

# Bay d'Espoir Unit 8 Project Early Execution Update

June 16, 2026

A report to the Board of Commissioners of Public Utilities



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## 1.0 Progress to Date

As part of ongoing early execution activities for Bay d'Espoir ("BDE") Unit 8, the following update outlines the status of key project activities.

### 1.1 Engage EPCM Consultant

Newfoundland and Labrador Hydro ("Hydro") issued a Limited Notice to Proceed ("LNTP") to Atkins Réalis on December 19, 2025, with an effective date of January 1, 2026.<sup>1</sup> The contract for the EPCM<sup>2</sup> support services is structured to limit the cost exposure in the event that regulatory approval of the 2025 Build Application<sup>3</sup> is not received.<sup>4,5</sup>

For the BDE Unit 8 project, the EPCM consultant continues work on execution planning activities, such as establishing the overall project execution plans, contracting plans, and other project planning deliverables. In addition, engineering continues with the preparation of design basis, design criteria, geotechnical investigations, control surveys, and preparation of specifications for long-lead and early equipment.

The specification for the 230 kV breakers is complete, and a Request for Proposals ("RFP") for the supply of 230 kV breakers was issued on April 10, 2026.<sup>6</sup> The RFP closed on June 9, 2026.

Geotechnical investigations are ongoing as planned.

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<sup>1</sup> A LNTP was issued as the BDE Unit 8 project had not yet been approved by the Board of Commissioners of Public Utilities ("Board").

<sup>2</sup> Engineering, Procurement and Construction Management ("EPCM").

<sup>3</sup> "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.

<sup>4</sup> As noted in Hydro's first Early Execution Update for April 2025, Hydro decided to combine the EPCM services for the major projects that are planned to be executed at BDE between 2025 and 2031. The planned major projects include the Penstock 3 repair and replacement, Unit 7 life extension, Unit 8 construction, and Penstock 2 repair and replacement. This is to avail of a significant opportunity to improve interface management and optimize EPCM services, which would reduce schedule risks and associated cost risks for each of the projects. Any EPCM services provided under the LNTP contract apply to all potential major projects as listed above; however, services for other yet to be approved BDE projects are related only to Front-End Engineering and Design ("FEED"). Tracking and allocation of costs associated with the EPCM services contract are on a project-by-project basis.

<sup>5</sup> A LNTP enables the progression of defined scopes in advance of a decision on project approval, effectively mitigating risk by controlling schedule and budget. The LNTP was based on the estimated work to June 2026, and the work will be completed on a reimbursable basis. Hydro's revised forecast now includes work to September 2026. Reimbursable basis is also known as a time and materials structure, where Hydro will pay the actual expenses incurred by the EPCM consultant, not a fixed fee. This is also intended to limit cost exposure.

<sup>6</sup> As the breakers for the Avalon Combustion Turbine project and the BDE Unit 8 project are the same, only one RFP is to be issued. The procurement of 230 kV circuit breakers for the BDE Unit 8 project was noted within the proposed additional scope of work within the EPCM Support and Internal Project Management category in Hydro's "Additional Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, December 12, 2025.

## **1.2 Engage Turbine and Generator Suppliers**

The process of engaging with turbine and generator (“T&G”) suppliers is ongoing. Negotiations are underway with the preferred proponent to finalize the contract, which includes detailed design, model testing, manufacturing, delivery, installation, and commissioning. The planned start of Phase 3 was February 2026; however, contract negotiations have pushed into June 2026 and are likely to move beyond that due to the pace of negotiations. The delivery schedule to support the proposed project Commercial Operation Date (“COD”) is part of the negotiations, and there is currently no change to the COD date.

## **1.3 Existing Utility Relocation**

Design of on-site distribution line relocations is complete, and material procurement is underway. This work will be executed by internal workforces, and planning is ongoing to establish construction dates in 2026.

Design for the relocation of an existing Unit 7 Bus structure is complete, and procurement of materials is underway. This structure is required to be moved to facilitate the construction of Unit 8. This work will be executed by a combination of internal workforces and contractor workforces. Work is planned to be completed in July and August 2026 during the planned Unit 7 outage window.<sup>7</sup>

Design for the rerouting of existing Unit 7 control cables is complete, and material procurement is underway. These cables are required to be moved to facilitate the construction of Unit 8. This work will be executed by internal personnel. Work is planned to be completed in July and August 2026 during the planned Unit 7 outage window.

