

**From:** gbennett@nalconenergy.com  
**Sent:** Saturday, August 6, 2016 10:41 PM  
**To:** michaelladha@nalconenergy.com  
**Subject:** As requested  
**Attachments:** AGM MF Questions\_David Vardy\_March 19 2015\_final.docx; A - Exhibit 2 - Compensation - Appendix J Fully Executed LNTP with Amendment No. 1 (redactions).pdf; A - Exhibit 2 - Compensation (redactions).pdf; AGM Presentation 2015 Draft v.1.ppt; Astaldi note - RP Comments.docx; Astaldi Situation- final.docx

Michael,

Here are the emails I came up with. Please screen to confirm they are responsive. I'm concerned about releasing emails in relation to a previous Astaldi request, but I've included them here for completeness. I do not believe they are in reference to the contract, but rather to an ATIPPA request.

G

 <p><b>nalcor</b> energy LOWER CHURCHILL PROJECT</p>	<p><b>Gilbert J. Bennett, P. Eng., FCAE</b> Executive Vice President, Power Development t. 709 737 1836 f. 709 737 1782 e. <a href="mailto:gbennett@lowerchurchillproject.ca">gbennett@lowerchurchillproject.ca</a> w. <a href="http://muskratfalls.nalconenergy.com">muskratfalls.nalconenergy.com</a></p>
---	---

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

**From:** Paul Harrington/NLHydro  
**To:** Gilbert Bennett/NLHydro@NLHydro  
**Date:** 04/02/2015 08:38 AM  
**Subject:** Re: IE

---

Thanks Gilbert

I have added some appropriate extracts from the last OC report also to emphasize the attention that Nalcor and the GNL are applying to this issue. I think it important that Canada realize that this concern is a shared concern

Regards Paul



Astaldi Situation- final.docx

**Paul Harrington**

Project Director

**PROJECT DELIVERY TEAM**

Lower Churchill Project

t. 709 737-1907 c. 709 682-1460 f. 709 737-1985

e. [PHarrington@lowerchurchillproject.ca](mailto:PHarrington@lowerchurchillproject.ca)

w. [muskratfalls.nalcorenergy.com](http://muskratfalls.nalcorenergy.com)

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Gilbert Bennett--04/01/2015 08:09:58 PM---Paul, This looks good to me. It's accurate, and I believe it's at an appropriate level.

From: Gilbert Bennett/NLHydro

To: Paul Harrington/NLHydro@NLHydro,

Date: 04/01/2015 08:09 PM

Subject: Re: IE

---

Paul,

This looks good to me. It's accurate, and I believe it's at an appropriate level.

G



Gilbert J. Bennett, P. Eng., FCAE  
Vice President  
Lower Churchill Management Corporation  
a Nalcor Energy company  
t. 709 737 1836 f. 709 737 1782  
e. [gbennett@lowerchurchillproject.ca](mailto:gbennett@lowerchurchillproject.ca)  
w. [muskratfalls.nalcorenergy.com](http://muskratfalls.nalcorenergy.com)

Paul Harrington---04/01/2015 04:46:09 PM---The IE has asked for an update of the situation with Astaldi and what mitigating actions Astaldi ar

From: Paul Harrington/NLHydro

To: Gilbert Bennett/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Ron Power/NLHydro@NLHydro, Scott O'Brien/NLHydro@NLHYDRO, Ed Bush/NLHydro@NLHYDRO,

Cc: Karen O'Neill/NLHydro@NLHydro

Date: 04/01/2015 04:46 PM

Subject: IE

---

The IE has asked for an update of the situation with Astaldi and what mitigating actions Astaldi are taking and what the expectations are in the coming months

I put this together and need to get back to Nik tomorrow on this- pls review and amend/correct

[attachment "Astaldi Situation.docx" deleted by Gilbert Bennett/NLHydro]

**Paul Harrington**

Project Director

**PROJECT DELIVERY TEAM**

Lower Churchill Project

t. 709 737-1907 c. 709 682-1460 f. 709 737-1985

e. [PHarrington@lowerchurchillproject.ca](mailto:PHarrington@lowerchurchillproject.ca)

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----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Ron Power/NLHydro  
To: Paul Harrington/NLHydro@NLHydro  
Cc: Ed Bush/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Scott O'Brien/NLHydro@NLHydro  
Date: 04/02/2015 09:19 AM  
Subject: Re: IE

---

Paul - a few comments for your consideration.



Astaldi note - RP Comments.docx

**Ron Power**  
General Project Manager  
**PROJECT DELIVERY TEAM**  
Lower Churchill Project  
t. 7097374245 c. 7097468498 f. 7097540787  
e. [RonPower@lowerchurchillproject.ca](mailto:RonPower@lowerchurchillproject.ca)  
w. [musktratfalls.nalcorenergy.com](http://musktratfalls.nalcorenergy.com)

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?

Paul Harrington---04/01/2015 04:16:09 PM---The IE has asked for an update of the situation with Astaldi and what mitigating actions Astaldi ar

From: Paul Harrington/NLHydro  
To: Gilbert Bennett/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Ron Power/NLHydro@NLHydro, Scott O'Brien/NLHydro@NLHYDRO, Ed Bush/NLHydro@NLHYDRO,  
Cc: Karen O'Neill/NLHydro@NLHydro  
Date: 04/01/2015 04:16 PM  
Subject: IE

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[attachment "Astaldi Situation.docx" deleted by Ron Power/NLHydro]

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Project Director

**PROJECT DELIVERY TEAM**

Lower Churchill Project

t. 709 737-1907 c. 709 682-1460 f. 709 737-1985

e. [PHarrington@lowerchurchillproject.ca](mailto:PHarrington@lowerchurchillproject.ca)

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----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Derrick Sturge/NLHydro

To: Jim Keating/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Rob Henderson/NLHydro@NLHydro, John MacIsaac/NLHydro@NLHYDRO, Greg Jones/NLHydro@NLHydro

Date: 03/23/2015 04:36 PM

Subject: AGM Deck

---

Hi folks, attached is a draft of my AGM Deck.....would appreciate any comments / feedback.

