

From: jamesmeaney@nalcorenergy.com
Sent: Wednesday, January 22, 2014 9:28 AM
To: edbush@lowerchurchillproject.ca
Subject: Contractor Reports for MWH


Importance: High

Hi Ed

See below. CBB will be supportive in keeping MWH's review on track, so we need to get these contractor reports and the 3 executed MF/LTA contracts transmitted via Aconex today.

Thanks

Jim

	<p>James Meaney, CFA General Manager Finance Nalcor Energy - Lower Churchill Project t. 709 737-4860 c. 709 727-5283 f. 709 737-1901 e. JamesMeaney@nalcorenergy.com w. nalcorenergy.com 1.888.576.5454</p>
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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 01/22/2014 09:25 AM -----

From: "Manzer, Alison" <amanzer@casselsbrock.com>

To: "JamesMeaney@nalcorenergy.com" <JamesMeaney@nalcorenergy.com>, "Newman, Charles" <CNewman@CasselsBrock.com>

Date: 01/21/2014 05:35 PM

Subject: RE: LOWER CHRUCHILL; NALCOR; PHASE 2; JANUARY 2014 DRAW; IE'S PRELIMINARY OBSERVATIONS OF NALCOR'S CONSRUCTION REPORTS [IWOV-Legal.FID1640195]

I think you just post – we will ensure the ongoing is understood – hopefully soon with a new team!

 CASSELS BROCK LAWYERS	Alison Manzer Direct: 416 869 5469 • Fax: 416 350 6938 • amanzer@casselsbrock.com 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada M5H 3C2 www.casselsbrock.com
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From: JamesMeaney@nalcenergy.com [mailto:JamesMeaney@nalcenergy.com]

Sent: Tuesday, January 21, 2014 4:03 PM

To: Newman, Charles

Cc: Manzer, Alison

Subject: Re: LOWER CHRUCHILL; NALCOR; PHASE 2; JANUARY 2014 DRAW; IE'S PRELIMINARY OBSERVATIONS OF NALCOR'S CONSRUCTION REPORTS [IWOV-Legal.FID1816818]

Hi Charles

Let me go through the list with the folks from the Project Team and we'll respond in a timely manner. In addition to posting the Additional Material Project Documents noted in the MFLTA report to Aconex/dataroom, we have also compiled a set of contractor reports for posting this week. I see Rey has noted that deliverable below....we haven't forgot. I do, however, want to clarify a point relating to Rey's opening comment. I thought it was discussed on the conference call on Jan 9 that while we have no issues providing these contractor reports and having MWH come to St John's to get additional clarification, it was collectively agreed the review of these reports would be done on an ongoing basis as opposed to being linked each month to the period between issuance of the construction report/funding request and the advance of funds, given the relatively short time frame? If you think it would be worthwhile to discuss this point further, I can certainly make myself available tomorrow.

Thanks

Jim

Sent from my BlackBerry 10 smartphone.

From: Newman, Charles

Sent: Tuesday, January 21, 2014 3:35 PM

To: James Meaney

Cc: Manzer, Alison

Subject: LOWER CHRUCHILL; NALCOR; PHASE 2; JANUARY 2014 DRAW; IE'S PRELIMINARY OBSERVATION Legal.FID1816818]

Jim:

Pls see Rey's comments below about the January construction report. Can you pls speak to your team & see whether these items can be addressed? I'm available to discuss this further if need be.

Thanks,



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

Sent: Tuesday, January 21, 2014 11:58 AM

To: Manzer, Alison; Kapoor, Anoop (Anoop.Kapoor@NRCan-RNCan.gc.ca); Krupski, Joseph (Joseph.Krupski@NRCan-RNCan.gc.ca)

Cc: Abudulai, Suhuyini; Newman, Charles; Nalcor Energy IE & O&M; Celeste Christensen; Mary Edwards; Nikolay Argirov

Subject: LOWER CHRUCHILL; NALCOR; PHASE 2; JANUARY 2014 DRAW; IE'S PRELIMINARY OBSERVATIONS OF NALCOR'S CONSRUCTION REPORTS

Please find enclosed some preliminary comments pertaining to the second draw request for consideration as given below.

MWH is still waiting for a response to our email of January 15th, which is a follow-up to comments made during a telephone conversation with Nalcor. If we are to be effective, we will need to be supplied the contractor's construction reports (at least the executive summaries) to use in our due diligence.

OBSERVATIONS: CONSTRUCTION REPORTS; 20- JANUARY -2014

LIL PROJECT FINANCE AGREEMENT

1. Schedule "A"---QC was not performed; note totals do not add
2. Schedule "B"—QC was not performed; one total does not add
3. Feasibility Engineering values are being adjusted to place into correct accounts; feasibility engineering should have been concluded many months ago; adjustments are still being looked at and it is expected that there will be other adjustments for the next draw (the third draw)
4. Schedule "B" indicates that a very minor increase in Procurement & Construction is anticipated by Nalcor—about 0.47%
5. Markup sheets are attached of the observations noted.

MUSKRAT/LTA PROJECT FINANCE AGREEMENT

1. Schedule "A", Part II-Hard Costs for the LTA. Page 6---QC was not performed; note each of the totals is off.
2. Schedule "B", Part I-Muskrat Cost to Complete, page 7---QC was not performed; note last column is off.
3. Part II—Labrador Transco Cost to Complete, Schedule 'B', page 8---QC was not performed, all column totals are incorrect.
4. Schedule "C", Part II-Labrador Transco Cost Variances, page 9---QC was not performed
5. Schedule "E", Part I-Muskrat Material Disputes, page 11. There still is no resolution of the Request for Equitable Adjustment (Claim). There is no acknowledgement of what Nalcor believes will occur as to the cost increasing for this contract.

6. Construction Narrative, found on page 13.

- a. Construction of the new 1500 person construction camp is still continuing; it appears that the information furnished to the IE just before the issuance of the Interim IE's Report was not correct. What is the total capacity of the camp as of December 31st?
- b. CH0006 construction is still occurring (during December 2013) to correct 'minor deficiencies'. What are these minor deficiencies—no Contractor's Executive Summary section of its report was furnished as we agreed to be supplied with the draw documents?
- c. Does Government desire that MWH review CH0032 and SH0018? CH0032 involves the Supply and Install Powerhouse Hydro-Mechanical Equipment would be the only contract that MWH would see a need to become familiar with, in our opinion.

7. Construction narrative for Part II-LTA Construction Progress, found on Page 15.

- a. A brief discussion of contract CT0341 (Right of Way Clearing for the AC Transmission Lines) is covered but the summary fails to note the following:
 - i. Was the actual cost of the contract impacted (realizing that the labor and material bond covers the shortages, if there will be any, as Nalcor believes)?
 - ii. What is the opinion of the Government's legal advisors as to Nalcor's opinion that there will be no increase in the contract amount?
 - iii. What were the reasons that Nalcor terminated the first contractor; this matter was never discussed in any meeting where the IE was present?

8. Markup sheets are attached of the observations noted.

Regards,

Rey

January 21, 2014

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