Avalon Combustion Turbine Project Early Execution Update

January 15, 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, the following update outlines the status of key project activities.

1.1 Engage Combustion Turbine Suppliers

The Request for Proposals ("RFP") for the supply of combustion turbines ("CT") closed on July 4, 2025, with two bidders. Newfoundland and Labrador Hydro ("Hydro") entered negotiations with the proponent with the highest-scoring bid submission, General Electric ("GE"). Negotiations have concluded successfully, and Hydro issued a Limited Notice to Proceed ("LNTP") on December 15, 2025. A Full Notice to Proceed must be executed by March 23, 2026, to fully secure the production slots and contract price. Should Hydro not meet the March 23 date, both schedule and cost will increase, which will jeopardize the overall project. Since the last update, there has been no further production schedule slippage.

1.2 Engage Transformer Suppliers

An RFP for the supply of four generator step-up transformers and one station service transformer closed on June 17, 2025, with seven proposals received.

Negotiations with the highest scoring proponent are continuing, with focus areas including warranty coverage, logistics risk, and delivery sequencing. Schedule delays have occurred since the last update due to the need for additional commercial clarification, resulting in a shift of approximately four weeks to the transformer procurement milestone completion. The planned award of the transformer package is now late January 2026. The procurement for this package has 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. The schedule shift for the transformer procurement is not anticipated to impact the project Commercial Operation Date ("COD").

1.3 Engage EPCM Consultant

The RFP for EPCM[1] services closed on August 28, 2025, with one submission. Following the evaluation, the proposal was found technically non-compliant, and the contract was not awarded.

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

Hydro has modified the work scope to align with market feedback received, indicating that the original RFP scope, specifically the inclusion of site services under the EPCM, was a barrier to competitive participation. Hydro has revised the scope to remove direct responsibility for site services from the EPCM contractor, opting instead to manage that component through a separate contract under EPCM oversight. A revised RFP was issued on October 24, 2025, with a closing date scheduled for January 21, 2026. Since the last update, various vendors have requested RFP extensions to ensure complete and quality bids are submitted. The revised closing date is 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. This revised RFP is expected to produce more robust and competitive proposals as seen in other similar RFP issuances. Analysis of Hydro's current schedule, prepared based on Hatch Ltd.'s ("Hatch") 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 Miscellaneous Engineering Studies

As part of the approval for early execution, Hydro completed two miscellaneous engineering studies to further advance the Avalon CT Project. No further studies are planned at this time.

1.6 Transmission Line Relocations with Newfoundland Power Inc.

Hydro is collaborating with Newfoundland Power Inc. ("Newfoundland Power") for the development, design and execution of relocating Transmission Lines 38L and 39L—two transmission lines that are within the project footprint at the Holyrood site. On-site work began on November 12, 2025, and was planned for completion on December 12, 2025; however, weather forecasts impacted the planned outage schedule, deferring a portion of this work. The Transmission Line 38L outage was completed, and the rerouted line returned to service. Hydro is working with 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. This delay does not impact COD. Hydro is working with Newfoundland Power to determine a final forecast to completion.

Hydro is also collaborating with Newfoundland Power to provide a construction power feed to the site. Construction power feed installation will follow the completion of Transmission Line 39L relocation. Hydro is working with Newfoundland Power to confirm the scheduling of this work in 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.

Table 1: Key Risks[2,3]

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. A Limited Notice to Proceed was issued for the CTs on December 15, 2025. Early procurement of the transformers is progressing with planned award in January 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 as a result of 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 – A Limited Notice to Proceed was issued for the CTs on December 15, 2025. Negotiations with the transformer supplier are underway and are prioritized to ensure manufacturing slot allocations are secured to mitigate against high global demand for the equipment.

[2] 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.

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

Risk Title/Description	Mitigations	Status
Regulatory (Board)[4] 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.[5]	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 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.

