Avalon Combustion Turbine Project Early Execution Update

February 16, 2026

A report to the Board of Commissioners of Public Utilities

Contents

List of Appendices

1.0 Progress to Date

As part of ongoing early execution activities for Avalon Combustion Turbine ("CT"), the following update outlines the status of key project activities.

1.1 Engage Combustion Turbine Suppliers

Newfoundland and Labrador Hydro ("Hydro") concluded its negotiations with General Electric ("GE") by entering into an agreement on December 15, 2025.[1] The agreement details specific progress payments through the life of the agreement, and the negotiated cancellation provisions stipulate that if cancellation were to occur prior to delivery of the CT packages, the progress payments made as of the date of cancellation are non-recoverable. Further financial commitments are due to be paid by March 26, 2026, to secure the production slots and contract price. Hydro has requested approval to make this capital expenditure, among others, in its Additional Early Execution Application filed with the Board of Commissioners of Public Utilities ("Board") on December 12, 2025.[2] Should Hydro not receive approval of the Additional Early Execution Application by the Board, GE would be advised, and no further payments would be made, resulting in contract cancellation. If that were to occur, both schedule and cost would have to be re-evaluated, and the procurement process for the CTs would have to restart. With the current high demand for CTs in the marketplace, it remains highly likely that both a significant multi-year schedule delay and cost increase would occur in this scenario.

1.2 Engage Transformer Suppliers

Seven proposals were received in response to the Request for Proposals ("RFP") for the supply of four generator step-up transformers and one station service transformer that closed on June 17, 2025.

Negotiations with the highest scoring proponent continued after the RFP closed, focusing on warranty coverage, logistics risk, and delivery sequencing. The procurement for this package initially progressed more slowly than originally planned due to the CT package negotiations taking priority, as that package is on the critical path. CT package negotiations have now concluded; however, schedule delays due to the need for additional commercial clarification and negotiations have resulted in a shift of

[1] In Hydro's Avalon CT Project Early Execution Update for January 2026, filed on January 15, 2026, Hydro incorrectly referred to the agreement as a Limited Notice to Proceed. The full agreement has been negotiated and agreed to by the parties as of December 15, 2025.
[2] "Additional Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, December 12, 2025.

approximately four weeks to the transformer procurement milestone completion. The planned award of the transformer package is now late February 2026. The schedule shift for the transformer procurement is not anticipated to impact the project Commercial Operation Date ("COD").

1.3 Engage EPCM Consultant

A revised RFP was issued on October 24, 2025; the closing date is scheduled for March 4, 2026. The award is anticipated by mid-July 2026 to allow for review of the proposals and discussions, and negotiations with the successful proponents to finalize the terms and conditions and other commercial aspects. Analysis of Hydro's current schedule, prepared based on Hatch Ltd.'s original front-end engineering design schedule in 2024, indicates that sufficient flexibility remains to accommodate the delayed award, as early execution engineering progress through 2025 has offset potential schedule impacts. Therefore, there is no change to the overall project COD. Since the RFP issuance, Hydro continues to address clarification questions from vendors.

1.4 Geotechnical Investigation

Field work was completed on December 12, 2025. A final geotechnical report will be issued in the first quarter of 2026.

1.5 Transmission Line Relocations with Newfoundland Power Inc.

Work on Transmission Line 38L was completed, and the rerouted line returned to service. Transmission Line 39L was planned for completion on December 12, 2025; however, weather forecasts impacted the planned outage schedule, deferring this work. Hydro is working with Newfoundland Power Inc. ("Newfoundland Power") to secure a new outage date for Transmission Line 39L, subject to system requirements. Decommissioning of portions of Transmission Lines 38L and 39L will commence after the completion of the Transmission Line 39L outage.

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

1.6 230 kV Circuit Breakers

Hydro completed a review of known long lead equipment required for the Avalon CT Project. An RFP for the supply of breakers for both the Avalon CT Project and Bay d'Espoir Unit 8 Project is currently under development with an anticipated issuance in March 2026.[3]

2.0 Project Risks and Mitigations

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

Table 1: Key Risks[4,5]

