Bay d’Espoir Unit 8 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 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.[1] The contract for the EPCM[2] support services is structured to limit the cost exposure in the event that regulatory approval of the 2025 Build Application[3] is not received.[4,5] The EPCM consultant is continuing to work on execution planning and engineering activities.

1.2 230 kV Circuit Breakers

A Request for Proposals ("RFP") for the supply of 230 kV breakers was issued on April 10, 2026. As the breakers required for the Avalon Combustion Turbine project and the BDE Unit 8 project are the same, only one RFP that included breakers for both projects was issued. The RFP closed on June 9, 2026, and is currently under review and negotiation. Hydro cannot award the breakers for the BDE Unit 8 project at this time, as the purchase was not included in the early execution budget and in consideration of the uncertainty around the review timeline for the BDE Unit 8 project.[6]

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

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

[3] "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.

[4] 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 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.

[5] An 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 has been adjusted to complete the approved early execution work to December 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.

[6] In Board Order No. P.U. 21(2026), the Board stated, "The process for the review of the Bay d'Espoir Unit 8 application is expected to be comprehensive and it may be some time before there will be a final determination on whether the project will be approved."

1.3 Geotechnical Investigations

Geotechnical investigations are ongoing as planned and are expected to be completed in September 2026.

1.4 Engage Turbine and Generator Suppliers

In Board Order No. P.U. 21(2026), the Board questioned whether it is appropriate to increase project activity, considering the potential review timelines associated with the review of the proposal for BDE Unit 8, and that consideration should be made to minimize material financial commitments associated with the project. In consideration of this, the process of engaging with turbine and generator ("T&G") suppliers has been paused until more clarity is available on the build application review process. No financial commitments have been made on this procurement package to date.

1.5 Existing Utility Relocation

The relocation of the existing Unit 7 Bus structure and rerouting of the existing Unit 7 protection cables are complete. Movement of the Bus structure and the protection cables was required to facilitate the construction of Unit 8. This work was executed by a combination of internal workforces and contractor workforces during the Unit 7 planned maintenance outage window in July/August.

On-site distribution line relocation work for 2026 is ongoing and is expected to be completed in November 2026.

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.

Table 1: Key Risks[7,8]

Risk Title/Description	Mitigations	Status
Supply chain pressures may increase the cost of goods and increase delivery times. 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.	• Maintain the planned project schedule. • Early procurement of long-lead or critical items. • Pursue early engagement and secure manufacturing slots in advance of contract award. • Management Reserve included in the overall project budget to address strategic risks.	Open – Market volatility continues to pose risks. Hydro continues to monitor market conditions and adapt commercial strategies to mitigate Supply Chain risks.
Limited number of hydro turbine suppliers results in schedule delays and increased costs. 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.	• Engage with suppliers in model testing scope as soon as possible. • Enhanced oversight during the design and manufacturing process. • Engage with suppliers to explore contracting models and risk allocation strategies. • Execute procurement in early execution phase.	Open – Contract negotiations have paused until more clarity is available on the 2025 Build Application process.
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 Application. • Receive timely approval of Additional Early Execution Application.	Open – 2025 Build Application 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 throughout 2026. Approval of Hydro's application for Additional Early Execution for a portion of 2026 was submitted to the Board and was approved in Board Order No. P.U. 21(2026). This additional approval is expected to facilitate forecasted project expenditures to December 2026, with the scheduling of work completed in consideration

[7] 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.

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

Risk Title/Description	Mitigations	Status
		of the Board's direction that Hydro consider the planned early execution work to ensure that it is necessary to support the review of the project or address long-lead items that may impact the project schedule and that material financial commitments are minimized in light of the uncertainty around the timelines for the ongoing regulatory review. Further assessment of this risk may be required as approved early execution work progresses, and once the next steps of the regulatory process are determined for the full approval of the BDE Unit 8 project.
Interface risks with other work in BDE (Unit 7 Life Extension, Penstock Replacements, etc.). 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.	• Ensure that the execution plan considers the potential impacts of other adjacent projects. • Evaluate potential synergies and opportunities. • Establish an overarching/integrated plan to identify interfaces, risks, and opportunities.	Open – Decision to combine the EPCM services for the major projects that are planned to be executed at BDE 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. 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.
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.	• 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 current project phase. An Interface Manager was established for internal interface resolution. Continue to monitor for efficient decision making as early execution progresses.