Derrick



AGM Presentation 2015 Draft v.1.ppt



Derrick Sturge  
 Vice-President, Finance & CFO  
 Nalcor Energy  
 t. 709 737-1292 c. 709 690-2545  
 e. [dsturge@nalcorenergy.com](mailto:dsturge@nalcorenergy.com)  
 w. [nalcorenergy.com](http://nalcorenergy.com)

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Lance Clarke/NLHydro

To: Tracey Pennell/NLHydro@nlhydro

Cc: Brian Crawley/NLHydro@nlhydro, Gilbert Bennett/NLHydro@nlhydro, Karen O'Neill/NLHydro@nlhydro, Paul Harrington/NLHydro@nlhydro

Date: 03/25/2015 09:54 AM

Subject: Re: Astaldi Atippa (first of a couple of emails as the documents are too large to send together) part 1

Tracey

I left you a message regarding the reference in your letter to section 2.8 of Exhibit 2. What I provided you as an explanation was for internal purposes only. We need to either explain this under the umbrella of the paragraph preceding it or make it much more general as the explanation discloses the sensitive information we redacted. Please call to discuss.

rgds

Sent from my iPad

> On Mar 22, 2015, at 1:19 PM, "Tracey Pennell" <[TraceyPennell@nalcorenergy.com](mailto:TraceyPennell@nalcorenergy.com)> wrote:

>

> All,

>

> Please see the attached Audit Redacted documents to ensure the note provided by Lance and the redactions "match up". I have only included documents with redactions, not the ones that we are releasing in full. Lance, could you please advise if Schedule 2 of Appendix J should be redacted or not? Please let me know by Tuesday if you have any comments or concerns as my week is jammed and I'll need it by Tuesday to re-run the redaction program in order to meet the Friday deadline.

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> The letter to the Applicant will include the following explanation:

>

> "I am pleased to inform you that your request for access to this information has been granted in part. The following records have been released in full:

>

> Exhibit 2 - Compensation - Appendix C Small Tools, Consumables and PPE

> Exhibit 2 - Compensation - Appendix G Contractor Share of Labour Cost Difference

- > Exhibit 2 - Compensation - Attachment 1 Measurement and Payment
- > Exhibit 2 - Compensation - Appendix H Sworn Declaration (Released in full)
- > Exhibit 8 - Subcontractors, Manufacturers and Material Sources
- >
- > The following records have been redacted in part or in full, as noted below:
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- > Contract - Articles (Released in part)
- > Exhibit 1 - Scope of Work (Released in part)
- > Exhibit 2 - Compensation (Released in part)
- > Exhibit 2 - Compensation - Appendix A - Schedule of Price Breakdown (Redacted in full, 15 pages)
- > Exhibit 2 - Compensation - Appendix B Monthly Payment Forecast (Redacted in full, 1 page)
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- > Exhibit 2 - Compensation - Appendix E Escalation Data (Redacted in full, 5 pages)
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- > Exhibit 2 - Compensation - Appendix I Target Cost of Labour Breakdown (Released in part)
- > Exhibit 2 - Compensation - Appendix J LNTP with Amendment No. 1 (Released in part)
- >
- > The information in the above noted records has been redacted in accordance with subsections 24(1)(b) and 24(1)(g) of the ATIPPA and in accordance with subsection 5.4(1)(a) of the Energy Corporation Act as the disclosure of the information would be harmful to the financial and economic interests of Nalcor and is considered commercially sensitive information, as defined in the Energy Corporation Act, that if released, would harm the competitive position of Nalcor, interfere with the negotiating position of Nalcor Energy and result in financial harm to Nalcor. It is also information that would customarily not be provided to competitors of Nalcor.
- >
- > The majority of the redactions are detailed pricing or percentages that if released would be used against Nalcor by other contractors that we are currently in negotiations with. This would occur in two ways: 1) There are a couple of contracts for the Lower Churchill Project which are not yet completed that will include price breakdowns which are similar to that which is included in the Astaldi contract. As Nalcor is trying to negotiate the best values possible for the project, releasing these prices prior to finalizing the other contracts would make it very difficult to negotiate prices or terms that improve upon those listed in the Astaldi contract; and 2) as the project progresses and small changes occur, Nalcor must be able to maintain our ability to negotiate any adjustments to the agreements.
- > Section 2.8 of Exhibit 2 specifically provides the option for Nalcor to complete the Dams with Astaldi. Nalcor has issued Requests for Tenders for this scope and Astaldi is a bidder. If this information is released before the contract completed, Nalcor will lose leverage against Astaldi as other bidders may feel that the award to Astaldi is guaranteed and will either walk away or disengage from the process, making it very difficult for Nalcor to achieve the best value for this scope of work.
- > Please note, personal information has been removed from the following record in accordance with subsection 30(1) of the ATIPPA.
- >
- > Exhibit 9 - Interface and Milestone Schedule (Released in part)
- >
- > As required by subsection 7(2) of the Act, we have severed information that is excepted from disclosure and have provided you with as much information as possible. In accordance with your request for a copy of the records, the appropriate copies have been enclosed."
- >
- >
- >
- > Thanks,
- >
- > Tracey
- >
- >
- >
- >
- >
- >
- > Tracey L. Pennell
- > Legal Counsel
- > ATIPP Coordinator
- > Nalcor Energy
- > t. 709 778-6671 f. 709 737-1782

> e. TraceyPennell@nalcoreenergy.com  
> w. nalcoreenergy.com  
>  
>  
> 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?  
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> From: Lance Clarke/NLHydro  
> To: Tracey Pennell/NLHydro@NLHYDRO  
> Cc: Paul Harrington/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro, Brian Crawley/NLHydro@NLHydro  
> Date: 03/20/2015 02:51 PM  
> Subject: Astaldi Atippa  
>  
>  
> Tracey  
>  
> As discussed please see my comments in the attached. The contract sections will be forwarded to you. Folks, please provide any additional thoughts. I am interested in any concerns around Exhibit 9 - Milestones.  
>  
> [attachment "Atippa request- Astaldi.docx" deleted by Tracey Pennell/NLHydro]  
>  
> Lance Clarke  
> Deputy Project Director  
> PROJECT DELIVERY TEAM  
> Lower Churchill Project  
> t. 709 737-1245 c. 709 699-5318 f. 709 737-1985  
> e. LanceClarke@lowerchurchillproject.ca  
> w. muskratfalls.nalcoreenergy.com  
>  
>  
> <0.3ACE.jpg>  
> <A - Exhibit 1 - Scope of work (Redactions).pdf>  
> <A - Exhibit 2 - Compensation - Appendix A Schedule of Price Breakdown (Redacted full).pdf>  
> <A - Exhibit 2 - Compensation - Appendix B Monthly Payment Forecast (Redact full).pdf>  
> <A - Exhibit 2 - Compensation - Appendix D Equipment Rate Schedule (Redact full).pdf>  
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> <A - Exhibit 2 - Compensation - Appendix F Contractor's Work Force not Covered by the Collective Agreement (redactions).pdf>