Risk Title/Description	Mitigations	Status
Supply chain pressures may increase the cost of goods and increase delivery times.	• Prepare separate RFPs for turbines and transformers such that requirements for sparage, 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 prioritizing in terms of the overall schedule is established for critical path long lead items.	Open – Project schedule has slipped slightly due to complexity of the bid process and negotiations. An agreement with GE was issued on December 15, 2025, for the purchase of the CTs. Early procurement of the transformers is progressing with planned award by late February 2026. Early procurement is planned for circuit breakers. Management Reserve is included in the overall project budget to address strategic risks.
CT and transformer supplier backlog due to competition from other projects, there may be limited supplier resources, added complexities in the international supply chain, and a potential sellers' market resulting in higher costs and extended delivery schedules.	• Enhanced oversight during the design and manufacturing process. • Engage with suppliers to explore contracting models and risk allocation strategies. • Execute procurement in the early execution phase.	Open – Negotiations with the transformer supplier are underway and are prioritized. An agreement with GE was issued on December 15, 2025, for the purchase of the CTs.[6]

[3] As the breakers for the Avalon CT Project and the Bay d'Espoir Unit 8 Project are the same, only one RFP has been issued. The procurement of 230 kV circuit breakers for the Avalon CT Project was noted as a proposed additional scope of work in Hydro's Additional Early Execution Application. Please refer to Hydro's responses to requests for information PUB-NLH-003 and PUB-NLH-005 of that proceeding.

[4] 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.

[5] Risks which have been shown as closed in a previous report have been removed.

[6] *Supra*, f.n. 1.

Risk Title/Description	Mitigations	Status
		Further financial commitments are due to be paid by March 26, 2026, to secure the production slots and contract price. Hydro has requested approval to make this capital expenditure, among others, in its Additional Early Execution Application filed with the Board of Commissioners of Public Utilities on December 12, 2025 to ensure protect against cancellation of this contract and mitigate against high global demand for the equipment.
Regulatory (Board) approval process extends beyond the assumed timeline. 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.	• 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.	Open – 2025 Build Application[7] has been submitted to the Board. Approval of Hydro's initial early execution application was received in April 2025, which included scope and schedule to the end of December 2025. Regulatory process is continuing into 2026. To mitigate against schedule delays and cost increases, an application for additional early execution for a portion of 2026 has been 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.	• 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.	Open – Governance structure established. Authority levels are suited to the current project phase. An interface manager was established for internal interface resolution. Continue to monitor for efficient decision-making as early execution progresses.

[7] "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.

3.0 Project Schedule

As discussed earlier in this report, some schedule delays have occurred due to the RFP evaluation process and vendor negotiations. The Avalon CT early execution scope is continually assessed to ensure schedule targets are managed appropriately. The CT contract has been successfully negotiated and signed on December 15, 2025. The transformer RFP is still under review and negotiation, and Hydro expects to be ready to award by the end of February 2026. The transformer schedule variance is attributed to the need for additional commercial clarification and negotiations, resulting in a shift of approximately four weeks since the last update. The EPCM[8] contract award has been delayed to mid-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.

As the process for regulatory review by the Board has extended into 2026, depending on the timelines for the regulatory process and anticipated approval, this ongoing process may have a material impact on the overall project budget and schedule. When regulatory processes extend without clear timelines or indications of approval, it can create uncertainty for vendors. This uncertainty may reduce participation and limit competition, which can lead to higher project costs. To mitigate against schedule delays and cost increases, an Additional Early Execution Application for the capital expenditures necessary to continue the project activities into early 2026 has been submitted to the Board for approval, and the regulatory proceeding is ongoing. A summary of the current Avalon CT Early Execution Project Schedule is provided in Appendix A.

4.0 Project Budget

The Board approved an early execution budget of $30,710,000, and Hydro is progressing the work in alignment with the approved budget. The detailed cost information in Appendix B includes forecasted costs up to July 2026, resulting from the changes in schedule noted within. Appendix B shows the expenditure forecast as trending under budget, primarily due to savings on the initial CT package downpayment, projected transformer and EPCM award cost and milestone payments. As of December 31, 2025, these savings were included in the forecasted project contingency balance. Hydro continues to actively manage risks to maintain compliance with all regulatory requirements.

[8] Engineering, Construction and Procurement Management (“EPCM”).

Through the undertaking of the early execution procurement work scope, Hydro found that the CT market has accelerated even more than anticipated, largely due to the impact of technology such as artificial intelligence, leading to increased competition for equipment. Large, private technology firms with significant buying power that are not subject to regulation are entering the market. Firms are constructing gas-fired turbines to power data centers, causing a rapid escalation in pricing. This unprecedented demand has created multi-year wait times, and competitors are acting quickly to secure manufacturing slots into the late 2020s as the number of projects increases.

