

Avalon Combustion Turbine Project Early Execution Update

June 16, 2026

A report to the Board of Commissioners of Public Utilities



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1 **1.0 Progress to Date**

2 As part of ongoing early execution activities for the Avalon Combustion Turbine (“CT”), the following
3 update outlines the status of key project activities.¹

4 **1.1 Engage Combustion Turbine Suppliers**

5 Newfoundland and Labrador Hydro (“Hydro”) and General Electric (“GE”) continue to perform
6 obligations in compliance with the agreement executed on December 15, 2025.

7 **1.2 Engage Transformer Suppliers**

8 Hydro and Hitachi Energy Canada Inc. continue to perform obligations in compliance with the
9 agreement executed on March 26, 2026.

10 **1.3 Engage EPCM Consultant**

11 The project team has been reviewing the bid proposals since the revised Request for Proposal (“RFP”)
12 closed on March 4, 2026. To date, the five bids received have been reviewed and scored by the
13 commercial and technical teams. The contract award is anticipated by the end of July 2026 to allow for
14 review of the proposals to be completed and for discussions and negotiations with the successful
15 proponent to finalize the terms and conditions and other commercial aspects.

16 Analysis of Hydro’s current schedule prepared based on Hatch Ltd.’s original front-end engineering
17 design schedule in 2024, indicates that sufficient flexibility remains to accommodate the July 2026
18 award, as early execution engineering progress to date has offset potential schedule impacts.²
19 Therefore, there is no change to the overall project Commercial Operation Date (“COD”).

20 **1.4 Transmission Line Relocations with Newfoundland Power Inc.**

21 Work on Transmission Line 38L was completed, and the rerouted line returned to service. Work on
22 Transmission Line 39L was deferred due to weather forecasts. Hydro and Newfoundland Power Inc.
23 (“Newfoundland Power”) planned to complete the work during an outage window beginning
24 April 20, 2026; however, the outage was cancelled due to a freezing rain event that began on the same

¹ This report is with respect to the expenditures approved in both the Early Execution Application and the Additional Early Execution Application.

² To mitigate the schedule risk of the delay in the Engineering, Procurement and Construction Management (“EPCM”) contract award, Hydro has been able to progress engineering in the absence of an EPCM contractor through internal resources and consultants engaged through existing agreements.

1 day. Hydro is working with the Newfoundland and Labrador System Operator (“NLSO”) to determine
 2 viable outage windows. While Hydro and Newfoundland Power are planning the relocation work, the
 3 actual date of the work will be determined once the outage windows are confirmed and resources are
 4 available.

5 The construction power feed installation will follow the completion of Transmission Line 39L relocation.

6 **1.5 230 kV Circuit Breakers**

7 An RFP for the supply of breakers for both the Avalon CT project and the Bay d’Espoir Unit 8 project was
 8 developed and issued on April 10, 2026. The RFP closed on June 9, 2026.

9 **1.6 Project Risks and Mitigations**

10 A summary of key risks identified during the planning and execution of the project, as well as associated
 11 mitigations and status, are provided in Table 1.

Table 1: Key Risks^{3,4}

Risk Title/Description	Mitigations	Status
Supply chain pressures may increase the cost of goods and increase delivery times.	<ul style="list-style-type: none"> • Prepare separate RFPs for turbines and transformers such that requirements for sparge, long-term service agreements, etc. are established right from the beginning with the original equipment manufacturers. • Given the state of the supply within the market, it is essential that the right prioritization in terms of the overall schedule is established for critical path long lead items. • Management Reserve is included in the overall project budget to address strategic risks. 	<p>Open – Circuit breakers RFP was issued on April 10, 2026, and closed on June 9, 2026.</p> <p>Market volatility continues to pose risks, including, most recently, the impacts of the conflict involving Iran, the United States, Israel, and other countries. Hydro continues to monitor market conditions and adapt commercial strategies to mitigate Supply Chain risks.</p>

³ This table considers the whole scope of the Avalon CT project, not only early execution activities. It is intended to highlight only key risks that may impact project success. Hydro uses a more comprehensive project risk register to facilitate risk management. Hydro regularly updates the risk register, and should a risk escalate in ranking or a new high risk be identified, it will be added to this table in future updates.

