

From: jamesmeaney@nalcenergy.com
To: [Newman, Charles](#)
Cc: [Lance Clarke](#); [Peter Madden](#); [Scott O'Brien](#); [Abudulai, Suhuyini](#)
Subject: Fw: LOWER CHURCHILL; NALCOR; CONTRACT CH0007; REQUEST FOR INFORMATION [IWOV-Legal.FID1640195]
Date: Wednesday, October 16, 2013 1:08:42 PM
Attachments: [_png](#)
[_png](#)
[minutes of meeting 14-9-2013.pdf](#)
[Question to Astaldi Excerpt 15 Oct 2013.docx](#)

Hi Charles,

Please find below a response to MWH's inquiry, and related attachments, from the LCP Project Team:

The contract is a mix of lump sum for materials and some other costs, reimbursable on travel costs for turnarounds with a target price model for labour that has pain share gain share but with a maximum amount. The range of this was explained in a teleconference a few weeks back that could see the value swing by some \$200-300 million due to labour productivity variances. Under the contract, the target price is an anchor point for much of the commercial mechanics and as it happens falls approximately in the middle of the contracts estimated value range. The amount of \$1,024,292,550.08 is the final Target amount. It includes for the discount granted by Astaldi, as recorded in the Minutes of Meeting, and adjustments for increases for an extra 50 M LC and for the performance bond of 150 M. Refer to the Question and Answer of confirmation to Astaldi, attached; and also to the Minutes of Meeting.

The point 7 - Finalization of Appendix A2.1, refers to revisions to be made to Appendix A2.1 to include for the discount and the adjustments mentioned above.

Let us know if you have any additional questions.

Regards

Jim



James Meaney, CFA
General Manager Finance
Nalcor Energy - Lower Churchill
Project
t. 709 737-4860 c. 709 727-5283 f.
709 737-1901
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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?



minutes of meeting 14-9-2013.pdf



Question to Astaldi Excerpt 15 Oct 2013.docx

Lance Clarke---10/15/2013 11:13:35 AM---You owe it to yourself, and your family, to make it home safely every day.

What have you done today so that nobody gets hurt?

From: Lance Clarke/NLHydro

To: Ed Over/LCP/NLHydro, Ron Adamcyk/LCP/NLHydro,

Cc: Scott O'Brien/NLHydro, Peter Madden/NLHydro, James Meaney/NLHydro

Date: 10/15/2013 11:13 AM

Subject: Fwd: LOWER CHURCHILL; NALCOR; CONTRACT CH0007; REQUEST FOR INFORMATION [IWOV-Legal.FID1640195]

Ed/Ron

Please see the question below from the Federal government representative on the LNTP. Please provide a copy of the minutes for their review.

Rgds

Begin forwarded message:

From: "James Meaney" <JamesMeaney@nalcenergy.com>
Date: 15 October, 2013 10:42:17 AM NDT
To: "Paul Harrington" <PHarrington@lowerchurchillproject.ca>, "Lance Clarke" <LanceClarke@lowerchurchillproject.ca>, "Scott O'Brien" <ScottO'Brien@lowerchurchillproject.ca>
Subject: Fw: LOWER CHURCHILL; NALCOR; CONTRACT CH0007; REQUEST FOR INFORMATION [IWOV-Legal.FID1640195]



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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

----- Forwarded by James Meaney/NLHydro on 10/15/2013 10:39 AM -----

From: "Newman, Charles" <CNewman@CasselsBrock.com>

To: James Meaney <JamesMeaney@nalcenergy.com>

Cc: "Abudulai, Suhuyini" <sabudulai@casselsbrock.com>

Date: 10/15/2013 10:23 AM

Subject: FW: LOWER CHURCHILL; NALCOR; CONTRACT CH0007; REQUEST FOR INFORMATION [IWOV-

Legal.FID1640195]

Jim:

Another request for further information from Rey which came in over the weekend. Pls provide us with the minutes he is looking for (or the underlying information relating to the credit) when you get a chance. As always, pls let me know if you have any questions or concerns or if there is someone else at Nalcor we should be speaking to directly.

Best regards,



From: Reynold Hokenson [<mailto:Reynold.A.Hokenson@mwhglobal.com>]

Sent: Monday, October 14, 2013 11:29 AM

To: Newman, Charles; Manzer, Alison; Abudulai, Suhuyini

Cc: Nalcor Energy IE & O&M; Celeste Christensen; Mary Edwards; Richard Howell; James Loucks

Subject: LOWER CHURCHILL; NALCOR; CONTRACT CH0007; REQUEST FOR INFORMATION

Hi Charles,

I find in the LNTP-24 September 2013, Schedule 3 Agreement Form for CH0007, the following:

"7) Finalization of Appendix A2.1: to be submitted with the text of the original A2.1 Form from the RFP document; to include for the discount of forty million Canadian dollars consented as part of the Minutes of Meeting of September 14th, and to include the price adjustments made for the additional 50 million in the Letter of Credit for performance and the additional Performance Bond of 150 million."

It looks like the contract Total amount will be revised from \$1,024,292,550.08 by the following: minus \$40 million plus \$50 million plus \$150 million equals \$160 million of additional cost that is required to be added to the Total amount. Is this correct? MWH does not have a copy of the **Minutes of Meeting of September 14, 2013**, which would give more details as to the credit of \$40 Million dollars; MWH would like to request a copy to be provided to us for review. If for some reason this cannot be provided at this time, we at least would like an explanation of this 'credit', please.