3.0 Project Schedule

As discussed earlier in this report, some schedule delays have occurred due to the RFP evaluation process, vendor negotiations, and requirements for RFP time extensions. The Avalon CT early execution scope is continually assessed to ensure schedule targets are managed appropriately. The CT contract has been successfully negotiated, and a LNTP was issued to GE 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 January 2026. The transformer schedule variance is attributed to the need for additional commercial

[4] Board of Commissioners of Public Utilities ("Board").
[5] "Additional Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, December 12, 2025 ("Additional Early Execution Application").

clarification, resulting in a shift of approximately six weeks since the last update. The EPCM 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 is now March 2030, 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.[6] 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 to July 2026, resulting from the changes in schedule noted within. The costs associated with the EPCM rebid and contract award deferral to mid-July 2026, and the resulting extension of the Internal Project Management team and engineering support, and revised forecast interest during construction, will be covered under the approved contingency allotment. However, due to the timing of the internal approval of contingency funds, Appendix B shows the forecast as trending slightly over the approved budget. Hydro continues to actively manage risks to maintain compliance with all regulatory requirements.

Through the undertaking of the early execution procurement work scope, Hydro has 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 and 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

[6] *Supra,* f.n. 5.

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 has received an indication that the current pricing from vendors in the marketplace is significantly higher than the initial budget estimates for the Avalon CT, as 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. The projected cost increases for equipment currently fit within the proposed Authorized Budget, and as such, Hydro does not expect these changes to affect or delay the ongoing regulatory review of the 2025 Build Application. Hydro is currently reviewing and will provide an updated cost estimate to the Board once Hydro has fully reviewed vendor pricing and updated its Monte Carlo analysis.

5.0 Project Expenditures

Due to the timing of the internal approval of contingency funds, the overall forecast was trending over the approved budget as of November 30, 2025[7] mainly due to EPCM re-bid and contract award deferral to mid-July 2026, resulting in extension of the Internal Project Management team and Engineering support, and revised interest during construction forecast; however, the expenditure forecast for 2025 is tracking less than planned. The cumulative month-to-date underspend is primarily related to the schedule shift for the execution of the Early Works Civil Contract to September, the Newfoundland Power transmission line relocations, which began in November 2025, and the delayed award of the transformer and CT RFP packages.[8] As some procurement dates are shifting, Hydro has forecasted expenditures for project contingency into the second quarter of 2026 to address the risk of any further movement in procurement timelines.

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

[7] 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.

[8] Hydro issued a LNTP for the CT package on December 15, 2025.

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 November 30, 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 January 15, 2026, Hydro has successfully negotiated and awarded the CT packages, thereby mitigating a significant project schedule risk. 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 below plan as of November 2025 due to the deliberate phasing of contract awards, with increased spend expected through the fourth quarter of 2025 as field execution ramps up and equipment commitments are secured. As some procurement dates are shifting, Hydro has forecasted expenditures for project contingency into the second quarter of 2026 to address the risk of any further movement in procurement timelines. The regulatory process and anticipated Board approval has 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 has been submitted to the Board for approval. This additional early execution authorization will enable continuation of early execution activities underway, as well as additional scope through June 2026, which was not included in the original early execution authorization.

Appendix A

Early Execution Project Schedule Summary

Table 1: Avalon Combustion Turbine Project Schedule Summary

Milestone[1]	Baseline	Actual/Forecast[2]	Variance[3]	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[4]	TBD	No
Transformer Contract Award	13-Jun-25	30-Jan-26	-231	No
CT Package ready to Award	18-Jul-25	15-Dec-25	-150	Yes[5]
Additional Early Execution Application Approval by PUB	-	16-Mar-26	-	Yes
PUB Approval	31-Dec-25	29-May-26[6]	-149	No
Circuit Breaker Package Award	-[7]	23-Jun-26	-	No
EPCM Contract Award	29-Aug-25	10-Jul-26[8]	-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] Numbers may not add due to rounding.
[4] Weather forecasts impacted the planned outage schedule, deferring the completion of this work, which attributed variance in the expected completion time. 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.
[5] 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 date for award of the CT package has not changed, equipment lead times continue to change due to market demands. 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.
[6] 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.
[7] 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 the first quarter of 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.
[8] Based on the latest information, the CT package remains 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