

June 3, 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

On July 16, 2024, Newfoundland and Labrador Hydro ("Hydro") submitted its 2025 Capital Budget Application to the Board of Commissioners of Public Utilities ("Board"), which included a project for the Level 2 Condition Assessment of the Stage 1 & 2 Cooling Water Sump Structures at the Holyrood Thermal Generating Station ("Holyrood TGS"), with an estimated cost of \$891,919. This project was approved in Board Order No. P.U. 28(2024).

Following project approval, Hydro issued a public tender and hosted a site visit attended by multiple interested vendors; however, only one bid was ultimately received. Based on the results of this procurement process, Hydro has determined that the revised cost to proceed with the project is \$2,802,166, a significant increase over the original estimate. Notwithstanding this increase, the execution strategy, scope, and schedule for the project remain unchanged, as does the necessity.

The Provisional Capital Budget Guidelines do not provide guidance on process for single year projects that are forecasted to materially exceed the approved project budget. However, in the interests of being open and transparent, and due to the significant increase, Hydro is writing to notify the Board of the revised estimated cost.

As noted in the original proposal, 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. 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 impair Hydro's ability to ensure the safe and reliable operation of the Holyrood TGS, which remains a critical component of the Island Interconnected System.

The Level 2 Condition Assessment is essential to accurately characterize the current condition of the floor structures, define the scope of necessary concrete refurbishment, and allow Hydro to develop and execute an appropriate remediation strategy. Failure to complete the condition assessment will impair Hydro's ability to determine an accurate scope and estimate for refurbishment and may result in higher contract bids to account for the associated risk of the unknown condition of the sumps. As highlighted in Hydro's *Reliability and Resource Adequacy Study* proceeding, the Holyrood TGS must remain available

through the Bridging Period until 2030, until sufficient alternative generation is commissioned, adequate performance of the Labrador-Island Link is proven, and generation reserves are met.

Given the continued necessity of Holyrood TGS and the structural risks identified, Hydro believes that proceeding with this project at the higher cost is both prudent and necessary to ensure the ongoing safety and reliability of this critical infrastructure. Hydro also acknowledges the lessons learned during this procurement process and will incorporate these insights into future project planning and vendor engagement strategies. Hydro will provide further information regarding the execution of the project in its subsequent capital expenditures reports.

Should you have any questions or require additional information, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

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