Avalon Combustion Turbine Project Early Execution Update

September 16, 2026

A report to the Board of Commissioners of Public Utilities

newfoundland labrador hydro

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1.0 Progress to Date

As part of ongoing early execution activities for the Avalon Combustion Turbine ("CT"), the following update outlines the status of key project activities.[1]

1.1 Engage Combustion Turbine Suppliers

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

1.2 Engage Transformer Suppliers

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

On August 18, 2026, Hitachi advised Hydro of a magnitude 7.5 earthquake in the area of its factories in Dosquebradas, Colombia. Hitachi continues to provide Hydro with updates and will advise of any specific impacts to the transformer order as they become available. At this time, Hydro has not received information indicating whether there will be delays to the transformer order or any resulting impacts to the overall project schedule.

1.3 Engage EPCM Consultant

The project team has been evaluating the bid submissions received in response to the revised Request for Proposal ("RFP"), which closed on March 4, 2026. All five proposals have been reviewed and assessed by both the commercial and technical evaluation teams.

The remaining activities include negotiating commercial terms and conditions, finalizing pricing, and confirming contract deliverables. Internal due diligence and approvals are also necessary. At this time, Hydro is continuing preparations to negotiate the above issues with the preferred proponent. Progress has taken longer than initially anticipated due to the complexity of the submissions and the scope of this multi-year contract. Hydro is targeting award for the end of September; however, there is an increasing probability that the award will not be achieved until mid to late October, as it is subject to the successful completion of the activities noted above.

[1] This report is with respect to the expenditures approved in the Early Execution Application, the Additional Early Execution Application, and the Phase II Additional Early Execution Application.

There are no indications from information received to date that the EPCM[2] contract cost will materially deviate from the estimate.

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 a fall award, as early execution engineering progress to date has offset potential schedule impacts.[3] Therefore, there is no change to the overall project Commercial Operation Date ("COD"). The project schedule will be re-evaluated once the successful EPCM contract has been awarded.

1.4 Transmission Line Relocations with Newfoundland Power Inc.

Work on Transmission Line 39L was completed and returned to service on August 31, 2026. The remaining wood pole structures from the decommissioned sections have been removed.

Hydro is working with Newfoundland Power Inc. ("Newfoundland Power") to arrange completion of the construction power feed installation.

1.5 230 kV Circuit Breakers

An RFP for the supply of breakers for both the Avalon CT project and the Bay d'Espoir Unit 8 project was developed and issued on April 10, 2026. The RFP closed on June 9, 2026, and is currently under review and negotiation. Due to extended negotiations, contract award is expected in October 2026.

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.

[2] Engineering, Procurement and Construction Management ("EPCM").

[3] To mitigate the schedule risk of a delay in the EPCM contract award, Hydro has been able to progress engineering in the absence of an EPCM consultant through internal resources and consultants engaged through existing agreements.

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 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.	Open – Circuit breakers RFP was issued on April 10, 2026, and closed on June 9, 2026. 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.
Regulatory (Board[6]) 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] was submitted to the Board. 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. 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. The regulatory process is continuing through 2026. To ensure continued contract payments are met, a Phase II Additional Early Execution

[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] Board of Commissioners of Public Utilities ("Board").

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

Risk Title/Description	Mitigations	Status
		Application was submitted to the Board for expenditures to the end of 2026. Approval of the proposed Phase II Additional Early Execution expenditures for the Avalon CT was received on July 27, 2026, in Board Order No. P.U. 26(2026). Hydro's final reply was filed on July 23, 2026, and Hydro is currently awaiting an Order from the Board.
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.
Due to an earthquake on August 11, 2026, near Hitachi's Colombian transformer manufacturing facility and resulting damage to the area's infrastructure, there is a risk of interruption to the manufacturing process, resulting in increased lead time and or cost.	• Work with Hitachi to identify alternative production facilities if the Colombian plant cannot meet current schedule.	Open – Team is engaged with Hitachi to determine the extent of the impact and subsequent plans for the path forward

3.0 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 as noted in Section 1.3. Due to Hydro's mitigating actions, the revised schedule for the award of 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.