3.0 Project Schedule

The ongoing regulatory process will have an impact on the overall project schedule, as the timelines for the process and anticipated approval are unknown and are extending beyond the planned early execution period.

The EPCM consultant has prepared a project control schedule, which is being used to track progress; however, inputs into the project control schedule from the T&G supplier, a major element of the schedule, are outstanding as they are part of the contract negotiations which have been paused.

Due to these schedule uncertainties, the impact on the Commercial Operation Date ("COD") for BDE Unit 8 is currently unknown. Hydro is assessing options to advance critical high-value project activities in a manner that aligns with the Board's statements in Board Order No. P.U. 21(2026).

A summary of the current BDE Unit 8 Early Execution Project Schedule is provided in Appendix A; however, this is likely to change as more clarity on the approval process becomes available.

4.0 Project Budget

The Board approved a total early execution budget of approximately $22,300,000. Hydro is progressing the early execution activities within this approved budget and, as noted above, is assessing options to advance critical high-value project activities in consideration of the Board's statements in Board Order No. P.U. 21(2026).

5.0 Project Expenditures

As of July 31, 2026,[9] the cumulative forecast amount and the Board-approved budget of $22.3 million indicates that the BDE Unit 8 project is forecasting to exhaust the approved Early Execution budget by mid-December 2026; however, this forecast does not reflect Hydro's ongoing assessment of options to advance critical high-value project activities in a manner that aligns with the Board's feedback and the approved budget. A reforecast of anticipated project expenditure will need to be completed as part of this exercise, which is anticipated to be completed in October. Appendix B provides further detailed cost

[9] 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.

information, including an overview of costs incurred to July 31, 2026. Expenditures to date 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). As the overall regulatory process for this project remains unknown, the need for further mitigation is being monitored, and any application for approval will be considered based on the progression of the early execution scope, the need for further expenditures, and overall evolution of the project.

6.0 Conclusion

In Board Order No. P.U. 21(2026), the Board questioned whether it is appropriate to increase project activity at this time, considering the potential review timelines associated with the continued review of the proposed BDE Unit 8 project, and that consideration should be made to minimize material financial commitments associated with procurement activities. In consideration of this, the process of engaging with T&G suppliers has been paused, and Hydro is assessing options to advance critical high-value project activities in a manner that aligns with the Board's feedback.

The schedule for the ongoing regulatory process will have an impact on the overall project schedule, as the timelines for the process and anticipated approval are unknown and are extending beyond the planned early execution period. Due to these schedule uncertainties, the impact on the COD for BDE Unit 8 is currently unknown.

Hydro continues to evaluate potential next steps for the BDE Unit 8 project, including consideration of project risks, the Board's guidance, and potential options to facilitate the continued regulatory review of the project.

Financial performance remains stable; while expenditures to date 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.

A reforecast of the remaining approved early execution budget will be completed once Hydro's assessment of options for undertaking those project activities considered necessary to manage project risks and preserve project value is complete. Hydro continues to actively manage risks to maintain compliance with all regulatory requirements.

Appendix A

Early Execution Project Schedule Summary

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

Milestone[1]	Baseline[2]	Actual/Forecast[3]	Variance	Impact on COD[4]
FEED Complete	27-Dec-24	27-Dec-24	-	No
PUB Submission	21-Mar-25	21-Mar-25	-	No
T&G – Phase 1 – RFSQ[5] Issued	27-Mar-25	28-Mar-25	-	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	-	No
T&G – Phase 2 – Contract for Preliminary Engineering and RFP Issued	24-Jul-25	24-Jul-25	-	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	03-Feb-26	31-Jul-2026[6]	-209	Yes
Additional Early Execution Application Approval by PUB	-	08-Jul-2026	-	No
PUB Approval	31-Dec-25	TBD[7]	TBD	Yes

[1] Reflects 2026 project milestones included within Hydro's Additional Early Execution Application, as approved in Board Order No. P.U. 21(2026).
[2] Where a milestone was not part of the original baseline schedule, no initial baseline date is associated with this listing.
[3] 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.
[4] The forecast COD for BDE Unit 8 is currently unknown due to schedule uncertainties associated with the regulatory process.
[5] Request for Supplier Qualification ("RFSQ").
[6] Contract negotiations for the T&G contract have been paused, and the impact on the project COD is unknown.
[7] As indicated in Board Order No. P.U. 21(2026), it may be some time before there will be a final determination on whether the project will be approved. This uncertainty impacts the project's estimated COD.

Appendix B

Detailed Cost Information

Redacted

Redacted