

2026-05-05

**Newfoundland and Labrador Hydro**

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Dear Ms. Walsh:

**Re: Newfoundland and Labrador Hydro - 2025 Capital Budget Supplemental Application - Application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine - To Parties - Request to Hydro to Provide Additional Information**

On December 19, 2025, following the execution of the contract for the procurement of the combustion turbine, Hydro filed revised cost estimates for the Avalon Combustion Turbine project. On March 9, 2026, following the completion of a Monte Carlo simulation, Hydro filed updated contingency and management reserve amounts. On April 16, 2026 Hydro filed an evidentiary update providing further detail on the Monte Carlo analysis and updated analytical scenario and sensitivity modelling. The total requested Authorized Budget for the Avalon Combustion Turbine is now \$995.9 million, an increase of \$104.9 million.

On March 13, 2026, Hydro filed its response to issues identified by the Board's consultant, Bates White Economic Consulting, LLC, in its Phase Two Expert Report.

The Board requires further information in relation to these filings and requests that Hydro provide the following:

1. In relation to the contract for the procurement of the combustion turbine:
  - Basic model related information on the Combustion Turbine package and auxiliaries being procured;
  - Pricing details, including the firmness of the pricing (including all potential pricing adjustments);

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*Mike McNiven, Board Secretary*

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- Ancillary costs, if any (transport, FOB points, handling, taxes, tariffs, other fees, etc.);
  - Delivery schedule, and firmness of that timing;
  - How payments and project milestones are related;
  - Clauses addressing definition of and penalties for General Electric underperformance; and
  - Testing procedures, rejection rights associated with ensuring quality of asset matches specifications.
2. Plexos inputs and outputs associated with the ten (10) model runs referenced in section 3.0 and Appendix A of the evidentiary update.
  3. Inputs and outputs associated with the five (5) LIL shortfall runs referenced in section 4.0 and Appendix B of the evidentiary update.
  4. Update Schedule 1, Appendix D: Incremental Rate Impacts – Planned Budget, filed in the 2025 Build Application, incorporating the revised cost estimate for the Avalon Combustion Turbine.
  5. Update the response to Question 10, “Request to Hydro to Provide Additional Information”, dated July 22, 2025, incorporating the revised cost estimate for the Avalon Combustion Turbine in the pro-forma analysis of the project’s impact on customer rates.
  6. Revise Table 1, Attachment 2 Basis of Estimate and Impact Analysis, using the revised amounts for components in the table that have changed costs and the original amounts for the remaining components. Add additional columns that show the potential low and high ranges that were used for QRA, similar to what was provided in Schedule 1, Attachment 1, Appendix A of the Life Extension Application Bay d’Espoir Unit 7.
  7. Further explanation of Hydro’s decision to use a demonstration version of ValidRisk to complete the revised cost estimate, addressing (i) whether Hydro could request Hatch to revise the original Monte-Carlo Analysis, acknowledging the expressed concern of a potential conflict and (ii) the importance of using the same proprietary tool.
  8. The definitive cumulative distribution curve used to determine the Contingency and Management Reserve amounts included in the revised Authorized Budget.

The Board requests that Hydro provide this additional evidence by May 15, 2026. The Board will schedule further process in separate correspondence. The dates to be scheduled and further review of the filing are contingent on Hydro providing this information by the required date.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, [jglynn@pub.nl.ca](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Sincerely,



Mike McNiven  
Board Secretary

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