

Avalon Combustion Turbine Project Early Execution Update

May 22, 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. The initial contract payment is expected to be paid in June.²

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. The contract award is anticipated by mid-July 2026 to allow for review of the
13 proposals to be completed and for discussions and negotiations with the successful proponent to
14 finalize the terms and conditions and other commercial aspects.³ To date, the five bids received have
15 been reviewed and scored by the commercial and technical teams. Next steps include selecting bidders
16 to conduct bid presentations and address clarification questions.

17 Hydro’s Early Execution Application⁴ detailed that Hydro planned to engage engineering support from an
18 EPCM⁵ consultant for support in the following activities:

- 19
- Complete geotechnical investigations and surveys needed to support the execution phase; and

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

² Payments are included within the approved early execution and additional early execution scope.

³ The original RFP was issued on June 20, 2025, and after an extension, closed on August 28, 2025. The anticipated award date was December 9, 2025. That RFP concluded without identifying a successful proponent. Hydro modified the scope to align with market feedback and issued an alternative RFP on October 24, 2025, which closed March 4, 2026, as noted above. The period for review of proposals and to issue the award in the original RFP was approximately 103 days. The review period of the current RFP, considering July 15, 2026, to be the midpoint of July, is 133 days. The original RFP had one bidder. This RFP received five substantial, comprehensive bids.

⁴ “Early Execution Capital Work – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, March 12, 2025.

⁵ Engineering, Procurement and Construction Management (“EPCM”).

- 1 • Detailed execution planning activities, such as establishing a project execution plan, contracting
2 plan, and other planning documentation.

3 Hydro continued the progression of various engineering studies to further determine assumptions made
4 in the Front-End Engineering Design (“FEED”) phase with the goal of reducing overall project risk.
5 Additional execution planning activities are being progressed prior to the EPCM award to maintain the
6 overall project schedule. A review to further refine the schedule will be completed once the EPCM
7 contract has been awarded.

8 Analysis of Hydro’s current schedule, prepared based on Hatch Ltd.’s original FEED schedule in 2024,
9 indicates that sufficient flexibility remains to accommodate the July 2026 award, as early execution
10 engineering progress to date has offset potential schedule impacts. Therefore, there is no change to the
11 overall project Commercial Operation Date (“COD”).

12 **1.4 Transmission Line Relocations with Newfoundland Power Inc.**

13 Work on Transmission Line 38L was completed, and the rerouted line returned to service. Work on
14 Transmission Line 39L was deferred due to weather forecasts. Hydro and Newfoundland Power Inc.
15 (“Newfoundland Power”) planned to complete the work during an outage window beginning
16 April 20, 2026; however, the outage was cancelled due to a freezing rain event that began on the same
17 day. Hydro is working with the Newfoundland and Labrador System Operator (“NLSO”) to determine
18 viable outage windows. While Hydro and Newfoundland Power are tentatively planning the relocation
19 work for June 2026, the actual date of the work will be determined once the outage windows are
20 confirmed and resources are available.

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

22 **1.5 230 kV Circuit Breakers**

23 An RFP for the supply of breakers for both the Avalon CT project and the Bay d’Espoir Unit 8 project was
24 developed and issued on April 10, 2026.⁶ The RFP is expected to close on June 2, 2026.

⁶ The breaker issuance was inadvertently omitted in the previous month's report.

1 **2.0 Project Risks and Mitigations**

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

Table 1: Key Risks^{7,8}

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 –Transformer contract was awarded on March 26, 2026. Circuit breakers RFP was issued on April 10, 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>
<p>Regulatory (Board⁹) 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 Application¹⁰ 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>

⁷ 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.

⁸ Risks which have been shown as closed in a previous report have been removed.

⁹ Board of Commissioners of Public Utilities (“Board”).

¹⁰ “2025 Build Application – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, March 21, 2025.

Risk Title/Description	Mitigations	Status
		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 examining whether a third application for early execution should be submitted to the Board for approval.
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.	<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>

1 **3.0 Project Schedule**

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

8 The ongoing regulatory process may have a material impact on the overall project budget and schedule,
9 depending on the timelines for the regulatory process and anticipated approval. Uncertainty can be
10 created for vendors when regulatory processes do not have clear timelines or indications of approval;
11 this uncertainty may reduce participation and limit competition, which can lead to higher project costs.
12 An Additional Early Execution Application for the capital expenditures necessary to continue the project

1 activities into 2026 was submitted to the Board and approved in Board Order No. P.U. 7(2026). A further
2 early execution application is being considered to mitigate against schedule delays and cost increases
3 during the completion of the review process for the Avalon CT project.