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Tracey Pennell/NLHydro

To: Lance Clarke/NLHydro@nlhydro

Cc: Brian Crawley/NLHydro@nlhydro, Gilbert Bennett/NLHydro@nlhydro, Karen O'Neill/NLHydro@nlhydro, Paul Harrington/NLHydro@nlhydro

Date: 03/25/2015 10:03 AM

Subject: Re: Astaldi Atippa (first of a couple of emails as the documents are too large to send together) part 1



Lance, I'm in a meeting till 1 ish. I'll give you call when I'm free.

Sent from my BlackBerry 10 smartphone on the Bell network.

**From:** Lance Clarke

**Sent:** Wednesday, March 25, 2015 9:54 AM

**To:** Tracey Pennell

**Cc:** Brian Crawley; Gilbert Bennett; Karen O'Neill; Paul Harrington

**Subject:** Re: Astaldi Atippa (first of a couple of emails as the documents are too large to send together) par

Tracey

I left you a message regarding the reference in your letter to section 2.8 of Exhibit 2. What I provided you as an explanation was for internal purposes only. We need to either explain this under the umbrella of the paragraph preceding it or make it much more general as the explanation discloses the sensitive information we redacted. Please call to discuss.

rgds

Sent from my iPad

> On Mar 22, 2015, at 1:19 PM, "Tracey Pennell" <TraceyPennell@nalconenergy.com> wrote:

>

> All,

>

> Please see the attached Audit Redacted documents to ensure the note provided by Lance and the redactions "match up". I have only included documents with redactions, not the ones that we are releasing in full. Lance, could you please advise if Schedule 2 of Appendix J should be redacted or not? Please let me know by Tuesday if you have any comments or concerns as my week is jammed and I'll need it by Tuesday to re-run the redaction program in order to meet the Friday deadline.

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> The letter to the Applicant will include the following explanation:

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> "I am pleased to inform you that your request for access to this information has been granted in part. The following records have been released in full:

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> Exhibit 2 – Compensation – Appendix C Small Tools, Consumables and PPE

> Exhibit 2 – Compensation – Appendix G Contractor Share of Labour Cost Difference

> Exhibit 2 - Compensation - Attachment 1 Measurement and Payment

> Exhibit 2 – Compensation – Appendix H Sworn Declaration (Released in full)

> Exhibit 8 - Subcontractors, Manufacturers and Material Sources

>

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- > Exhibit 2 – Compensation – Appendix I Target Cost of Labour Breakdown (Released in part)
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> Section 2.8 of Exhibit 2 specifically provides the option for Nalcor to complete the Dams with Astaldi. Nalcor has issued Requests for Tenders for this scope and Astaldi is a bidder. If this information is released before the contract completed, Nalcor will lose leverage against Astaldi as other bidders may feel that the award to Astaldi is guaranteed and will either walk away or disengage from the process, making it very difficult for Nalcor to achieve the best value for this scope of work.

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>

> As required by subsection 7(2) of the Act, we have severed information that is excepted from disclosure and have provided you with as much information as possible. In accordance with your request for a copy of the records, the appropriate copies have been enclosed."

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> Thanks,

>

> Tracey

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> Tracey L. Pennell  
> Legal Counsel  
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> t. 709 778-6671 f. 709 737-1782  
> e. TraceyPennell@nalcorenergy.com  
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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?  
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> From: Lance Clarke/NLHydro  
> To: Tracey Pennell/NLHydro@NLHYDRO  
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From: Tracey Pennell/NLHydro  
To: Karen O'Neill/NLHydro@nlhydro, Lance Clarke/NLHydro@nlhydro  
Cc: Brian Crawley/NLHydro@nlhydro, Gilbert Bennett/NLHydro@nlhydro, Paul Harrington/NLHydro@nlhydro  
Date: 03/24/2015 05:23 PM  
Subject: Re: Astaldi Atippa

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Thanks Karen. I do apologize if you guys received multiple emails on sunday. The system kept telling me the emails were too large and weren't going through. Turns out IS was updating servers and that was affecting emails. It was also affecting my sanity. I'll make those changes. I am also waiting for Lance (or someone else) to weigh in on schedule 2 of Appendix J.

Thanks,

TP

Sent from my BlackBerry 10 smartphone on the Bell network.

**From:** Karen O'Neill  
**Sent:** Tuesday, March 24, 2015 5:10 PM  
**To:** Tracey Pennell; Lance Clarke  
**Cc:** Brian Crawley; Gilbert Bennett; Paul Harrington  
**Subject:** Re: Astaldi Atippa

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Tracey, I got multiple emails with pretty much the same documents. I think I got through them all.

Here's a few comments:

1. Contract Articles - pg 80 section 30.1 (b) - wondering if the there is a % that should be redacted (LANCE?)

Same file - pg 90 - no need to redact Ed's signature as it is public and in the annual reports; same for Gilbert.

2. Ex 2 - Compensation pg 5 - there isn't any redaction over Scott's information.

That's it for me.

I checked on the information we've released on the contract advance and in 2013 we said we advanced \$15M; I think it's another \$37M in 2014. So keeping the entire amount redacted is good.