## **2.0 Project Risks and Mitigations**

A summary of key risks pertaining to BDE Unit 8 identified during the planning and execution of the project, as well as associated mitigations and status, are provided in Table 1.

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<sup>7</sup> Execution of work related to existing utility relocation is subject to Board approval of Hydro’s Additional Early Execution Application.

**Table 1: Key Risks<sup>8,9</sup>**

| <b>Risk Title/Description</b>                                                                                                                                                                                                                                                                                                                                                                          | <b>Mitigations</b>                                                                                                                                                                                                                                                                                                                                       | <b>Status</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Supply chain pressures may increase the cost of goods and increase delivery times.</p> <p>Global supply chain delays caused by global energy demand increases, green projects, etc., may impact schedule and cost. The planned work for the New Energy Partnership may introduce market pressures on labour, engineering, equipment, and materials.</p>                                             | <ul style="list-style-type: none"> <li>• Maintain the planned project schedule.</li> <li>• Early procurement of long-lead or critical items.</li> <li>• Pursue early engagement and secure manufacturing slots in advance of contract award.</li> <li>• Management Reserve included in the overall project budget to address strategic risks.</li> </ul> | <p>Open – Project schedule is being maintained, and early procurement of the turbine generator and 230kV breakers are progressing. 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>                      |
| <p>Limited number of hydro turbine suppliers results in schedule delays and increased costs.</p> <p>As a result of competition from other projects, there may be limited supplier resources, added complexities in the international supply chain and a potential “seller’s market” resulting in higher costs, and extended delivery schedule.</p>                                                     | <ul style="list-style-type: none"> <li>• Engage with suppliers in model testing scope as soon as possible.</li> <li>• Enhanced oversight during the design and manufacturing process.</li> <li>• Engage with suppliers to explore contracting models and risk allocation strategies.</li> <li>• Execute procurement in early execution phase.</li> </ul> | <p>Open – Contract negotiations are ongoing. The mitigations noted for this item are included in the negotiation discussions.</p>                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>Regulatory (Board) 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"> <li>• Produce a robust Board application and work closely with the Board during the application process.</li> <li>• Receive timely Board approval of Early Execution Application.</li> <li>• Receive timely approval of Additional Early Execution Application.</li> </ul>                                            | <p>Open – 2025 Build Application has been submitted to the Board.</p> <p>Approval of Hydro’s initial Early Execution Application was received in April 2025, which included scope and schedule to the end of December 2025.</p> <p>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 was submitted to the Board for approval. Current regulatory process regarding the additional early execution for</p> |

<sup>8</sup> This table considers the whole scope of the BDE Unit 8 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.

<sup>9</sup> Risks which have been shown as closed in a previous report have been removed.

| Risk Title/Description                                                                                                                                                                                                                                                                                                                                        | Mitigations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>this project has concluded, with Hydro’s reply submitted on June 9.</p> <p>Further assessment of this risk may be required once the next steps of the regulatory process are determined for the full approval of the BDE 8 project.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p>Interface risks with other work in Bay d’Espoir (Unit 7 Life Extension, Penstock Replacements, etc.).</p> <p>Other work at the BDE site may be ongoing at the same time as BDE Unit 8 construction. The execution plan for BDE Unit 8 may need to change to accommodate the other planned projects. This may have impacts on cost and schedule.</p>        | <ul style="list-style-type: none"> <li>• Ensure that the execution plan considers the potential impacts of other adjacent projects.</li> <li>• Evaluate potential synergies and opportunities.</li> <li>• Establish an overarching/integrated plan to identify interfaces, risks, and opportunities.</li> </ul>                                                                                                                                                                                                                                                                        | <p>Open – Decision to combine the EPCM services for the major projects that are planned to be executed at Bay d’Espoir between 2025 and 2031 presents an opportunity to improve interface management and optimize EPCM services, which would reduce schedule risks and associated cost risks for each of the projects.</p> <p>A LNTF was issued to Atkins Realis on December 19, 2025, with an effective date of January 1, 2026. The mitigation measures noted for this item are included in the planning efforts.</p> <p>Continuing to monitor status and schedules of interfacing projects such as Unit 7 Life Extension and Penstock refurbishments, as changes in plans for those projects may impact plans for BDE Unit 8 and vice versa.</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. Cost impact of a one-year delay estimated at \$30 million to \$50 million.</p> | <ul style="list-style-type: none"> <li>• Established Project Governance structure, project steering committee, and project leadership team with clear limits of authority.</li> <li>• Established processes and systems to facilitate effective decision making, including a review of existing authority levels.</li> <li>• Developing contingency plans for key personnel so decisions can be made when there are competing priorities or absences.</li> <li>• Corporate Interface Manager in place to manage all interfaces between Major Projects and Corporate Groups.</li> </ul> | <p>Open – Governance structure established. Authority levels are suited to 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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

