

Independent Engineer Meeting

May 27, 2015

Boundless Energy



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Meeting Outline

1. Safety Moment
2. Key Meeting Objectives
3. IE Key Stakeholders
4. Principles for Ongoing Provision of IE Services
5. IE Scope of Work – Key Deliverables
6. Short Term / Long Term IE Execution Approach
7. Next Steps & Deliverables

Safety Moment - Choking

Key Meeting Objectives

- Collaboration between Nalcor, Emera, Canada, MWH and Argirov for both short and long term Independent Engineer (IE) solutions within the spirit and principles of the current engagement(s)
- As previously indicated, Nalcor, Emera and Canada's preference is to find a long term IE solution that involves both MWH and Argirov
- Leave this meeting with an action plan that all parties are confident will meet the agreed to objectives and principles in a timely manner
- Others?

Key IE Stakeholders

- Key stakeholders include:
 - Nalcor Energy
 - Emera Inc.
 - Government of Canada
 - Collateral Agent (TD Bank)
 - Government of Newfoundland & Labrador (Muskrat Falls Oversight Committee)
 - Nova Scotia Utilities Board (UARB)
- Reports and certificates issued by the IE undergo significant scrutiny by these stakeholders and often are made available to the public as part of oversight, transparency and accountability requirements

Principles for Ongoing Provision of IE Services

1. MWH shall ensure that service levels are not reduced and that there is continuity of experienced and qualified personnel acceptable to Nalcor/Emera/Canada, with particular emphasis on the individual responsible for leading the IE team through the Phase 2 - Construction Period scope of work.
2. Services provided by MWH must be carried out by person(s) acceptable to Nalcor/Emera/Canada who is/are highly qualified and experienced in the overall assessment of large scale, northern climate Hydro Electric and Transmission Projects, including coordination, scheduling and project integration. Staffing is to be consistent with recent past practice because this has evolved into an efficient and timely IE review process.
3. Cost of services provided by MWH cannot be changed without the approval of Nalcor/Emera, including as a result of any personnel changes or additional levels of review and assessment.

Principles for Ongoing Provision of IE Services (cont'd)

4. Processes; reporting format, contents and style; and the timelines established under the Project Finance Agreements (PFA) for IE review of the Construction Reports, Funding Requests and related documentation to facilitate issuance of the monthly Draw Confirmation Certificates cannot be changed or negatively impacted in any manner.
5. MWH have been and continue to be responsible for all internal quality control at no additional cost to the Client and without impact on the timeline for delivery.
6. MWH liabilities and insurance requirements are unchanged from those agreed to in the original IE agreements with Nalcor/Emera and subsequent IE reliance agreements involving Canada.

Principles for Ongoing Provision of IE Services (cont'd)

7. This is a long term engagement and relies on continuity of MWH qualified and experienced personnel who are familiar and knowledgeable with the Project, the sensitivities involved given the various key stakeholders, and Project personnel. There is no issue with using contracted personnel provided they meet the specified criteria.
8. MWH are responsible for staffing to meet these principles without increasing costs or negatively impacting the services provided as determined by Nalcor/Emera/Canada.

IE Scope of Work – Key Deliverables

- Monthly Draw Confirmation Certificates
 - Required under the PFA's
 - Typically due the 27th / 28th of the month, but earlier in May/November due to bond interest payments in June/December
 - IE must review Construction Reports, Funding Requests, Contractor Reports and other related documents issued by Nalcor/Emera over relatively short period of time
 - Facilitates timely release of debt / equity funding to Nalcor/Emera subsidiaries in order to pay Project invoices due over next 30 days and enable continued contractor progress

IE Scope of Work – Key Deliverables (cont'd)

- Construction Site Visits
 - Typically 2 construction site visits per year; each visit can cover 3-5 days at multiple work fronts across NL and NS
 - In addition to IE Lead and required MWH subject matter experts, includes representatives of Nalcor/Emera, Canada and in case of Nalcor Projects, the MF Oversight Committee
 - Gives IE an opportunity to assess progress in engineering, procurement and construction activities; ask questions and discuss focus areas impacting cost/schedule; and gather information to facilitate issuance of Periodic Reports

IE Scope of Work – Key Deliverables (cont'd)

- **Factory Visits**
 - Scheduled around major milestones in the fabrication of key technical components associated with Material Contracts identified in the PFA's
 - Examples would include subsea cable, turbines & generators, converter stations, etc.
 - Similar to construction site visits, gives IE an opportunity to assess manufacturing progress; ask questions and discuss focus areas impacting cost/schedule; and gather information to facilitate issuance of Periodic Reports

IE Scope of Work – Key Deliverables (cont'd)

- Cost & Schedule Reviews
 - Ongoing process as part of issuing monthly draw confirmation certificates, with particular focus around each anniversary of Financial Close in the context of any reported Cost Overruns and the related certificates that must be issued in accordance with the PFA's
- Material Contract Review & Reporting
 - Includes Material Contracts that were awarded prior to Financial Close as well as those identified in PFA's to be awarded subsequently

IE Scope of Work – Key Deliverables (cont'd)

- Completion & Commissioning Activities
 - Confirm completion based on contractual terms, completion certificates, punch list reviews, site visits, etc. and issue Commissioning related certificates as required under the PFA's
- O&M Monitoring (Post Commissioning)
 - Periodic site visits during debt repayment period to ensure assets are being operated in accordance with Good Utility Practice and facilitate issuance of related Periodic Reports
 - Expected to be greater frequency of visits in first 5 years (eg. semi-annual) with annual visits likely thereafter