⁴ Risks which have been shown as closed in a previous report have been removed.

Risk Title/Description	Mitigations	Status
<p>Regulatory (Board⁵) approval process extends beyond the assumed timeline.</p> <p>If the regulatory approval process extends beyond the assumed timeline, the project schedule will be delayed, and the ability to make contract commitments to support the project schedule will be impacted. This will have both a schedule and cost impact due to cost escalation and loss of project momentum.</p>	<ul style="list-style-type: none"> • Produce a robust Board application and work closely with the Board during the application process. • Receive timely Board approval of Early Execution Applications. • Receive timely Board approval of Additional Early Execution Application. 	<p>Open – 2025 Build Application⁶ has been submitted to the Board.</p> <p>Approval of Hydro’s initial early execution application was received in April 2025, which included the scope and schedule to the end of December 2025.</p> <p>The Additional Early Execution Application approval for the Avalon CT was received on March 13, 2026, as part of Board Order No. P.U. 7(2026), which provided further approval for expenditures based on forecast scope and schedule to the middle of 2026.</p> <p>The regulatory process is continuing into 2026 with a review schedule set for June and July as communicated by the Board. To allow for continued expenditures that would mitigate against schedule delays and cost increases, Hydro is preparing a third early execution application for Hydro Board of Directors approval and subsequent submission to the Board for approval.</p>
<p>If internal decision-making processes are not efficient, it can lead to project execution delays and schedule and cost impacts. For example, time-sensitive decisions such as awarding of contracts (e.g., equipment and construction) and proceeding with early execution. The cost impact of a one-year delay is estimated at \$30 million to \$50 million.</p>	<ul style="list-style-type: none"> • Established Project Governance structure, project steering committee, and project leadership team with clear limits of authority. • Established processes and systems to facilitate effective decision-making, including a review of existing authority levels. • Developing contingency plans for key personnel so decisions can be made when there are competing priorities or absences. • Corporate Interface Manager in place to manage all interfaces between Major Projects and Corporate groups. 	<p>Open – Governance structure established. Authority levels are suited to the current project phase.</p> <p>An interface manager was established for internal interface resolution. Continue to monitor for efficient decision-making as early execution progresses.</p>

⁵ Board of Commissioners of Public Utilities (“Board”).

⁶ “2025 Build Application – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, March 21, 2025.

2.0 Project Schedule

As discussed earlier in this report, some schedule delays have occurred due to the RFP evaluation process and vendor negotiations. These delays are normal and expected in any robust procurement process. The Avalon CT early execution scope is continually assessed to ensure schedule targets are managed appropriately. The CT and transformer contracts have been successfully executed. The EPCM contract award has been delayed to the end of July 2026. The revised schedule for the award for the EPCM and transformer contracts did not have any impact on the overall COD, and the COD of March 2030 remains unchanged since the last update.

The ongoing regulatory process may have a material impact on the overall project budget and schedule, depending on the timelines for the regulatory process and anticipated approval. On May 13, 2026, the Board issued a review schedule for the Avalon CT project within the 2025 Build Application, consisting of requests for information and party submissions. The filing date of Hydro’s final submission is scheduled for July 22, 2026.

An Additional Early Execution Application for the capital expenditures necessary to continue the project activities into 2026 was submitted to the Board and approved in Board Order No. P.U. 7(2026). A third early execution application is being prepared to mitigate against schedule delays and cost increases during the completion of the review process for the Avalon CT project.

A summary of the current Avalon CT Early Execution Project Schedule is provided in Appendix A.

3.0 Project Budget

The Board has approved an early execution budget of \$30,710,000 and an additional early execution budget of \$29,294,000. Hydro is progressing with the work included within the approved budgets. The detailed cost information in Appendix B includes forecasted costs up to August 2026, resulting from the changes in schedule noted within.⁷ Appendix B shows the expenditure forecast trending under budget, primarily due to the project budget contingency balance remaining unused, and the Hydro Project Management forecast being less than budget. The expenditure forecast is based on the scope as

⁷ Additional budget and forecast amounts necessary to execute the additional early execution scope have been reflected in Appendix B.