Thanks  
Karen

	<p><b>Karen O'Neill</b>  <b>Communications Manager</b>  <b>Lower Churchill Management Corporation</b>  <b>Nalcor Energy - Lower Churchill Project</b>  <b>t. 709.737.1427 c. 709.690.2012</b>  <b>e. <a href="mailto:koneill@nalcorenergy.com">koneill@nalcorenergy.com</a></b>  <b>1.888.576.5454</b></p>
--	--

**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?**

Tracey Pennell---03/22/2015 01:00:42 PM---All, Please see the attached Audit Redacted documents to ensure the note provided by Lance and the

From: Tracey Pennell/NLHydro  
 To: Lance Clarke/NLHydro@NLHydro  
 Cc: Brian Crawley/NLHydro@NLHYDRO, Gilbert Bennett/NLHydro@NLHYDRO, Karen O'Neill/NLHydro@NLHYDRO, Paul Harrington/NLHydro@NLHYDRO  
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[attachment "A - Exhibit 9 Interface and Milestone Schedule (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Contract Articles (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 1 - Scope of work (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix A Schedule of Price Breakdown (Redacted full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix B Monthly Payment Forecast (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix D Equipment Rate Schedule (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix E Escalation Data (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix F Contractor's Work Force not Covered by the Collective Agreement (redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix I Target Cost of Labour Breakdown (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix J Fully Executed LNTP with Amendment No. 1 (redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation (redactions).pdf" deleted by Karen O'Neill/NLHydro]



Tracey L. Pennell  
Legal Counsel  
ATIPP Coordinator  
Nalcor Energy  
t. 709 778-6671 f. 709 737-1782  
e. [TraceyPennell@nalcorenergy.com](mailto:TraceyPennell@nalcorenergy.com)  
w. [nalcorenergy.com](http://nalcorenergy.com)

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?

Lance Clarke---03/20/2015 02:51:45 PM---Tracey As discussed please see my comments in the attached. The contract sections will be forwarded

From: Lance Clarke/NLHydro

To: Tracey Pennell/NLHydro@NLHYDRO

Cc: Paul Harrington/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro, Brian Crawley/NLHydro@NLHydro

Date: 03/20/2015 02:51 PM

Subject: Astaldi Atippa

---

Tracey

As discussed please see my comments in the attached. The contract sections will be forwarded to you. Folks, please provide any additional thoughts. I am interested in any concerns around Exhibit 9 - Milestones.

[attachment "Atippa request- Astaldi.docx" deleted by Tracey Pennell/NLHydro]

**Lance Clarke**

Deputy Project Director

**PROJECT DELIVERY TEAM**

Lower Churchill Project

t. 709 737-1245 c. 709 699-5318 f. 709 737-1985

e. [LanceClarke@lowerchurchillproject.ca](mailto:LanceClarke@lowerchurchillproject.ca)

w. [muskratfalls.nalcorenergy.com](http://muskratfalls.nalcorenergy.com)

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Lance Clarke/NLHydro  
To: Karen O'Neill/NLHydro@nlhydro  
Cc: Tracey Pennell/NLHydro@nlhydro, Brian Crawley/NLHydro@nlhydro, Gilbert Bennett/NLHydro@nlhydro, Paul Harrington/NLHydro@nlhydro  
Date: 03/25/2015 09:47 AM  
Subject: Re: Astaldi Atippa

---

regarding section 30.1 (b), we felt that would not harm us in any way to release it but if consistency is important we can redact it.

Sent from my iPad

On Mar 24, 2015, at 5:10 PM, "Karen O'Neill" <[KONeill@nlh.nl.ca](mailto:KONeill@nlh.nl.ca)> wrote:

Tracey, I got multiple emails with pretty much the same documents. I think I got through them all.

Here's a few comments:

1. Contract Articles - pg 80 section 30.1 (b) - wondering if there is a % that should be redacted (LANCE?)  
Same file - pg 90 - no need to redact Ed's signature as it is public and in the annual reports; same for Gilbert.
2. Ex 2 - Compensation pg 5 - there isn't any redaction over Scott's information.

That's it for me.

I checked on the information we've released on the contract advance and in 2013 we said we advanced \$15M; I think it's another \$37M in 2014. So keeping the entire amount redacted is good.

Thanks  
Karen

<0.56C.jpg>	<p><b>Karen O'Neill</b>  <b>Communications Manager</b>  <b>Lower Churchill Management Corporation</b>  <b>Nalcor Energy - Lower Churchill Project</b>  t. 709.737.1427 c. 709.690.2012  e. <a href="mailto:koneill@nalcorenergy.com">koneill@nalcorenergy.com</a>  1.888.576.5454</p>
-------------	---

**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?**

Tracey Pennell---03/22/2015 01:00:42 PM---All, Please see the attached Audit Redacted documents to ensure the note provided by Lance and the

From: Tracey Pennell/NLHydro  
To: Lance Clarke/NLHydro@NLHydro  
Cc: Brian Crawley/NLHydro@NLHYDRO, Gilbert Bennett/NLHydro@NLHYDRO, Karen O'Neill/NLHydro@NLHYDRO, Paul Harrington/NLHydro@NLHYDRO  
Date: 03/22/2015 01:00 PM  
Subject: Re: Astaldi Atippa

---

All,

Please see the attached Audit Redacted documents to ensure the note provided by Lance and the redactions "match up". I have only included documents with redactions, not the ones that we are releasing in full. Lance, could you please advise if Schedule 2 of Appendix J should be redacted or not? Please let me know **by Tuesday** if you have any comments or concerns as my week is jammed and I'll need it by Tuesday to re-run the redaction program in order to meet the Friday deadline.

The letter to the Applicant will include the following explanation:

"I am pleased to inform you that your request for access to this information has been granted in part. The following records have been released in full:

Exhibit 2 – Compensation – Appendix C Small Tools, Consumables and PPE

Exhibit 2 – Compensation – Appendix G Contractor Share of Labour Cost Difference

Exhibit 2 - Compensation - Attachment 1 Measurement and Payment

Exhibit 2 – Compensation – Appendix H Sworn Declaration (Released in full)

Exhibit 8 - Subcontractors, Manufacturers and Material Sources



The following records have been redacted in part or in full, as noted below:

Contract – Articles (Released in part)

Exhibit 1 – Scope of Work (Released in part)

Exhibit 2 – Compensation (Released in part)

Exhibit 2 – Compensation – Appendix A – Schedule of Price Breakdown (Redacted in full, 15 pages)

Exhibit 2 – Compensation – Appendix B Monthly Payment Forecast (Redacted in full, 1 page)

Exhibit 2 – Compensation – Appendix D Equipment Rate Schedule (Redacted in full, 4 pages)

Exhibit 2 – Compensation – Appendix E Escalation Data (Redacted in full, 5 pages)

Exhibit 2 – Compensation – Appendix F Contractor's Work Force not Covered by the Collective Agreement (Released in part)

Exhibit 2 – Compensation – Appendix I Target Cost of Labour Breakdown (Released in part)

Exhibit 2 – Compensation – Appendix J LNTP with Amendment No. 1 (Released in part)

The information in the above noted records has been redacted in accordance with subsections 24(1)(b) and 24(1)(g) of the *ATIPPA* and in accordance with subsection 5.4(1)(a) of the *Energy Corporation Act* as the disclosure of the information would be harmful to the financial and economic interests of Nalcor and is considered commercially sensitive information, as defined in the *Energy Corporation Act*, that if released, would harm the competitive position of Nalcor, interfere with the negotiating position of Nalcor Energy and result in financial harm to Nalcor. It is also information that would customarily not be provided to competitors of Nalcor.