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

5 **4.0 Project Budget**

6 The Board has approved an early execution budget of \$30,710,000 and an additional early execution
7 budget of \$29,294,000. Hydro is progressing with the work included within the approved budgets. The
8 detailed cost information in Appendix B includes forecasted costs up to July 2026, resulting from the
9 changes in schedule noted within.¹¹ Appendix B shows the expenditure forecast trending under budget,
10 primarily due to the remaining control budget contingency balance; in addition to the CT package and
11 transformer package milestone payments being less than budgeted; and the interest during
12 construction forecast being less than budgeted. Hydro is taking all reasonable steps to manage and
13 mitigate potential impacts associated with the availability of commercially sensitive information and
14 continues to actively manage risks to maintain compliance with all regulatory requirements.

15 Hydro provided the updated actual costs for the Avalon CT project on December 19, 2025, and the
16 impact analysis on the cost estimate related to the CT increase was filed on March 9, 2026.¹² On
17 April 16, 2026, Hydro filed an Evidentiary Update for the project. This included a basis of estimate
18 reflecting the increase in costs for the Avalon CT project, in addition to an updated expansion plan
19 analysis.¹³ Following direction from the Board, Hydro provided responses on May 15, 2026, to additional
20 questions related to the CT cost increase, Monte Carlo Simulation results, and overall CT contract
21 details.¹⁴

¹¹ Additional budget and forecast amounts necessary to execute the additional early execution scope have been reflected in Appendix B.

¹² “2025 Capital Budget Supplemental Application – Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Avalon Combustion Turbine Estimate Refresh,” Newfoundland and Labrador Hydro, March 9, 2026.

¹³ “2025 Build Application – Avalon Combustion Turbine Evidentiary Update,” Newfoundland and Labrador Hydro, April 16, 2026.

¹⁴ “Newfoundland and Labrador Hydro – 2025 Capital Budget Supplemental Application – Application for the Purchase and Installation of Bay d’Espoir Unit 8 and Avalon Combustion Turbine – Further Information,” Newfoundland and Labrador Hydro, May 15, 2026.

5.0 Project Expenditures

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

Since the issuance of the March cost report, a reforecast of the latest approved additional early execution budget has been completed to better reflect the anticipated rate of expenditure. It is expected that the current budget of \$60 million will be expended by July 31, 2026.¹⁵ On May 13, 2026, the Board issued a review schedule for Avalon CT, with a process for requests for information to end on July 3, 2026 and Hydro's reply to party comments on the proposed project due on July 22, 2026. Based on the review schedule above, Hydro anticipates that approval for the Avalon CT project will not be received prior to the completion of the currently approved expenditures and budget. Hydro is considering the development of a third proposed early execution application to enable the continuation of contract payments and continuation of EPCM detailed design work, pending approval of the Avalon CT project by the Board.

Appendix B provides further detailed cost information, including an overview of costs incurred to March 31, 2026.¹⁶

6.0 Conclusion

Overall, the project continues to progress in line with early execution objectives. Hydro has implemented enhanced support for vendor negotiations and prioritized early procurement of long-lead equipment to drive successful completion of contract awards. Hydro has successfully negotiated and awarded the CT packages, thereby mitigating a significant project schedule risk. Initial payments required to progress the turbine procurement and overall contract, as part of the agreement with GE,

¹⁵ This includes the early execution and additional early execution approved expenditures, anticipated to be incurred up to the end of July.

¹⁶ 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.

1 have been paid. Delays in procurement of non-critical path items are actively managed and do not have
2 an impact on the project COD of March 2030, which is primarily dictated by the CT package delivery.

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

9 Hydro is currently examining the need for a third early execution application, which would enable the
10 continuation of activities currently underway through year-end.

¹⁷ 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.

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)	3-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	26-Mar-26	-286	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	5-Sep-25	05-Aug-26	-334	No
Circuit Breaker Package Award	- ⁸	26-Aug-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 examining the need for a third early execution application, which would enable the continuation of activities currently underway, pending approval of the Avalon CT project by the Board.

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