

- 1 Q. a) Provide a copy of the strategic risk register created for the Penstock 3 project.
- 2 b) Provide a comprehensive description of all identified strategic risks associated with the
- 3 Penstock 3 project.
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- 6 A. a) A copy of the strategic risk register is included as PUB-NLH-015, Attachment 1.
- 7 b) Descriptions of identified strategic risks,¹ including identified associated potential mitigating
- 8 actions, are provided in PUB-NLH-015, Attachment 1. These risks cover several themes,
- 9 including:
- 10 • Geopolitical and macroeconomic risks, such as tariffs, escalation, and financing rates;
- 11 • Availability and qualifications of contractors;
- 12 • Quality of fabrication and repair works;
- 13 • Project delays prior to starting construction works², such as permitting delays, delays in
- 14 awarding contracts, a lengthy regulatory process, other system events not allowing the
- 15 removal of Units 5 and 6 from service, unplanned failure of the penstock prior to being
- 16 ready;
- 17 • Project delays during construction, such as found work or conditions, labour disputes,
- 18 extraordinary weather or related conditions, environmental spills, safety incidents;
- 19 • A lack of accommodations within the area for the construction contractor;
- 20 • Construction labour availability and productivity; and
- 21 • Coordination with the operating plant during construction.

¹ Strategic risks include risks that are outside of the control or influence of the project team and would be used in the calculation of management reserve. [REDACTED]

² A number of these risks were identified as potential triggering events but were not individually considered in the Monte Carlo Simulation. The approach was to include a single risk event for the impacts of a significant delay, independent of the trigger.

No.	Issue / Risk Description	Risk Statement <i>("Condition/Cause leads to Effect")</i>	Mitigating Actions and Notes
1	Foreign Currency Exchange	As a result of foreign currency exchange rate fluctuations, the value of the Canadian Dollar may erode, leading to foreign currency exposure when purchasing goods and materials.	<ul style="list-style-type: none"> Establish realistic baseline foreign exchange rates to be used in cost analysis; Establish an overall currency hedging program if required; and Develop an improved forecast of currencies for the overall project estimate.
2	Escalation/Inflation Risks	<ul style="list-style-type: none"> As a result of global demand for construction goods and materials, the project may be exposed to escalation and inflation, resulting in increase in capital cost. Escalation refers to item-specific "microeconomic" increase (or decrease) in pricing over the course the project. Inflation refers to overall "macroeconomic" increase (or decrease) in pricing over the course the project. 	<ul style="list-style-type: none"> Corporate assumptions for escalation/inflation are available for reference. On average, the escalation rate is shown as 2% year-over-year. Confirm steel availability.
3	Tariffs	Consider possibility of new tariffs in United States.	<p>Tariff impacts, beyond those considered in the estimate, would be addressed via Management Reserve. There have been risks included in the strategic risk analysis that provide a contribution to Management Reserve for this risk.</p>
4	Interest During Construction (IDC)	Interest rate changes will impact the capital cost of the project.	Corporate assumptions for IDC are available for reference.
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7	Availability & Capability of Engineering, Procurement, and Construction Management ("EPCM") Contractor		

No.	Issue / Risk Description	Risk Statement (*Condition/Cause leads to Effect*)	Mitigating Actions and Notes
8	Availability, Retention, and Productivity of Construction Labour		
9	Quality Issues during Can Fabrication or During Refurbishment Work		
10	Delay of 2 years for Construction from 2027 to 2029	A delay that causes the 2027 window to be missed causes a delay to 2029 to avoid interference with other work such as Unit 7 in 2028 and other system work.	Produce a robust application to the regulator (PUB).
11	Regulatory (PUB) Approval Process Extends beyond Assumed Timeline	If regulatory approval process extends beyond the assumed timeline, the project schedule will be delayed and the ability to make contract commitments to support project schedule will be impacted. This will have both a schedule and cost impact due to cost escalation and loss of project momentum.	<ul style="list-style-type: none"> • Produce a robust application to the regulator (PUB). • Adhere to regulatory requirements promptly during application process.
12	Permitting	Delays caused by external issues outside the project team's control in acquiring required permits, e.g. in-water permits, crown land leases, change in contractor/lease holder.	Produce a robust permitting plan
13	Coordination with Operating Plant		Advanced planning.
14	Extraordinary Delay		
15	Escalation/inflation due to Schedule Delay	If the schedule extends/project is delayed, there will be additional costs associated with escalation and financing related to the delay.	Take actions to prevent/reduce schedule delay or extension.

No.	Issue / Risk Description	Risk Statement (<i>"Condition/Cause leads to Effect"</i>)	Mitigating Actions and Notes
16	Found Work - 1 - Unknown Conditions Uncovered during Refurbishment of Penstock 3		
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20	Major Safety Incident		
21	Longer than Anticipated Timeline to Award Main Contract due to Commercial Issues, Resulting in a Delay		
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23			
24	Election Year, Leading to Potential Inability to Issue Contract in Time, Resulting in a Delay	If contracts cannot be issued or awarded for a period of time after the election is called the overall execution plan could be impacted.	<ul style="list-style-type: none"> • Ensure the contract is awarded prior to the election call. Since the contract will not be awarded until year-end 2025 or early 2026, this likely will not be an issue. • This may impact the overall BDE EPCM contract depending on the plans and timelines for that work

No.	Issue / Risk Description	Risk Statement (<i>"Condition/Cause leads to Effect"</i>)	Mitigating Actions and Notes
25	Weather Related Risks - Hurricanes, etc		
26	Environmental Spill		
27	Repair of St. Veronica's Bridge		