The majority of the redactions are detailed pricing or percentages that if released would be used against Nalcor by other contractors that we are currently in negotiations with. This would occur in two ways: 1) There are a couple of contracts for the Lower Churchill Project which are not yet completed that will include price breakdowns which are similar to that which is included in the Astaldi contract. As Nalcor is trying to negotiate the best values possible for the project, releasing these prices prior to finalizing the other contracts would make it very difficult to negotiate prices or terms that improve upon those listed in the Astaldi contract; and 2) as the project progresses and small changes occur, Nalcor must be able to maintain our ability to negotiate any adjustments to the agreements.

Section 2.8 of Exhibit 2 specifically provides the option for Nalcor to complete the Dams with Astaldi. Nalcor has issued Requests for Tenders for this scope and Astaldi is a bidder. If this information is released before the contract completed, Nalcor will lose leverage against Astaldi as other bidders may feel that the award to Astaldi is guaranteed and will either walk away or disengage from the process, making it very difficult for Nalcor to achieve the best value for this scope of work.

Please note, personal information has been removed from the following record in accordance with subsection 30(1) of the *ATIPPA*.

Exhibit 9 - Interface and Milestone Schedule (Released in part)

As required by subsection 7(2) of the Act, we have severed information that is excepted from disclosure and have provided you with as much information as possible. In accordance with your request for a copy of the records, the appropriate copies have been enclosed."

Thanks,

Tracey

[attachment "A - Exhibit 9 Interface and Milestone Schedule (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Contract Articles (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 1 - Scope of work (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix A Schedule of Price Breakdown (Redacted full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix B Monthly Payment Forecast (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix D Equipment Rate Schedule (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix E Escalation Data (Redact full).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix F Contractor's Work Force not Covered by the Collective Agreement (redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix I Target Cost of Labour Breakdown (Redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation - Appendix J Fully Executed LNTP with Amendment No. 1 (redactions).pdf" deleted by Karen O'Neill/NLHydro] [attachment "A - Exhibit 2 - Compensation (redactions).pdf" deleted by Karen O'Neill/NLHydro]

	<p><b>Tracey L. Pennell</b>                  Legal Counsel                  ATIPP Coordinator                  Nalcor Energy                  t. 709 778-6671 f. 709 737-1782                  e. <a href="mailto:TraceyPennell@nalcorenergy.com">TraceyPennell@nalcorenergy.com</a>                  w. <a href="http://nalcorenergy.com">nalcorenergy.com</a></p>
--	---

**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?**

Lance Clarke---03/20/2015 02:51:45 PM---Tracey As discussed please see my comments in the attached. The contract sections will be forwarded

From: Lance Clarke/NLHydro  
 To: Tracey Pennell/NLHydro@NLHYDRO  
 Cc: Paul Harrington/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro, Brian Crawley/NLHydro@NLHydro  
 Date: 03/20/2015 02:51 PM  
 Subject: Astaldi Atippa

Tracey

As discussed please see my comments in the attached. The contract sections will be forwarded to you. Folks, please provide any additional thoughts. I am interested in any concerns around Exhibit 9 - Milestones.

[attachment "Atippa request- Astaldi.docx" deleted by Tracey Pennell/NLHydro]

**Lance Clarke**

**Deputy Project Director**

**PROJECT DELIVERY TEAM**

**Lower Churchill Project**

t. 709 737-1245 c. 709 699-5318 f. 709 737-1985

e. [LanceClarke@lowerchurchillproject.ca](mailto:LanceClarke@lowerchurchillproject.ca)

w. [muskratfalls.nalcorenergy.com](http://muskratfalls.nalcorenergy.com)

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Karen O'Neill/NLHydro

To: Tracey Pennell/NLHydro@nlhydro, Lance Clarke/NLHydro@nlhydro, Gilbert Bennett/NLHydro@nlhydro

Date: 03/24/2015 09:29 PM

Subject: Fwd: Advances to Astaldi

---

Folks, in one of the appendix that we were releasing in response to the ATIPP request, there is a redaction on the \$102M advance to Astaldi.

See the note below on what has been referenced in the last two annual reports. In the 2013 AGM, Ed was specifically asked who the \$15M was for and he stated it was for Astaldi.

Wondering if we should remove the redaction in the appendix?

Karen

Karen O'Neill

Communications Manager

Lower Churchill Project

p. 709-737-1427

c. 709-690-2012

Begin forwarded message:

**From:** "Jeannine Fitzgerald" <[JeannineFitzgerald@nalconenergy.com](mailto:JeannineFitzgerald@nalconenergy.com)>  
**Date:** March 24, 2015 at 8:46:49 PM NDT  
**To:** "Karen O'Neill" <[KONeill@nlh.nl.ca](mailto:KONeill@nlh.nl.ca)>  
**Subject:** Advances

Hi Karen, I took a second look through the MD&A and financials and there is no reference specifically to Astaldi advances. There are references to advances in general in the following areas:

- 1) page 80- current portion of advances ...74.5
- 2) page 85 - long term receivable of 36.9
- 3) page 27 under trade and receivables references current portion or advances
- 4) other long term assets -again referencing long term portion

Hope this helps! If you need more info just let me know.