### **3.0 Project Schedule**

The EPCM consultant has prepared a project schedule, which is being used on an interim basis to track progress. The revised project schedule that will be used to create an official baseline for the multi-year project requires further review and development and is expected from the EPCM consultant in late June. Inputs into the Project Control Schedule from the T&G supplier, which is a major element of the schedule, is ongoing. As noted above, contract negotiations with the T&G supplier have pushed into June 2026 and are likely to move beyond that, as it depends on the pace of contract negotiations. The delivery schedule to support the proposed project COD is part of the negotiations, and there is currently no change to the COD date.

The ongoing regulatory process may have a material impact on the overall project budget and schedule, depending on the timelines for the process and anticipated approval. Uncertainty can be created for vendors when regulatory processes do not have clear timelines or indications of approval; this uncertainty may reduce participation and limit competition, which can lead to higher project costs. To help mitigate against schedule delays and cost increases, an Additional Early Execution Application for the capital expenditures necessary to continue the project activities into 2026 was submitted to the Board for approval, and the regulatory proceeding is ongoing. Hydro is also examining the possibility of a third early execution application submittal, depending on the process that is set for the review of the BDE Unit 8 project.

The forecast COD for BDE Unit 8 remains unchanged from the Project Control Schedule Baseline included with the 2025 Build Application.<sup>10</sup> Schedule variances to date pertain to non-critical path activities, which have sufficient flexibility to absorb changes without impact to the overall project timeline.

A summary of the current BDE Unit 8 Early Execution Project Schedule is provided in Appendix A.

### **4.0 Project Budget**

The Board approved an early execution budget of approximately \$16,670,000. Hydro is progressing the work within the approved budget. A process for the Additional Early Execution component of the

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<sup>10</sup> While the BDE Unit 8 project schedule can absorb minimal extension to the regulatory process, the intention is to receive approval as early as feasibly possible to ensure the project is funded appropriately to support continued work through 2026.

project, totaling \$5,630,000, has been set by the Board which concluded on June 9, 2026. Hydro is 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.

## **5.0 Project Expenditures**

As of April 30, 2026,<sup>11</sup> the expenditure forecast is tracking below the approved early execution budget. Appendix B provides further detailed cost information, including an overview of costs incurred to April 30, 2026. Expenditures are tracking less than planned primarily due to the change in schedule for engagement of the EPCM consultant and T&G negotiations (as described in Sections 1.0 and 3.0).

The variance between the current forecast and the approved budget of \$16.7 million is primarily due to a shift in the forecasted timing of spend related to the T&G, with contract expenditures not expected to occur until beyond the end of the early execution period in the second quarter of 2026 and subsequent to the end of the current early execution period. In addition, there is forecasted lower funding for the EPCM and lower internal labour costs (project management, engineering, environmental assessment, and plant support) than budget since support for the EPCM consultant T&G contractor has been limited. Finally, Hydro is not including contingency in its forecast expenditures, as project contingency drawdowns will be forecasted when an actual change is processed. 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, pending Board approval. 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.

A reforecast of the remaining approved early execution budget has been completed to better reflect the anticipated rate of expenditure now that the EPCM consultant is engaged and project activity is increasing. It is expected that the early execution budget of \$16.7 million will be expended by mid-September 2026, subject to any changes to the forecast schedule of expenditures. Approval of the

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<sup>11</sup> 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.



additional expenditures with an estimated budget of \$5.63 million submitted as part of the Additional Early Execution Application would extend this to October 2026. To avoid interruption in the expenditures and adequately funding activities, and to mitigate against schedule delays, the approval of the Additional Early Execution Application would be needed in August 2026 to allow the approvals to be processed and commitments for payments to be confirmed. Hydro is also examining the possibility of a third early execution application submittal, depending on the process set for review of the BDE Unit 8 project.

## **6.0 Conclusion**

Overall, the project continues to progress in line with early execution objectives. While some schedule slippage has occurred for the EPCM contract and T&G contract award, there is currently no related impact on overall COD. Hydro continues to actively manage risks to maintain compliance with all regulatory requirements.

