

# Bay d'Espoir Unit 8 Project Early Execution Update

December 17, 2025

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

### **1.1 Engage EPCM Consultant**

The Request for Proposals ("RFP") for EPCM<sup>1</sup> services were issued on June 13, 2025, and closed on September 18, 2025. Three comprehensive proposals were received and are currently under evaluation, with an award anticipated in January 2026.

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

The process of engaging with turbine generator suppliers is ongoing. Phase 1 Request for Supplier Qualification for the supply and installation of a 150 MW turbine and generator ("T&G") closed on May 28, 2025. An RFP for Phase 2 was subsequently issued to selected pre-qualified proponents on July 24, 2025. Newfoundland and Labrador Hydro ("Hydro") continues to assess options to attain the optimal contracting approach within the established project scope, budget, and schedule, incorporating feedback received from proponents during Phase 1 and Phase 2. Once the successful proponent is selected, the contract award for Phase 3, which includes detailed design, model testing, manufacturing, delivery, installation, and commissioning, will follow.

Preliminary engineering and model testing are now anticipated to carry further into 2026; however, this currently does not impact the planned start date of Phase 3 (February 2026) or the overall estimated project Commercial Operation Date ("COD").

### **1.3 Environmental Assessment Registration**

The Environmental Assessment Registration and associated Environmental Protection Plan were submitted to the Department of Environment, Conservation and Climate Change on July 31, 2025, and the release from further Environmental Assessment was received on November 14, 2025.

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<sup>1</sup> Engineering, Procurement and Construction Management ("EPCM").

## 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<sup>2,3</sup>**

Risk Title/Description	Mitigations	Status
Supply chain pressures may increase the cost of goods and increase delivery times.	<ul style="list-style-type: none"> <li>Maintain the planned project schedule.</li> <li>Early procurement of long-lead or critical items.</li> </ul>	Open – Project schedule is being maintained, and early procurement of the turbine generator is progressing.
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.	<ul style="list-style-type: none"> <li>Pursue early engagement and secure manufacturing slots in advance of contract award.</li> <li>Consider appropriate Management Reserve for strategic risks.</li> </ul>	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.	<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> </ul>	Open – Engaging with turbine generator suppliers in early execution phase. Phased procurement process being followed. Phase 1 RSFQ complete.
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.	<ul style="list-style-type: none"> <li>Engage with suppliers to explore contracting models and risk allocation strategies.</li> <li>Execute procurement in early execution phase.</li> </ul>	Phase 2 ongoing, however contracting approach being reassessed based on feedback from vendors. Phase 3 milestone for contract award in February remains achievable.
Regulatory (Board) <sup>4</sup> approval process extends beyond the assumed timeline.	<ul style="list-style-type: none"> <li>Produce a robust Board application and work closely with the Board during the application process.</li> </ul>	Open – 2025 Build Application has been submitted to Board.
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	<ul style="list-style-type: none"> <li>Receive timely Board approval of Early Execution Application.</li> <li>Receive timely approval of Additional Early Execution Application.</li> </ul>	Approval of Hydro’s initial early execution application received.  Current regulatory schedule pushes process for regulatory review beyond year-end into 2026.

<sup>2</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>3</sup> Risks which have been shown as closed in a previous report have been removed.

<sup>4</sup> Board of Commissioners of Public Utilities (“Board”).

<b>Risk Title/Description</b>	<b>Mitigations</b>	<b>Status</b>
impacted. This will have both a schedule and cost impact due to cost escalation and loss of project momentum.		Depending on the timelines for regulatory process and anticipated approval, this timeline may have material impact on the overall project budget and schedule. 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. <sup>5</sup>
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.	<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>	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.
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.	<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>	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.

<sup>5</sup> “Additional Early Execution Capital Work – Bay d’Espoir Unit 8 and Avalon Combustion Turbine,” Newfoundland and Labrador Hydro, December 12, 2025.

## 3.0 Project Schedule

### EPCM Consultant Selection

As described in previous reports, award of the EPCM consultant contract is tracking behind the baseline schedule due to the change in contracting approach.<sup>6</sup> However, the impact on the BDE Unit 8 Project 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 impacts the schedule for early execution with an award anticipated now in January, it is not anticipated to have an impact on the estimated COD.

### Environmental Assessment Release

The planned Environmental Assessment Release date was September 2025, but was delayed due to the provincial election period. As noted above, release from additional environmental assessment was received on November 14, 2025.

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 pertain to non-critical path activities, which have sufficient flexibility to absorb any changes without impacting the overall project timeline.

### Regulatory Approval Process

At this time, the process for regulatory review by the Board will extend 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.<sup>7</sup>

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

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<sup>6</sup> Hydro combined EPCM services for the major projects planned for execution in Bay d’Espoir between 2025 and 2031 (BDE Unit 8 construction, BDE Unit 7 life extension, Penstock 2 life extension, and Penstock 3 life extension). The primary benefits of this decision were to improve interface management and optimize EPCM services to reduce schedule risks and associated cost risks for each of the projects. The re-packaging also made the proposal more attractive to proponents.

<sup>7</sup> *Supra*, f.n. 5.

## **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 October 31, 2025,<sup>8</sup> 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 (described in Sections 1.0 and 3.0). The forecast presented in Appendix B represents a consistent monthly spend in the January to March 2026 timeframe and will be further refined once bid pricing and schedules are received for the EPCM consultant and turbine generator contractor.

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.

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<sup>8</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.

Appendix B provides further detailed cost information, including an overview of costs incurred to October 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 Award and the Environmental Release Date, 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 and turbine generator contracts are awarded.

The regulatory process and anticipated Board approval will push 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.



# 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 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	19-Dec-25	-98	No
PUB Approval	31-Dec-25	29-May-26 <sup>5</sup>	-149	No
EPCM – Issue Limited Notice to Proceed	-	30-Jan-26	-	No
T&G – Phase 3 - Contract award	3-Feb-26	3-Feb-26	0	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 Commercial Operation Date (COD) for Bay d'Espoir Unit 8 remains unchanged from the Project Control Schedule Baseline, included with the 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.

<sup>5</sup> The PUB indicated in correspondence on October 8, 2025, that it would set a schedule for further process upon receipt of the final Bates White Report. Timeline for full project approval is dependent upon the schedule set by the PUB and will be updated once further information is known.

# Appendix B

## Detailed Cost Information



Redacted

Redacted