Thanks!  
Jeannine

Sent from my iPhone

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Tracey Pennell/NLHydro

To: Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro, Paul Harrington/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Brian Crawley/NLHydro@NLHydro

Cc: Dawn Dalley/NLHydro@NLHydro, Mark King/NLHydro@NLHYDRO

Date: 03/27/2015 11:15 AM

Subject: ATIPPA - Astaldi contract (parts)

---

Hi folks,

Just a reminder that the ATIPP request regarding the portions of Astaldi's contract relating to the "Scope of work, Schedule, Penalties/bonuses, Value and Anything related to the dome" is due to go out today. We have

redacted portions of the contract that relate to detailed pricing or percentages and detailed scheduled dates. I am waiting confirmation on one item from Karen and otherwise we are good to go. The portions of the contract are listed below:

Contract – Articles (Released in part)

Exhibit 1 – Scope of Work (Released in part)

Exhibit 2 – Compensation (Released in part)

Exhibit 2 - Compensation - Attachment 1 Measurement and Payment (Released in full)

Exhibit 2 – Compensation – Appendix A – Schedule of Price Breakdown (Redacted in full, 15 pages)

Exhibit 2 – Compensation – Appendix B Monthly Payment Forecast (Redacted in full, 2 page)

Exhibit 2 – Compensation – Appendix C Small Tools, Consumables and PPE (Released in full)

Exhibit 2 – Compensation – Appendix D Equipment Rate Schedule (Redacted in full, 5 pages)

Exhibit 2 – Compensation – Appendix E Escalation Data (Redacted in full, 6 pages)

Exhibit 2 – Compensation – Appendix F Contractor's Work Force not Covered by the Collective Agreement (Released in part)

Exhibit 2 – Compensation – Appendix G Contractor Share of Labour Cost Difference (Released in full)

Exhibit 2 – Compensation – Appendix H Sworn Declaration (Released in full)

Exhibit 2 – Compensation – Appendix I Target Cost of Labour Breakdown (Redacted in full, 64 pages)


Exhibit 2 – Compensation – Appendix J LNTP with Amendment No. 1 (Released in part)

Exhibit 8 - Subcontractors, Manufacturers and Material Sources (Released in full)

Exhibit 9 - Interface and Milestone Schedule (Released in part)

If you have any questions, please let me know,

Tracey

	<p>Tracey L. Pennell                  Legal Counsel                  ATIPP Coordinator                  Nalcor Energy                  t. 709 778-6671 f. 709 737-1782                  e. <a href="mailto:TraceyPennell@nalcorenergy.com">TraceyPennell@nalcorenergy.com</a>                  w. <a href="http://www.nalcorenergy.com">www.nalcorenergy.com</a></p>
--	--

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Tracey Pennell/NLHydro  
To: Lance Clarke/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Karen O'Neill/NLHydro@NLHydro  
Date: 03/27/2015 02:10 PM  
Subject: Astaldi contract - answer needed ASAP as the courier deadline is 2:30

Hi folks,

I've been trying to get a hold of Karen to clarify a comment but have been unsuccessful. Here' the issue. Karen made a note that Scott's info wasn't redacted from page 5 of Exhibit 2, but when I go to that exhibit, there is nothing about Scott on that page. There is, however, on page 5 of Appendix J to Exhibit 2. I've attached the audit copies of both documents. I need someone to confirm that what is redacted on page 5 of both of those documents is correct. I've been told the courier deadline is 2:30, so I need a response quickly please!


Thanks!

TP



A - Exhibit 2 - Compensation - Appendix J Fully Executed LNTP with Amendment No. 1 (redactions).pdf  
A - Exhibit 2 - Compensation (redactions).pdf



	<p>Tracey L. Pennell  Legal Counsel  ATIPP Coordinator  Nalcor Energy  t. 709 778-6671 f. 709 737-1782  e. <a href="mailto:TraceyPennell@nalcorenergy.com">TraceyPennell@nalcorenergy.com</a>  w. <a href="http://nalcorenergy.com">nalcorenergy.com</a></p>
---	--

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 Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Lance Clarke/NLHydro

To: Tracey Pennell/NLHydro@nlhydro

Cc: Gilbert Bennett/NLHydro@nlhydro, Karen O'Neill/NLHydro@nlhydro

Date: 03/27/2015 02:40 PM

Subject: Re: Astaldi contract - answer needed ASAP as the courier deadline is 2:30

I believe Scott's name, like Guido Venturini's needs to be removed but it is the only reference I am aware of in both documents.

Sent from my iPad

On Mar 27, 2015, at 2:10 PM, "Tracey Pennell" <[TraceyPennell@nalcoreenergy.com](mailto:TraceyPennell@nalcoreenergy.com)> wrote:

Hi folks,

I've been trying to get a hold of Karen to clarify a comment but have been unsuccessful. Here' the issue. Karen made a note that Scott's info wasn't redacted from page 5 of Exhibit 2, but when I go to that exhibit, there is nothing about Scott on that page. There is, however, on page 5 of Appendix J to Exhibit 2. I've attached the audit copies of both documents. I need someone to confirm that what is redacted on page 5 of both of those documents is correct. I've been told the courier deadline is 2:30, so I need a response quickly please!

Thanks!

TP

*(See attached file: A - Exhibit 2 - Compensation - Appendix J Fully Executed LNTP with Amendment No. 1 (redactions).pdf)(See attached file: A - Exhibit 2 - Compensation (redactions).pdf)*

<0.108C.jpg>	<p><b>Tracey L. Pennell</b>  <b>Legal Counsel</b>  <b>ATIPP Coordinator</b>  <b>Nalcor Energy</b>  t. 709 778-6671 f. 709 737-1782  e. <a href="mailto:TraceyPennell@nalcoreenergy.com">TraceyPennell@nalcoreenergy.com</a>  w. <a href="http://nalcoreenergy.com">nalcoreenergy.com</a></p>
--------------	--

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 <A - Exhibit 2 - Compensation (redactions).pdf>

----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Gilbert Bennett/NLHydro  
 To: Paul Harrington/NLHydro@NLHydro  
 Date: 04/01/2015 08:09 PM  
 Subject: Re: IE

Paul,  
 This looks good to me. It's accurate, and I believe it's at an appropriate level.

