

July 15, 2025

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Notification of Change to Project Budget – Perform Level 2 Condition Assessment Stage 1 & 2 Cooling Water Sump Structures – Hydro's Reply

On June 3, 2025, Newfoundland and Labrador Hydro ("Hydro") filed correspondence with the Board of Commissioners of Public Utilities ("Board") regarding the Level 2 Condition Assessment of the Stage 1 & 2 Cooling Water Sump Structures at the Holyrood Thermal Generating Station ("Holyrood TGS"), previously approved in Board Order No. P.U. 28(2024). Hydro's correspondence advised that the estimated cost had increased from the initial estimate of \$891,919 to \$2,802,166.

Hydro noted that deferral of this project is not a viable option due to the progressive deterioration of the concrete support beams beneath the pumphouse floors. These beams have already been identified as structurally compromised, resulting in loading restrictions that now permit foot traffic only. This severely restricts Hydro's ability to perform necessary preventive and corrective maintenance on equipment located in the pumphouses. The details of these restrictions are provided in Hydro's response to PUB-NLH-002 of this proceeding.

If left unaddressed, deterioration will continue, potentially resulting in further access limitations and the eventual structural failure of the pumphouse floors. Such an outcome would materially impact Hydro's ability to ensure the safe and reliable operation of the Holyrood TGS, which remains a critical component of the Island Interconnected System.

Through Hydro's June 3, 2025 correspondence, as well as within Hydro's responses to requests for information, Hydro described the importance of the proposed work to the accurate determination of the current condition of the floor structures. This determination is necessary to define the scope of concrete refurbishment and to allow Hydro to develop and execute an appropriate remediation strategy. Alternatively, the information can help Hydro determine if the temporary workarounds in place are sufficient to enable work to continue within Pumphouse 1 for the remainder of the Bridging Period,¹ during which time generation from Holyrood TGS is required.

¹ As defined within the *Reliability and Resource Adequacy Study Review*, the Holyrood TGS shall remain available for a "Bridging Period" until 2030, or until such time that sufficient alternative generation is commissioned, adequate performance of the Labrador-Island Link is proven, and generation reserves are met.

As Hydro explained in its response to PUB-NLH-006 of this proceeding, the proposed Level 2 Condition Assessment is not merely a diagnostic exercise; it is a foundational step in defining the scope of future refurbishment. Without this assessment, Hydro cannot accurately determine the extent of required repairs or develop a reliable cost estimate for the refurbishment phase. The existing cost estimate for the repair or refurbishment of the beams was a Class 5 estimate, based on several high-level assumptions. Proceeding directly to refurbishment based on preliminary assumptions would expose Hydro and ratepayers to significant cost and schedule risks. In the absence of a condition assessment, any application Hydro would make for repair or refurbishment would not contain sufficient evidentiary support to meet the requirements for approval by the Board.

Party Comments

Both Newfoundland Power Inc. (“Newfoundland Power”) and the Island Industrial Customer (“IIC”) Group filed comments with respect to Hydro’s request to proceed with the project at the higher cost estimate. Both parties acknowledged the importance of the continued operation of the Holyrood TGS until new sources of supply are commissioned and the necessity of this project despite the cost escalation. Their support underscores the shared understanding of the risks posed by deferring or inadequately addressing the structural issues at the Holyrood TGS.

The IIC Group noted that delays in assessment and/or the implementation of the refurbishment work could limit the value of the work to customers and urged Hydro to avoid such delays. Hydro shares the IIC Group’s concern, and as noted in Hydro’s response to PUB-NLH-001 of this proceeding, decided not to re-tender the contract in part because re-tendering would have delayed the start of work and risked timely completion of the project.²

Newfoundland Power and the IIC Group’s comments urging expediency and prioritization of the review and construction of alternative sources of supply to replace the Holyrood TGS, while not directly applicable to the project, are also noted by Hydro. Hydro’s 2025 Build Application is currently before the Board, and Hydro is doing all it can to enable that proceeding to advance as quickly as possible. In the meantime, Hydro is progressing the preliminary work on both projects through the approved early execution work.

Additionally, the IIC Group expressed concerns that the escalation in the cost estimate for this project could suggest that there will be similar risks in the projects proposed in Hydro’s 2025 Build Application. Hydro notes that, as described in its response to PUB-NLH-004 of this proceeding, Hydro has identified opportunities to mitigate similar risks in other projects. Hydro believes that the information that has been and will be provided in that separate proceeding indicates that the risks related to cost escalation have been identified and mitigated to the extent possible.

Conclusion

Until alternative sources of supply are commissioned, the Holyrood TGS is essential for ensuring reliable service to customers. Hydro asserts that proceeding with the Level 2 Condition Assessment is a prudent step that aligns with the requirement to provide the least cost reliable service, as well as allows Hydro to meet the Board’s evidentiary standards for capital projects. Hydro respectfully requests that the Board approve Hydro’s application as submitted.

² If approved, Hydro will provide an update regarding project execution and status in its 2025–2026 Winter Readiness Planning Report

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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