1 included in the additional early execution budget, which assumed approval of the full 2025 Build
2 Application by the end of June 2026.⁸

3 Since the issuance of the April cost report, a reforecast of the latest approved additional early execution
4 budget has been completed to better reflect the anticipated rate of expenditure, which is not shown in
5 Appendix B. The reforecast includes the CT and Transformer package milestone payments up to the end
6 of July 2026, award of EPCM contract by the end of July 2026, and award of a circuit breaker package in
7 August 2026. Therefore, the currently approved additional early execution budget of \$60 million,
8 including contingency, is forecast to be expended by mid-August 2026. There are inadequate funds
9 remaining to make milestone payments for the CT package in August; therefore, approval of the full
10 project within the 2025 Build Application or a third early execution application is required by
11 July 31, 2026, to facilitate this payment. Based on the recent schedule provided by the Board, the
12 regulatory proceeding for the Avalon CT is expected to close on July 22, 2026.⁹

13 **4.0 Project Expenditures**

14 Procurement activities necessary to maintain project cost and schedule are forecast to continue in 2026.
15 These activities include continuation of early execution activities, including the activities and
16 expenditures proposed in Hydro’s Additional Early Execution Application. Approval of the proposed
17 additional early execution expenditures for the Avalon CT was received on March 13, 2026, in Board
18 Order No. P.U. 7(2026), enabling the initiation of contracts and acquisition of these long-lead items by
19 securing manufacturing slots, thereby reducing risk to both schedule and cost.

20 As initially noted in Section 3.0, it is expected that the current budget of \$60 million will be expended by
21 mid-August 2026.¹⁰ On May 13, 2026, the Board issued a review schedule for the Avalon CT, with a
22 process for requests for information to end on July 3, 2026 and Hydro’s reply to party comments on the
23 proposed project due on July 22, 2026. Based on the review schedule above, Hydro anticipates that
24 approval for the Avalon CT project will not be received prior to the completion of the currently approved

⁸ The forecast shown in Appendix B includes the CT package and Transformer package milestone payments to the end of June 2026, award of the EPCM contract by the end of July 2026, and award of the Breaker package in August 2026, with the Hydro Project Management Team supporting contract award activities to the end of August 2026.

⁹ “Newfoundland and Labrador Hydro - Application for Capital Expenditures for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine - To Parties - Avalon Combustion Turbine - Review Schedule,” Board of Commissioners of Public Utilities, May 13, 2026.

¹⁰ This includes the early execution and additional early execution approved expenditures, anticipated to be incurred up to mid-August.

1 expenditures and budget. Hydro is currently preparing a third proposed early execution application to
2 enable the continuation of contract payments and continuation of EPCM detailed design work to year-
3 end, pending approval of the Avalon CT project by the Board.

4 Appendix B provides further detailed cost information, including an overview of costs incurred to April
5 30, 2026.¹¹

6 **5.0 Conclusion**

7 Overall, the project continues to progress in line with early execution objectives. Hydro has
8 implemented enhanced support for vendor negotiations and prioritized early procurement of long-lead
9 equipment to drive successful completion of contract awards. Hydro has successfully negotiated and
10 awarded the CT packages, thereby mitigating a significant project schedule risk. Initial payments
11 required to progress the turbine procurement and overall contract, as part of the agreement with GE,
12 have been paid. Delays in procurement of non-critical path items are actively managed and do not have
13 an impact on the project COD of March 2030, which is primarily dictated by the CT package delivery.

14 The regulatory process and anticipated Board approval have extended into 2026. To mitigate against
15 schedule delays and cost increases during the completion of the review of this project, Hydro will
16 continue with the early execution activities approved through the Early Execution Application and the
17 Additional Early Execution Application approved in Board Order No. P.U. 7(2026). The additional early
18 execution authorization will enable continuation of early execution activities underway, as well as
19 additional scope that was not included in the original early execution authorization.¹²

20 Hydro is also taking all reasonable steps to manage and mitigate potential impacts associated with the
21 availability of commercially sensitive information and continues to actively manage risks to maintain
22 compliance with all regulatory requirements.

¹¹ The information contained in the Detailed Cost Information, attached as Appendix B, is completed through Hydro's review of the contractor(s)' progress reports, and the time between the referenced date and the date of this report to the Board includes both the time taken by the contractor to prepare the report and the time Hydro requires to review and incorporate the data into the monthly summary.