G

	<p><b>Gilbert J. Bennett, P. Eng., FCAE</b>                  Vice President                  Lower Churchill Management Corporation                  a Nalcor Energy company                  t. 709 737 1836 f. 709 737 1782                  e. <a href="mailto:gbennett@lowerchurchillproject.ca">gbennett@lowerchurchillproject.ca</a>                  w. <a href="http://muskratfalls.nalcorenergy.com">muskratfalls.nalcorenergy.com</a></p>
--	---

Paul Harrington---04/01/2015 04:46:09 PM---The IE has asked for an update of the situation with Astaldi and what mitigating actions Astaldi ar

From: Paul Harrington/NLHydro  
 To: Gilbert Bennett/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Ron Power/NLHydro@NLHydro, Scott O'Brien/NLHydro@NLHYDRO, Ed Bush/NLHydro@NLHYDRO,



Cc: Karen O'Neill/NLHydro@NLHydro

Date: 04/01/2015 04:46 PM

Subject: IE

---

The IE has asked for an update of the situation with Astaldi and what mitigating actions Astaldi are taking and what the expectations are in the coming months

I put this together and need to get back to Nik tomorrow on this- pls review and amend/correct

[attachment "Astaldi Situation.docx" deleted by Gilbert Bennett/NLHydro]

**Paul Harrington**

Project Director

**PROJECT DELIVERY TEAM**

Lower Churchill Project

t. 709 737-1907 c. 709 682-1460 f. 709 737-1985

e. [PHarrington@lowerchurchillproject.ca](mailto:PHarrington@lowerchurchillproject.ca)

w. [muskratfalls.nalcoreenergy.com](http://muskratfalls.nalcoreenergy.com)

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----- Forwarded by Gilbert Bennett/NLHydro on 08/06/2016 10:38 PM -----

From: Gilbert Bennett/NLHydro

To: Karen O'Neill/NLHydro@NLHydro

Date: 03/24/2015 09:18 AM

Subject: AGM MF Questions\_David Vardy\_March 19 2015\_final

---

Hi Karen,

I'd be inclined to keep these answers short and to the point; here are my thoughts...

G



**Gilbert J. Bennett, P. Eng., FCAE**  
**Vice President**  
**Lower Churchill Management Corporation**  
a Nalcor Energy company  
t. 709 737 1836 f. 709 737 1782  
e. [gbennett@lowerchurchillproject.ca](mailto:gbennett@lowerchurchillproject.ca)  
w. [muskratfalls.nalcorenergy.com](http://muskratfalls.nalcorenergy.com)



**Questions from David Vardy for Nalcor's AGM****Submitted: March 19, 2015**

**Preamble:** The Minister of Natural Resources is reported in Hansard yesterday to have said the following:

MR. DALLEY: Mr. Speaker, the work that has been done previously has been highlighted as a part of trying to maintain control of costs and so on of these projects. We can cite many projects that are 50 per cent, 60 per cent, 70 per cent, or 80 per cent over budget. We are not seeing that with Muskrat Falls. Well over half of the engineering was done before the project started.

As I alluded to in big projects on the ground, trying to get things sorted out, making sure the right management and the right people are there, Mr. Speaker, that is always an ongoing process; but, with respect to the contracts, there are varying types of contracts with Muskrat Falls.

I will say in this House that it is my understanding that the Astaldi contract is a fixed price and they are responsible for the cost of this, Mr. Speaker. Just to be sure, I will check and if there is any difference, I will gladly let the member opposite know.

**Questions:**

**Q1. My understanding is that unit costs and wage rates are fixed but that the time on task and volume of material used are not subject to a fixed price contract? Is the contract with Astaldi a fixed price contract?**

A1. Yes. Material quantities in the contract are confirmed, so the relationship between unit cost and total pricing is fixed.

~~The contract with Astaldi Canada for the construction of the powerhouse, spillway and intake for the Muskrat Falls Project is a fixed price contract. This provides for risk protection.~~

Formatted: Indent: First line: 0"

**Q2. My understanding is that Astaldi's bid was significantly below the next highest bid. Is this true?**

A2. Please refer to the answer to question #1 asked in March 2014. Please refer to the response to a similar question that is publically available on page two of in the following

document on the Muskrat Falls Project website:

<http://muskratfalls.nalcorenergy.com/wp-content/uploads/2014/05/Contracts-and-Procurement1.pdf>

**Q3. Is it anticipated that Nalcor will deliver first power to Emera on schedule?**

A3. Yes. Please refer to the Oversight Committee's December 2014 Report, page 8:

[http://www.gov.nl.ca/MFOversight/pdf/report\\_dec\\_2014.pdf](http://www.gov.nl.ca/MFOversight/pdf/report_dec_2014.pdf)

~~The Provincial Government's Oversight Committee reports quarterly on the Muskrat Falls Project and continues to state that the project remains on schedule for first power in late 2017.~~

**Q4. In an earlier interview Nalcor President indicated that there is a trade-off between a delay in the project and its overall cost. Is it anticipated that the "slippage" noted in recent reports will reduce cost?**

A4. These concepts are unrelated.

The point made by Nalcor President and CEO Ed Martin was in reference to the tradeoff between paying a premium to achieve a shorter construction schedule at the expense of outturn capital cost. This is both different and unrelated to managing contractor schedule performance on an already awarded contract.

~~Nalcor would like to provide context and clarification to the comment you noted above in question 4. This statement made by Ed Martin in 2014 was in reference to a question about taking the appropriate amount of time and due diligence on awarding contracts and completing the procurement process to ensure Nalcor obtained the best value from contractors for the people of the province. By taking this time and not rushing the process, Nalcor could negotiate the best possible contract price for certain pieces of work on the project. This comment was not made in reference to schedule slippages.~~

As noted on page 8 of the 4<sup>th</sup> Quarter 2014 Oversight Committee report, "Nalcor has advised that although the timelines may change for the individual work within the project, the slippage on schedule progress to date does not impact the key Project milestones or the critical path for first power in December."

