro has not quantified the regulatory cost of proceeding with its application for Early Execution Capital Work separately

[1] Please refer to the Holyrood Thermal Generating Station Capital Plan Refresh, provided as Attachment 1 of Hydro's response to NP-NLH-001 of this proceeding.
[2] Hammad, M. A. (2006). Schedule improvement through innovative procurement strategies. Paper presented at PMI® Global Congress 2006—Latin America, Santiago, Chile. Newtown Square, PA: Project Management Institute.

from the 2025 Build Application; however, the cost would be immaterial compared to the potential project delays and associated financial impacts.