Regards,

Rey

October 14, 2013

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MINUTES OF MEETING
BETWEEN ASTALDI CANADA INC. AND NALCOR ENERGY
MEETING OF 14TH SEPTEMBER 2013
LONDON, ENGLAND

Whereas Nalcor Energy and Astaldi Canada Inc. are in the process of negotiating an agreement for the construction of the intake and powerhouse, spillway and transition dams as described in contract package CH0007 ("the Agreement"):

A meeting was held by Nalcor Energy (Nalcor), Astaldi SpA and Astaldi Canada Inc. (Astaldi) on September 14th 2013 in London, England at the Royal Horseguards Hotel.

Attendees with the Nalcor team were as follows: Ed Martin (CEO Nalcor), Gilbert Bennett (VP Nalcor), Paul Harrington (Project Director, LCP), Lance Clarke (Business Manager), Ron Power (General Project Manager, LCP), and Ron Adamcyk (Senior Contract Administrator, LCP team).

Attendees with the Astaldi team were as follows: Stefano Cerri (CEO, Astaldi SpA), Mario Lanciani (Astaldi SpA), Jennifer Hoffman (Astaldi SpA), Guido Venturini (Astaldi SpA) and Emmanuel Triassi (Astaldi Canada Inc.).

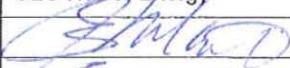


The outcome of the meeting was as follows:

- 1) Upon issuance of a Limited Notice To Proceed for the Lower Churchill Project: Muskrat Falls CH0007: Civil Works to Astaldi Canada Inc. it shall be subject to the following points 2, 3, 4, 5 and 6.
- 2) Astaldi has agreed to reduce the amount of the Target Cost of Labour - as recorded on row i of Appendix A2.1 - by forty (40) million Canadian dollars, subject to points 1, 3, 4, 5 and 6. Consistent with this change, LMAX, as of Effective Date, will be reduced by the same amount (refer to Section 2.5.1 of Exhibit 2) and the Labour Profit, as of Effective Date, will be reduced by 2.8 million Canadian dollars (refer to Section 2.6.2 of Exhibit 2). Cost Sharing, as defined in Exhibit 2, Appendix C, Tables 1 and 2, remains unchanged. Astaldi will resubmit revised documents to include for these changes: (a) its detailed sheets for the calculation of the Target Cost of Labour based on the Collective Agreement and Appendix A2.9; and (b) Appendix A2.1.
- 3) Nalcor has agreed to award the work for the Main Dam (i.e. the North RCC dam, the South Rockfill Dam and associated cofferdams) and the North Spur Stabilization Work to Astaldi, if the Parties are able to agree on pricing and schedule for the work.
- 4) The Parties have agreed that they will work together, per dates set by Nalcor, to agree to the price and schedule for construction of the Main Dam and the North Spur Stabilization Work. The Parties will build their joint price estimate and schedule for the Main Dam and the North Spur Stabilization Work using an open book with full transparency approach, on the following principles:
 - direct labour required to perform the work will be agreed;
 - indirect labour is largely covered under the Agreement for package CH0007;
 - equipment for this work is largely covered by the Agreement for package CH0007;
 - material will be estimated at actual cost;
 - Site overheads are already covered as part of the Agreement for package CH0007;
 - Astaldi home office overheads are already covered by the Agreement for package CH0007;
 - Profit at a fixed percentage;
- 5) The Parties agreed that if they are not able to achieve agreement on the price or schedule to perform the work for each of the Main Dam and the North Spur Stabilization Work, then the reductions consented by

Astaldi, as per point 2 above, will be revoked and Nalcor will be free to award a contract for this work to contractors of its choice.

- 6) The outcome of this meeting as set out in points 2 to 5 inclusive shall be incorporated into the Agreement mentioned in point 1 above.
- 7) In all other respects the LCP RFP document and the proposal of Astaldi, including confirmed clarifications and the latest version of the Articles of Agreement and Exhibit 2 remain unchanged.

Signed and acknowledged by:

Nalcor Energy	
Name	E Martin
Title	CEO Nalcor Energy
Signature	
Date	Sept 19, 2013
Astaldi SpA	
Name	STEFANO CERRI
Title	CEO
Signature	
Astaldi Canada Inc.	
Name	EMANUELE TRIASSI
Title	CEO
Signature	



			Question to Astaldi	Response From Astaldi	
19	57	18-09-2013	<p>Appendix A2.1: As of to-day: Non Labour Component: \$452,104,434.08 including for the LC for the 50 M Plus the 150 Performance Bond Target Cost of Labour: \$507,598,341.00 including for the deduction of 40 Million. Labour Profit: \$35,531,884.00 including for the deduction of 40 Million on Target Cost of Labour.</p> <p>Do you agree?</p>	<p>Yes, we agree the Target Cost of Labour =\$ 507,598,341 and the Labour Profit=\$ 35,531,884</p> <p>we also agree on the Non Labour component = \$452,104,434.08 as the result of the following calculation:</p> <p style="padding-left: 40px;">\$ 435,784,712.08 (Cell R720 of the A2.1 rev 29/7/13) + \$ 11,261,000.00 (150 M CAD Bond cost) + \$ 5,058,722.00 (LC Perf.Sec.50M, Comm Set No.9 , questions 10.1 and 10.2)</p> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">=\$ 452,104,434.08</p>	