Through the RFP process for the CT package, Hydro received indications that the current pricing from vendors in the marketplace is significantly higher than the initial budget estimates for the Avalon CT included in the 2025 Build Application, based on market research and information from vendors at the time. Given the market conditions and information from vendors, Hydro is actively working to review its estimate, in parallel with vendor negotiations, to ensure there is adequate budget for these packages based on current market conditions and appropriately identified contingency and management reserve associated with the risk of increasing market volatility. Hydro is currently working on an impact analysis on the cost estimate related to the CT increase and will provide this updated cost estimate to the Board and intervenors to the 2025 Build Application in February 2026.

5.0 Project Expenditures

Project expenditures continue to align with the Board-approved budget. The variance from budget is composed of forecast savings primarily due to (a) the CT package initial payment to secure a production slot was less than budgeted, and (b) the transformer package milestone payment and long lead item material order were less than budgeted.

In December 2025, a cost reprofiling was completed to utilize the year-to-date underspend on early execution scope activities that were delayed into 2026, given that approval of the full 2025 Build Application had not been received by December 31, 2025.

Procurement activities necessary to maintain project cost and schedule are forecast to continue in 2026. These activities include continuation of early execution activities and the activities and expenditures proposed in Hydro's Additional Early Execution Application. Approval of the proposed Additional Early Execution Application is imperative to enable the initiation of contracts and acquisition of these long-lead items by securing manufacturing slots, thereby reducing risk to both schedule and cost.

Appendix B provides further detailed cost information, including an overview of costs incurred to December 31, 2025.

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. As of February 16, 2026, Hydro has successfully negotiated and awarded the CT packages, thereby mitigating a significant project schedule risk.[9] While some estimated schedule slippage has occurred due to extended negotiations and RFP clarifications, these delays are being actively managed. The revised schedule for the award for the EPCM and transformer contracts did not have any impact on the overall estimated COD; there is no change from the previous report, with an estimated COD of March 2030 driven primarily by the CT package delivery times.

Financial performance remains stable. Expenditures are tracking slightly ahead of plan as of December 2025 due to the deliberate phasing of contract awards, with increased spending in December as field execution was completed and award of the CT packages and continued negotiations of the transformer contract. The regulatory process and anticipated Board approval have extended into 2026, and this ongoing process, along with evolving market conditions, may have a material impact on the overall project budget and schedule. To mitigate against schedule delays and cost increases, an application for additional early execution authorization for capital expenditures planned for the first half of 2026 was submitted to the Board for approval, and the regulatory proceeding is ongoing. This additional early execution authorization will enable continuation of early execution activities underway, as well as additional scope through June 2026 that was not included in the original early execution authorization.

[9] This is contingent on the approval of the Additional Early Execution Application, to allow the capital expenditure necessary for the March 26, 2026, progress payment and avoid cancellation of the contract.

Appendix A

Early Execution Project Schedule Summary

Table 1: Avalon Combustion Turbine Project Schedule Summary

Milestone[1]	Baseline	Actual/Forecast[2]	Variance	Impact on COD
PUB Submission	21-Mar-25	21-Mar-25	0	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
Transformer Contract Award	13-Jun-25	27-Feb-26	-259	No
CT Package ready to Award	18-Jul-25	15-Dec-25	-150	Yes[4]
Additional Early Execution Application Approval by PUB	-	16-Mar-26	-	Yes
PUB Approval	31-Dec-25	29-May-26[5]	-149	No
Circuit Breaker Package Award	-[6]	23-Jun-26	-	No
EPCM Contract Award	29-Aug-25	10-Jul-26[7]	-315	No
EPCM Project Kickoff	5-Sep-25	17-Jul-26	-315	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. Hydro is working with Newfoundland Power to secure a new outage date for 39L, subject to system requirements.
[4] The forecasted COD for Avalon CT has changed compared to the Project Control Schedule Baseline, which was included with the 2025 Build Application. While the CT package has been awarded as of December 15, 2025, 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 is now 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] Hydro's Additional Early Execution Application utilizes an assumption for Board approval of the 2025 Build Application by May 29, 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.
[6] As noted in Hydro's Additional Early Execution Application, due to long lead times for terminal station breakers, the RFP for this equipment will be issued in March 2026 to mitigate schedule risk. 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.
[7] Based on the latest information, the CT package and subsequent milestone payments remain on the critical path, and there is sufficient float in the schedule to accommodate the current EPCM award date without impact to the overall COD.

Appendix B

Detailed Cost Information

Redacted

Redacted