Financial performance remains stable; while expenditures are tracking lower than forecast, that is mainly due to a change in contracting strategy for the T&G, as previously reported, as well as a change in schedule for engagement for both the EPCM consultant and T&G negotiations. Spend has commenced in 2026 as the EPCM activities and utility relocation activities have begun. A forecast of the anticipated rate of expenditure indicates that the approved early execution budget will be expended by mid-September 2026.

The regulatory process and anticipated Board approval have extended into 2026, and this ongoing process may have a material impact on the overall project budget and schedule. To help mitigate against schedule delays and cost increases, an application for additional early execution authorization for capital expenditures planned for the first half of 2026<sup>12</sup> has been submitted to the Board for approval, and the regulatory process is ongoing.

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<sup>12</sup> Based on the revised forecast, expenditures associated with the additional early execution application, if approved, are now anticipated to extend into October 2026.

# Appendix A

## Early Execution Project Schedule Summary



**Table 1: Bay d'Espoir Unit 8 Project Schedule Summary**

| <b>Milestone<sup>1</sup></b>                                        | <b>Baseline<sup>2</sup></b> | <b>Actual/Forecast<sup>3</sup></b> | <b>Variance</b> | <b>Impact on COD<sup>4</sup></b> |
|---------------------------------------------------------------------|-----------------------------|------------------------------------|-----------------|----------------------------------|
| FEED Complete                                                       | 27-Dec-24                   | 27-Dec-24                          | 0               | No                               |
| PUB Submission                                                      | 21-Mar-25                   | 21-Mar-25                          | 0               | No                               |
| T&G – Phase 1 – RFSQ <sup>5</sup> Issued                            | 27-Mar-25                   | 28-Mar-25                          | 0               | No                               |
| Early Execution Approval by PUB                                     | -                           | 25-Apr-25                          | -               | No                               |
| EPCM RFP Issued                                                     | 12-May-25                   | 13-Jun-25                          | -32             | No                               |
| T&G – Phase 1 – RFSQ Vendors Selected                               | 07-Jul-25                   | 08-Jul-25                          | 0               | No                               |
| T&G – Phase 2 – Contract for Preliminary Engineering and RFP Issued | 24-Jul-25                   | 24-Jul-25                          | 0               | No                               |
| Environmental Assessment Release                                    | 18-Aug-25                   | 14-Nov-25                          | -88             | No                               |
| EPCM Consultant Selection                                           | 12-Sep-25                   | 05-Dec-25                          | -83             | No                               |
| EPCM – Issue LNTP                                                   | -                           | 19-Dec-25                          | -               | No                               |
| T&G – Phase 3 - Contract Award                                      | 3-Feb-26                    | 30-Jun-2026 <sup>6</sup>           | -147            | No                               |
| Additional Early Execution Application Approval by PUB              |                             | TBD <sup>7</sup>                   |                 | No <sup>8</sup>                  |
| PUB Approval                                                        | 31-Dec-25                   | 15-Sep-26 <sup>9</sup>             | -149            | No                               |

<sup>1</sup> Reflects 2026 project milestones included within Hydro's Additional Early Execution Application.

<sup>2</sup> Where a milestone was not part of the original baseline schedule, no initial baseline date is associated with this listing.

<sup>3</sup> 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.

<sup>4</sup> The forecast COD for BDE Unit 8 remains unchanged from the Project Control Schedule Baseline, included with the 2025 Build Application, with a COD forecast for April 30, 2031. Schedule variances noted have sufficient float to absorb any changes to date without impacting the overall project timeline.

<sup>5</sup> Request for Supplier Qualification ("RFSQ").

<sup>6</sup> Due to the current pace of contract negotiations, the award for the T&G – Phase 3 has slipped into June 2026, with a likely extension to this timeline based on the pace of negotiations. Currently, there is no associated impact on the project COD due to the ongoing contract negotiations.

<sup>7</sup> A schedule for review and submissions regarding the requests for approval of capital expenditures related to the BDE Unit 8 project Additional Early Execution Application has now concluded, with Hydro's reply submitted on June 9, 2026.

<sup>8</sup> While the BDE Unit 8 project schedule can absorb minimal extension to the regulatory process, the intention is to receive approval as early as feasibly possible to ensure the project is funded appropriately to support continued work through 2026.

<sup>9</sup> 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, as there has not been a review schedule set for this application as of the date of this report, Hydro is considering a revision of this assumption for future reports. Hydro is also examining the possibility of a third early execution application submittal, depending on the process set for approval of the BDE Unit 8 project.

# Appendix B

## Detailed Cost Information



Redacted

Redacted