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To: jasonkean@lowerchurchillproject.ca
Cc: jamesmeaney@nalcorenergy.com; auburnwarren@nalcorenergy.com; dsturge@nalcorenergy.com; gbennett@nalcorenergy.com; lanceclarke@lowerchurchillproject.ca; pharrington@lowerchurchillproject.ca; robhull@nalcorenergy.com; edbush@lowerchurchillproject.ca
Subject: Re: URGENT: Updated capital costs
Date: Friday, November 15, 2013 8:12:50 AM

Jim

i just want to add regarding the reason for the LITL decrease right now is :

Saving on the cost of insulators (27 M)
reduction of the SP switchyard by 2 feeders (projected 13 M)

cheers

George Chehab

Lead Cost Controller

PROJECT DELIVERY TEAM

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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?

Jason Kean---11/15/2013 07:34:09 AM---Jim, With respect to the specific question re the decrease in capital for LIL, I advise as follows:

From: Jason Kean/NLHydro

To: James Meaney/NLHydro@NLHYDRO,

Cc: Auburn Warren/NLHydro@NLHYDRO, Derrick Sturge/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Paul Harrington/NLHydro@NLHydro, Rob Hull/NLHydro@NLHydro, George Chehab/LCP/NLHydro@NLHYDRO, Ed Bush/NLHydro@NLHYDRO

Date: 11/15/2013 07:34 AM

Subject: Re: URGENT: Updated capital costs

Jim,

With respect to the specific question re the decrease in capital for LIL, I advise as follows:

The LIL numbers are the least mature of the three, due to the fact that as a % of total, we have received less bids and awarded less contracts for it than the others. We have not bid the HVdc line construction, while bids are under review for the converter, and are expected for the switchyards and synchronous condensers this and next month. The receipt and analysis of the results of future bids have not been factored into the approved FFC.

As per 1, the numbers presented represent the latest approved Forecast Final Cost based upon available bid and expended to-date information. In the case of LIL, we have potential growth beyond the FFC identified (i.e. monies at risk), however we do not have enough insight on these potentials in order for us to feel confident with stating that XX millions more of funds will be required for LIL. As indicated by Paul (and discussed with Ed and Gilbert in early September), it is possible that the total FFC will increase by some 5% as we receive and evaluate the final bids for the remaining scope.

To-date we have preserved substantially all DG3 contingency on LIL. This is due to savings made on the SOBI (reduction in rock dumping, inclusion of fibre in cable rather than a separate fibre) and a decision not to convert the Holyrood Units 1&2 to synchronous condenser support in lieu of increasing the rating of the new Soldier's Pond Synchronous Condensers from 150 to 175MVAR.

Please advise if further clarification is required.

Regards,

Jason

Jason R. Kean, P. Eng., MBA, PMP

Deputy General Project Manager

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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?

James Meaney---11/14/2013 07:50:28 PM---Gilbert/Paul As a follow up to last week's session with Canada and their advisors where we tabled th

From: James Meaney/NLHydro

To: Gilbert Bennett/NLHydro, Paul Harrington/NLHydro,

Cc: Derrick Sturge/NLHydro, Auburn Warren/NLHydro, Rob Hull/NLHydro, Jason Kean/NLHydro, Lance Clarke/NLHydro

Date: 11/14/2013 07:50 PM

Subject: URGENT: Updated capital costs

Gilbert/Paul

As a follow up to last week's session with Canada and their advisors where we tabled the projected \$300m capital cost increase along with the financing cost savings, Auburn and his team are meeting with Canada and Blair Franklin tomorrow at 11am EST in Toronto to review financial models that have updated with the \$6,531m cost flow series provided by LCP Project Controls mid week. This session was originally supposed to occur Tuesday, but had to be postponed to ensure we had the updated cost flow. The capital cost figures will only be seen at the aggregate level in the models (as opposed to the material contract level detail), as follows:

MF - 3,285

LIL - 2,527

LTA - 720

The question will likely come up what's driving the decrease in LIL compared to the DG3 estimate of 2,609. Hoping you can provide a few key points on this that Auburn can convey to Canada/BF.

The question will also be asked as to when we'll be providing the material contracts reconciliation that your planning on sending to Ed for sign off. Unfortunately we didn't get a chance to have our meeting today, and Derrick, Rob and I will be back in with the Boards of the new LCP entities from 8:30 to 12:30 tomorrow. I think the alignment meeting got rescheduled to 11:00.

In light of the above, I would suggest you send the material contracts reconciliation to Ed this evening advising this needs to be sent to Canada and MWH tomorrow as they specifically requested it be provided as part of completing their FLG due diligence and the IE report by early next week. I think it fair to say both the Nalcor Finance and LCP Project Teams are aligned on the fact that this must occur, particularly if we are to have Canada issue their FLG in late November so we can release the Lead Arranger into the markets for a financial close in December.

If we need to discuss further by all means let me know, as I can send out a conference bridge to facilitate a call this evening.

Thanks

Jim

Sent from my iPad