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. Hydro's final reply was filed on July 23, 2026. The ongoing regulatory process may have a material impact on the overall project budget and schedule, depending on the timelines of an anticipated Order for full project approval.

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 application, Phase II Additional Early Execution Application, was approved on July 27, 2026, in Board Order No. P.U. 26(2026).

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

4.0 Project Budget

As of the July 2026 reporting period, the Board has approved a total early execution budget of \$95,411,000 (early execution budget of \$30,710,000, plus an additional early execution budget of \$29,294,000, plus Phase II additional early execution budget of \$35,407,000). Hydro is progressing with the work included within the approved budgets. The expenditure forecast in Appendix B is based on the scope as included in the total early execution budget and has been extended to the end of December 2026.

As of the issuance of the July 2026 cost report, Appendix B has been updated to reflect the approved Phase II additional early execution budget. There were no approved changes in the period. At this time, there are no indications that the EPCM contract cost will materially deviate from the estimate.

5.0 Project Expenditures

Continuation of early execution activities necessary to maintain project cost and schedule, including the activities and expenditures proposed in Hydro's Phase II Additional Early Execution Application are ongoing.

The cost profile has been extended to the end of December 2026 and includes the following assumptions:

- Award of the EPCM contract at the end of August 2026;
- Award of the circuit breaker package in September 2026;
- CT package progress payments to the end of December 2026; and
- Hydro Project Management Team support to the end of December 2026.

The expenditure forecast (excluding contingency) in the S-Curve in Appendix B is trending below the approved budget. The expenditure forecast is composed of a control budget contingency balance less proposed contingency drawdown. There were no approved changes impacting the current budget in the period. The proposed contingency drawdown trends are primarily due to higher-than-budgeted foreign exchange impact on the CT package. This is partially offset by a decrease in the interest during construction forecast and the executed contract transformer package milestone payments. Both of these items are captured in the contingency forecast as potential savings trends. Hydro will continue to monitor the trends in the forecast.

Appendix B provides further detailed cost information, including an overview of costs incurred to July 31, 2026.[8]

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

[8] 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.

The regulatory process and anticipated Board approval for the full Avalon CT project expenditure included within the 2025 Build Application is continuing into the second half of 2026. The Phase II additional early execution expenditures for the Avalon CT were approved in Board Order No. P.U. 26(2026). This additional early execution authorization will enable continuation of early execution activities underway, as well as additional scope through December 31, 2026, or full project approval.

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

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	-	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	31-Jul-26	-240	No
CT Package Award	18-Jul-25	15-Dec-25	-149	Yes[3]
Additional Early Execution Application Approval by PUB	-	13-Mar-26[4]	-	No
Transformer Contract Award	13-Jun-25	20-Mar-26	-280	No
PUB Approval of Application for Phase II Additional Early Execution Work	-	27-Jul-26	-	No
EPCM Contract Award	29-Aug-25	30-Sep-26[5]	-397	No
EPCM Project Kickoff	05-Sep-25	07-Oct-26[6]	-397	No
Circuit Breaker Package Award	-[7]	31-Oct-26	-	No
PUB Approval	31-Dec-25	30-Sep-26[8]	-273	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] 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.
[4] The application for additional early execution works expenditures was approved in Board Order No. P.U. 7(2026).
[5] 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. While the target award of the EPCM is September 30, 2026, it is likely that this award will extend to mid to late October.
[6] While the target date for EPCM project kickoff is October 7, 2026, it is likely to extend beyond this date in accordance with the ultimate date of award of the EPCM contract.
[7] 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.
[8] Hydro utilizes an assumption for Board approval of the 2025 Build Application by September 30, 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, a Phase II Additional Early Execution Application was submitted and approved by the Board on July 27, 2026, for expenditures to the end of 2026, which enables the continuation of activities currently underway through year-end or until 2025 Build Application approval.

Appendix B

Detailed Cost Information

Redacted

Redacted