Bay d'Espoir Unit 8 Project
Early Execution Update

February 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 Unit 8 ("BDE Unit 8"), the following update outlines the status of key project activities.

1.1 Engage EPCM Consultant

A Limited Notice to Proceed ("LNTP") was issued to AtkinsRealis on December 19, 2025, with an effective date of January 1, 2026. The LNTP is based on the estimated work to June 2026, and the work will be completed on a reimbursable basis.

The EPCM[1] consultant will now begin work on execution planning activities, such as establishing the overall project execution plans, contracting plans, and other project planning deliverables. In addition, engineering will begin with the preparation of design basis, design criteria, geotechnical investigations, control surveys, and preparation of specifications for long lead and early equipment, such as the generator step-up transformer and 230 kV breakers. A Request for Proposals ("RFP") for the supply of breakers is currently under development with an anticipated issuance in March 2026.[2]

1.2 Engage Turbine Generator Suppliers

The process of engaging with turbine and generator ("T&G") suppliers is ongoing. A preferred proponent has been identified, and negotiations are ongoing for the contract, which includes detailed design, model testing, manufacturing, delivery, installation, and commissioning. The planned start of Phase 3 was February 2026; however, no contract negotiations are now likely to be pushed into March 2026. 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.

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.

[1] Engineering, Procurement and Construction Management ("EPCM").
[2] As the breakers for the Avalon Combustion Turbine Project and the BDE Unit 8 Project are the same, only one RFP has been 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 Newfoundland and Labrador Hydro's ("Hydro") Additional Early Execution Application filed with the Board of Commissioners ("Board") on December 12, 2025. Please refer to Hydro's responses to requests for information PUB-NLH-004 and PUB-NLH-006 of that proceeding.

Table 1: Key Risks[3,4]

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 recently announced 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. • Consider appropriate Management Reserve for strategic risks.	Open – Project schedule is being maintained, and early procurement of the turbine generator is progressing. Management Reserve included in the overall project budget to address strategic 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 are ongoing with completion now anticipated for March 2026.
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.[5]	Open – 2025 Build Application[6] has been submitted to 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.

[3] 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.

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

[5] "Additional Early Execution Capital Work – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, December 12, 2025.

[6] "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.

Risk Title/Description	Mitigations	Status
Interface risks with other work in Bay d'Espoir (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 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. A Limited Notice to Proceed was issued to AtkinsRealis on December 19, 2025, with an effective date of January 1, 2026.
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. Interface Manager established for internal interface resolution. Continue to monitor for efficient decision making as early execution progresses.

3.0 Project Schedule

The selection of the EPCM consultant is now complete, and an LNTP was issued to AtkinsRealis on December 19, 2025, with an effective date of January 1, 2026. As described in previous monthly reports, there was a delay to the RFP process by approximately three months as additional time was needed to establish the combined scope for the RFP. While this delay impacted the schedule for early execution, it is not anticipated to have an impact on the estimated COD.

As the process for regulatory review by the Board has extended into 2026, depending on the timelines for the regulatory process and anticipated approval, this ongoing process may have a material impact on

the overall project budget and schedule. When regulatory processes extend without clear timelines or indications of approval, it can create uncertainty for vendors. This uncertainty may reduce participation and limit competition, which can lead to higher project costs. To mitigate against schedule delays and cost increases, an additional early execution application for the capital expenditures necessary to continue the project activities into early 2026 has been submitted to the Board for approval, and the regulatory proceeding is ongoing.[7]

The forecast COD for BDE Unit 8 remains unchanged from the Project Control Schedule Baseline included with the 2025 Build Application, assuming Hydro receives timely approval for the Additional Early Execution Application.[8] Schedule variances pertain to non-critical path activities, which have sufficient flexibility to absorb any changes without impacting 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 $16,670,000. Hydro is progressing the work within the approved budget (with planned expenditures such as EPCM and T&G costs moving into 2026 as indicated above). Hydro continues to actively manage risks to maintain compliance with all regulatory requirements. Variances in planned early execution expenditures are outlined in the following section.

5.0 Project Expenditures

As of December 31, 2025,[9] the expenditure forecast is tracking below the approved early execution budget. Expenditures are tracking less than planned primarily due to the change in schedule for engagement of the EPCM consultant and a variation to the contracting approach for the turbine generator (as described in Sections 1.0 and 3.0).

[7] *Supra,* f.n. 6.
[8] While the BDE Unit 8 Project schedule can absorb an extended regulatory process beyond the previously quoted March 16, 2026, required approval date, the intention is to receive approval as early as feasibly possible to ensure the project is funded appropriately to support continued work through 2026.
[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.

The variance between the current forecast and the approved budget of $16.7 million is primarily due to Hydro not including contingency in its forecast expenditures, as project contingency drawdowns will be forecasted when an actual change is processed. Also, internal labour costs (project management, engineering, environmental assessment, and plant support) are lower than budgeted since support for the EPCM contractor and turbine generator contractor is not yet required. In addition, Hydro is currently forecasting lower than budgeted interest during construction costs, associated with the actual spend profile and a recent reduction in the applicable interest rate.

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

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

6.0 Conclusion

Overall, the project continues to progress in line with early execution objectives. While some schedule slippage has occurred for the EPCM Contract and T&G Contract award, there is 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 schedule adjustments with expected spend to increase in the first quarter of 2026 once the EPCM schedule is established and the T&G Contract is awarded.

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 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, and the regulatory process is ongoing.

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[5] Complete	27-Dec-24	27-Dec-24	0	No
PUB Submission	21-Mar-25	21-Mar-25	0	No
T&G – Phase 1 – RFSQ[6] 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	3-Feb-26	0	No
Additional Early Execution Application Approval by PUB		16-Mar-26		No[7]
PUB Approval	31-Dec-25	29-May-26[8]	-149	No

[1] Reflects 2026 project milestones included within Hydro's Additional Early Execution Application.
[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 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 elsewhere pertain to non-critical path activities, which have sufficient float to absorb any changes without impacting the overall project timeline.
[5] Front-End Engineering Design ("FEED").
[6] Request for Supplier Qualification ("RFSQ").
[7] While the BDE Unit 8 Project schedule can absorb an extended regulatory process beyond the previously quoted March 16, 2026, required approval date, the intention is to receive approval as early as feasibly possible to ensure the project is funded appropriately to support continued work through 2026.
[8] 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.

Appendix B

Detailed Cost Information

Redacted

Redacted