¹² The original early execution and additional early execution funds supported continuation of work that was forecast to take place through December 2025 and to June 2026, respectively. These approved activities have been reforecast to continue through July 2026.

- 1 Hydro is currently preparing a third early execution application, which would enable the continuation of
- 2 activities currently underway through year-end or until full project approval. Approval of this third
- 3 application or the full 2025 Build Application is required by July 31, 2026, to facilitate payment of the
- 4 August progress payment for the CT package.

Appendix A

Early Execution Project Schedule Summary



Table 1: Avalon Combustion Turbine Project Schedule Summary

Milestone¹	Baseline	Actual/Forecast²	Variance	Impact on COD
PUB Submission	21-Mar-25	21-Mar-25	-	No
Environmental Assessment Registration Submission	03-Mar-25	28-Mar-25	-24	No
Early Execution Approval by PUB	-	25-Apr-25	-	No
Environmental Assessment Release	03-May-25	30-May-25	-27	No
Start of Site Early Execution	02-Jul-25	05-Oct-25	-94	No
Newfoundland Power Early Execution Complete (38L and 39L Relocated)	03-Dec-25	TBD ³	TBD	No
CT Package Award	18-Jul-25	15-Dec-25	-149	Yes ⁴
Additional Early Execution Application Approval by PUB	-	13-Mar-26 ⁵	-	No
Transformer Contract Award	13-Jun-25	20-Mar-26	-280	No
PUB Approval	31-Dec-25	15-Sep-26 ⁶	-149	No
EPCM Contract Award	29-Aug-25	29-Jul-26 ⁷	-334	No
EPCM Project Kickoff	05-Sep-25	05-Aug-26	-334	No
Circuit Breaker Package Award	- ⁸	02-Sep-26	-	No

¹ Reflects 2026 project milestones included within Hydro’s Additional Early Execution Application.

² It is important to note that the specific forecast dates provided above remain subject to adjustment dictated by overall project progression. The forecast dates listed for each milestone rely on a series of embedded activities that each must be completed by certain dates. The forecast dates above are based on the information known at this time with current inputs.

³ Weather forecasts impacted the planned outage schedule, deferring the completion of this work, which attributed variance in the expected completion time. The Transmission Line 38L outage has been completed, and the rerouted line returned to service. The work was planned to begin on April 20, 2026; however, the outage was cancelled due to a freezing rain event that began on the same day. Hydro is working with the NLSO to determine viable outage windows. Work will be rescheduled once the outage windows are confirmed and resources are available.

⁴ The forecasted COD for Avalon CT has changed compared to the Project Control Schedule Baseline, which was included with the 2025 Build Application. This date will be subject to change until such a time that the EPCM consultant is selected. The CT Package Award date has been actualized (15-Dec-2025). There has been no change to the delivery dates, yet the CT package remains the critical path for this project. There remains a risk to the COD if milestone payments are not issued at the scheduled dates under this agreement. As of the submission date of this report, the COD forecast remains March 7, 2030. All other noted schedule variances relate to non-critical path activities. These activities currently have sufficient float and do not impact the overall COD forecast.

⁵ The application for additional early execution works expenditures was approved in Board Order No. P.U. 7(2026).

⁶ Hydro utilizes an assumption for Board approval of the 2025 Build Application by September 15, 2026, for the purpose of ensuring continuous progression of the initial stages of the project. However, this is not to indicate that approval of the overall 2025 Build Application to that date would not have an impact on the cost and schedule of the overall projects. To mitigate against schedule delays and cost increases, Hydro is currently preparing a third early execution application, which would enable the continuation of activities currently underway through year-end or until 2025 Build Application approval.

⁷ Based on the latest information, the CT package and subsequent milestone payments remain on the critical path, and there is sufficient flexibility in the schedule to accommodate the current EPCM award date without impact to the overall COD.

⁸ As noted in Hydro’s Additional Early Execution Application, due to long lead times for terminal station breakers, the RFP for this equipment would be issued in April 2026 to mitigate schedule risk. The RFP was formally issued on April 10, 2026. This milestone listing was not part of the original baseline schedule, and thus, no initial baseline date is associated with the circuit breaker package award.

Appendix B

Detailed Cost Information



Redacted

Redacted