

1 Q. The definitive cumulative distribution curve used to determine the Contingency and
2 Management Reserve amounts included in the revised Authorized Budget.

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5 A. As the values were generated from an average of five model iterations, to remove bias in the
6 model selected for the update, there is no 'definitive' curve (i.e., there is no single curve
7 produced by the model tool that corresponds to the values presented). Several separate Monte
8 Carlo Simulations were run to validate the consistency in results, as this was a demonstration
9 version of a new tool. This was done after validating that the cloud-based demonstration
10 version of ValidRisk was providing similar outcomes as the original model and tool (a
11 spreadsheet version of ValidRisk) used by Hatch Ltd. during Front-End Engineering and Design.
12 These separate runs, shown as an average in the representative curve provided as Chart 1, do
13 not increase the estimate accuracy.

14 Increasing the number of iterations within a single model run (from 1,000 to 5,000 or 10,000, for
15 example) adds no material value to the validity of the model simulation output. While more
16 iterations would slightly improve the accuracy of results, in practical terms, it would make no
17 real difference. Professional Monte Carlo tools run iterations until a point of statistical
18 convergence is reached, which is the point where results stop changing in a meaningful way.
19 After the convergence point is reached, more iterations do not change the outcomes.

20 Newfoundland and Labrador Hydro has produced a representative curve (Chart 1), which takes
21 the average of the values from the five model runs. This curve reflects the values presented in
22 the Briefing Note Impact Analysis of CT Price Increase on Project Cost provided in the Avalon
23 Combustion Turbine Evidentiary Update.¹ These are the revised and most up-to-date project
24 costs, including the revised Base Estimate, Contingency, and Management Reserve. This curve
25 (Chart 1) does not show Escalation or Interest During Construction.

¹ "Application for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine – Revision 1 and Evidentiary Update," Newfoundland and Labrador Hydro, April 16, 2026, att. 2, att. 5

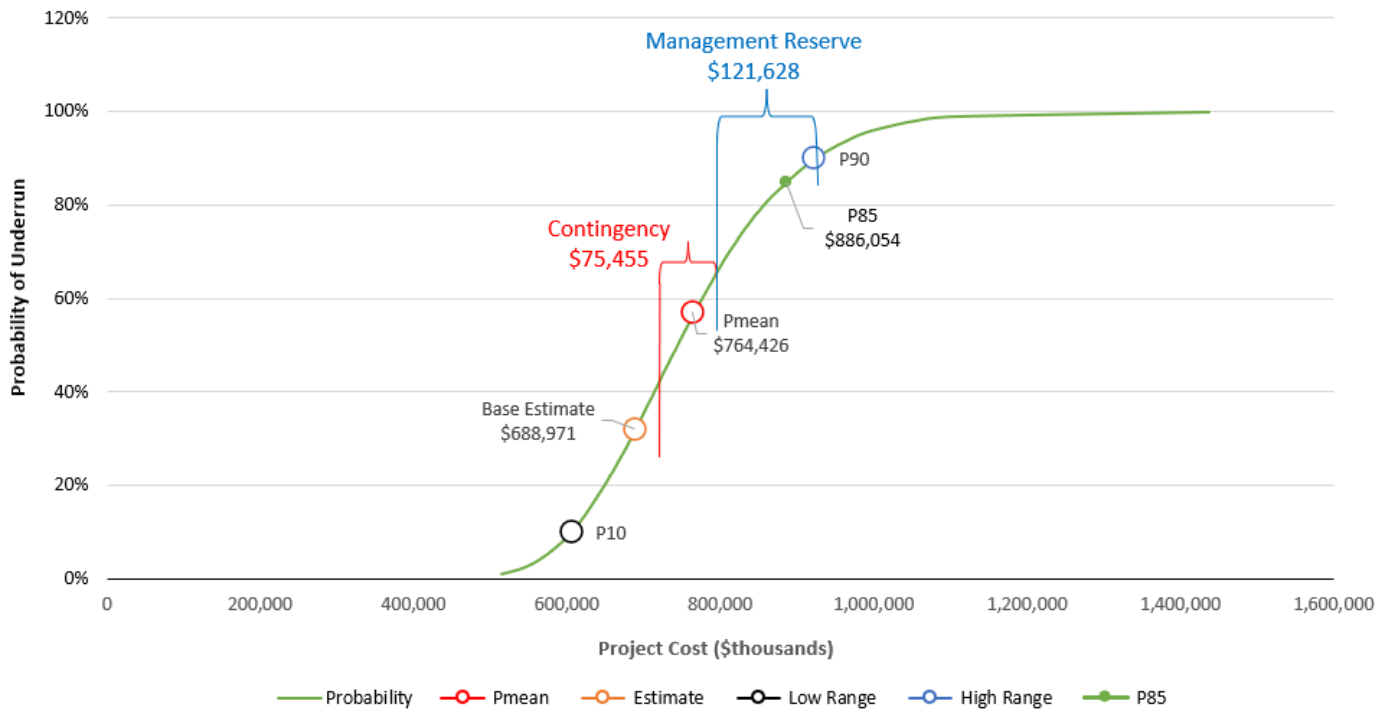


Chart 1: Cost Contingency and Management Reserve Estimate