





MHI does not agree with Nalcor's position that escalation should be included in the contingency calculation. Your project managers do not have access to these funds to help them manage technical scope change in their projects. Any savings in escalation when a lower actual rate is experienced maybe accessible if released by Corporate Finance but that is likely after the fact. We agree that any allowances attributable to savings and assigned to Muskrat Falls are applicable as you have noted. In RE91 (attached), allowances are only a thin part of that contingency calculation.

Alternate wording,

The Muskrat Falls Generating Station project contingency in the Decision Gate 3 estimate is 9.0%, which in MHI's experience, is at the lower end of the range for this level of estimate. The allocation of any allowances would improve the project contingency, as Nalcor has done for the HVdc converters.

If you would like to discuss, please give me a call this weekend or on Monday.

Have a good weekend,

**Paul Wilson, P. Eng.**

Managing Director, Subsidiary Operations

Manitoba Hydro International Ltd.

211 Commerce Drive

Winnipeg, MB R3P 1A3

Canada

P: +1 204 989-1271

F: +1 204 475-7745

M: +1 204 510-1271

---