

From: [Paul Harrington](mailto:Paul.Harrington@lowerchurchillproject.ca)
To: JamesMeaney@lowerchurchillproject.ca
Subject: Re: Contingent Risk - Management Change to LCP
Date: Tuesday, May 31, 2016 8:05:53 PM

Ok Jim

I trust your discretion in this.

I am not sure how to get the deck we put together in front of Stan . If it comes from me it could look like a desperate act and lose the importance of it

If it comes from Derrick it would have more impact

But either way it needs to be sent to Stan. What I heard from John today has me concerned that this is going in the ditch

Paul

Sent from my iPhone

On May 31, 2016, at 8:01 PM, JamesMeaney@lowerchurchillproject.ca wrote:

Understood. Are you ok if I share what Nik and Canada has said with Derrick?
Will not circulate the email but walk him through it. I have a concern that this could derail FLG2 so he needs to be made aware.

Sent from my iPhone

On May 31, 2016, at 7:56 PM, Paul Harrington <pharrington@> wrote:

Jim

Nik sent me this in strictest confidence so pls treat it between you and

I

It is quite clear in where he stands

Paul

Sent from my iPhone

Begin forwarded message:

From: "Nik Argirov" <nik@argirovglobal.com>
Date: May 26, 2016 at 5:09:07 AM NDT
To: <pharrington@>
Subject: FW: Contingent Risk - Management Change to LCP

Highly confidential!

From: McHattie, Joseph (NRCan/RNCan)

[mailto:joseph.mchattie@canada.ca]

Sent: Wednesday, May 25, 2016 3:25 PM

To: Kapoor, Anoop (NRCan/RNCan)

<anoop.kapoor@canada.ca>; Nik Argirov

<nik@argirovglobal.com>; Krupski, Joseph (NRCan/RNCan)

<joseph.krupski@canada.ca>

Cc: 'Manzer, Alison' <amanzer@casselsbrock.com>; John

Medland (<jmedland@blairfranklin.com>)

<jmedland@blairfranklin.com>

Subject: RE: Contingent Risk - Management Change to LCP

Thank you Anoop and Nik.

I will reserve June 7th which, amazingly, is not that far off.

As to Nik's description of the risks created by potential management changes, it is useful. Yet we should kick those tires a bit now before senior management challenges this description of risk. Is the risk identified on the basis of:

- <!--[if !supportLists]-->● <!--[endif]-->reasonably foreseeable developments,
- <!--[if !supportLists]-->● <!--[endif]-->personal experience from past projects,
- <!--[if !supportLists]-->● <!--[endif]-->peer-reviewed studies of large civil engineering projects, and/or
- <!--[if !supportLists]-->● <!--[endif]-->other factors?

Our advice should be as transparent as possible given the high profile of the project. Thank you,

Joseph McHattie
(t)343.292.8946

From: Kapoor, Anoop (NRCan/RNCan)

Sent: May 24, 2016 19:10

To: Nik Argirov; Krupski, Joseph (NRCan/RNCan); McHattie,

Joseph (NRCan/RNCan)

Cc: 'Manzer, Alison'; John Medland
(jmedland@blairfranklin.com)

Subject: RE: Contingent Risk - Management Change to LCP

Thanks Nik for noting the risks related to management changes on the project.

Alison and Joseph, I would like to get your thoughts on the next steps to address the concerns that have been raised by IE taking into account the rights of the guarantor.

Also, I wanted to inform you all that we are planning to have a meeting w/Nalcor team including their CEO on June 7. At this meeting, I expect Nalcor to provide us their QRA information which would allow us to proceed with the Enhanced FLG request. Please mark your calendars for attending this meeting in Ottawa.

Anoop

From: Nik Argirov [<mailto:nik@argirovglobal.com>]

Sent: May 24, 2016 5:48 PM

To: Kapoor, Anoop (NRCan/RNCan); Krupski, Joseph (NRCan/RNCan); McHattie, Joseph (NRCan/RNCan)

Cc: 'Manzer, Alison'

Subject: Contingent Risk - Management Change to LCP

The role of the Independent Engineer includes providing commentary on perceived risks identified to the on budget, schedule and specification performance of the project. When considering the necessity to report on an identified risk, the Independent Engineer takes account of not only the direct reporting and observations, but also the information obtained from other available sources. The recent press coverage and purported senior management announcements of Nalcor regarding the Lower Churchill project has given rise to an identified risk. That risk being the ability of the project to be completed on the current time schedule and budget.

The risk identified has caused consideration to be given to making management changes that in turn would significantly impact the project. In my experience, the

stated intention to change management at this late project stage creates uncertainty and aggravation to the project team's moral. The speculation that follows creates performance issues in the management, and the production team. While this has not manifested significantly to date, the uncertainty around management change gives rise to an engineering concern as to the three primary project execution objectives - on time, budget, and quality performance.

While the project has encountered challenges, largely due to production issues arising from the weak start of Astaldi on the power house and terrain issues for the transmission lines, the management team has been effective in reaching a circumstance suitable response. The experience gained, and the management expertise developed over the course of this project, should not be lost. Significant change would, in my experience, lose the value of the particular expertise that has been developed over time in this mega project. It is imperative to not enact changes in management that in turn would hamper the primary goals of on time and on budget (albeit the currently modified time and budget). A hydro electric development of the size and scope of the Lower Churchill is a rare and complex engineering and project management challenge, and the experience gained by the management team should not be lost or overridden. In my view, such changes would add contingent risk and likely lead to a slower and more costly process to completion. The skill complement of the existing team, is not readily replaced, and certainly not by persons from other industry backgrounds.

The press and related announcements as to management review and possible replacement leads me to conclude there is contingent project risk for the Lower Churchill project. This risk in my view could lead to reduced ability to complete the project on the current

adjusted time schedule and budget.

Regards,

Nik Argirov