**Q5. Are there penalties for Astaldi if they fail to maintain project schedule?**

A5. This item is addressed in question 2 on page 31 of the Provincial Government's Q3 2014 Oversight Committee report. The report can be viewed at:

[http://www.gov.nl.ca/MFOversight/pdf/report\\_sept\\_2014.pdf](http://www.gov.nl.ca/MFOversight/pdf/report_sept_2014.pdf)

Exhibit 2 – Appendix J  
Fully Executed LNTP with Amendment No. 1  
Agreement No.: CH0007-001

**APPENDIX J**

**Fully Executed LNTP with Amendment No. 1**

Exhibit 2 – Appendix J  
Fully Executed LNTP with Amendment No. 1  
Agreement No.: CH0007-001

**LIMITED NOTICE TO PROCEED**  
**LOWER CHURCHILL PROJECT: MUSKRAT FALLS**  
**CH0007: CIVIL WORKS**

This Limited Notice to Proceed Agreement is made as of the 24<sup>th</sup> day of September, 2013, by and between:

NALCOR ENERGY a body corporate constituted pursuant to the *Energy Corporation Act*, S.N. 2007, c. E-11.01 solely in its own right and not as agent of the Crown in right of the Province of Newfoundland and Labrador, and having its head office at the City of St. John's, Province of Newfoundland and Labrador (hereinafter referred to as "Company")

- and -

Astaldi Canada Inc.  
(the "Contractor")

WHEREAS the Company and the Contractor are in the process of finalizing an agreement for the construction of the intake and powerhouse, spillway and transition dams as described in contract package CH0007 in the form of the draft attached as part of Schedule 3 hereto (the "Agreement");

AND WHEREAS the Parties have agreed that the Initial Work for which the Contractor is to be paid in accordance with this LNTP and the Agreement, is comprised of the work (together with changes thereto as the Company may approve) as described in Schedule 1 hereto (the "Initial Work").

AND WHEREAS the Parties wish to enter into this agreement to record the basis upon which the Contractor is to proceed with, and be paid for, the Initial Work.

WITNESSETH that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto covenant and agree each with the other as follows:

1. The recitals together with the terms and conditions and schedules referenced herein constitute the limited notice to proceed agreement ("LNTP"). All capitalized terms not defined herein shall have the same meanings as defined in the Agreement form attached as part of Schedule 3.
2. **Agreement.**
  - (a) Subject to Section 6(i), the Company and the Contractor intend to execute the Agreement, substantially in the form attached as part of Schedule 3 hereto, subject to only the resolution by the Parties of any issues identified by the Lenders and the Lenders' Independent Engineer, and known items to be addressed as identified in Schedule 3.

Subject to the conditions set forth in the Minutes of Meeting held on 14 September 2013 relevant to the applicability of the discount, the Contract Price, in Canadian dollars, on finalization of the Agreement shall be made up as follows

Target Cost of Labour:	\$	507,598,341.00
Labour Profit:	\$	35,531,884.00
Non Labour Component:	\$	452,104,434.08

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ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

Travel Allowances (Est):	\$ 29,057,891.00
Total	\$ 1,024,292,550.08

However, if an AFC Drawing (refer to known items to be addressed as identified in Schedule 3, Item 5) contains a Change which impacts the Contract Price and/or impacts a Milestone Date or an Interface Date, a reasonable price adjustment to the Contract Price and/or adjustment to the Exhibit 9 – Interface and Milestone Schedule will be negotiated.

The Parties shall enter into good faith negotiations to resolve any such issues by making revisions to the Agreement, if necessary as a result of such resolution, subject to discretionary board approval of both Parties. The Company undertakes that it is negotiating exclusively with the Contractor for the Work during the term of this LNTP and the Parties expect to conclude these negotiations within a month of the date of this LNTP.

“Lender” means those entities that provide financing for the LCP.

“Lenders’ Independent Engineer” means the Person retained by the Lenders to provide advice on technical matters relating to the LCP.

“Initial Advance Payment” has the meaning ascribed thereto in Schedule 2 of this LNTP.

- (b) Provided the Parties have negotiated mutually acceptable wording for those known items to be addressed identified in Schedule 3 which are not yet agreed as of the date of this LNTP and received their respective board approvals then the Parties shall execute the Agreement substantially in the form set out in Schedule 3 with only those changes necessary to incorporate the mutually acceptable wording.
  - (c) The Company is providing the Contractor with this binding LNTP so that Contractor can start its work on the Initial Work to preserve and maintain the Contract Price and schedule for the Agreement.
3. **Initial Work.** Company hereby directs Contractor to commence the Initial Work as follows:
- (a) The Initial Work is described in Schedule 1 and shall be performed by the Contractor in accordance with Schedule 1.
  - (b) The Initial Work shall be carried out in accordance with and subject to the applicable terms and conditions of the Agreement form attached as Schedule 3, including the Articles of Agreement. For greater certainty, the terms of this LNTP shall take precedence over the terms in the Agreement attached as part of Schedule 3 in the event of any inconsistency.
  - (c) Initial Work which has been completed by Contractor and Approved by Company shall be included in and form a part of the Work. Such completed and Approved Initial Work shall satisfy the obligation to perform that part of the Work to which the Initial Work relates upon execution of the Agreement.
  - (d) If the Agreement is executed, the remuneration paid to the Contractor pursuant to this LNTP with respect to the Work shall be included in and form a part of the Contract Price pursuant to the Agreement for such Work and will not be an extra above and beyond the Contract Price. Such remuneration shall be credited against the Contract Price (against the initial milestone payments) following the execution of the Agreement. For greater certainty the sum of the Contractor’s compensation for performing the Initial Work under this LNTP and for performing the Work under the Agreement shall not exceed the Contract Price.
  - (e) For greater certainty, the Parties acknowledge and agree that this LNTP constitutes the basis upon which the Contractor shall perform the Initial Work and that Contractor is not authorized to proceed with the balance of the Work until execution of the Agreement or this LNTP is amended by the Parties to permit a further part of the Work to proceed.



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Agreement No.: CH0007-001

4. **Payment.**

- (a) Company shall pay the Contractor against progress for performance of the Initial Work those amounts set out in Schedule 2 (the sum of which shall be the "LNTP Price").
- (b) Company shall pay the LNTP Price by monthly progress payments for each price item in an amount not to exceed the amounts set out for each price item in Schedule 2 provided that:
  - (i) Contractor delivers to Company an invoice with such supporting documentation as Company may reasonably require; and
  - (ii) Contractor has completed and delivered to Company all the deliverables listed in Schedule 1 for the month invoiced.

5. **Termination**

- (a) Company may terminate this LNTP at its convenience upon written notice to Contractor to be effective not less than two (2) days from the date of the written notice.
- (b) Upon such termination in accordance with paragraph (a): (i) Contractor shall cease performance of the Initial Work subject to any direction by Company for completion of any part of the Initial Work; and (ii) Company shall compensate Contractor for all Initial Work performed up to the effective date of the termination of this LNTP and for any part of the Initial Work that Company directs the Contractor to complete, plus demobilization costs and liabilities associated therewith.
 

In no event will compensation payable to Contractor upon termination exceed the value of that part of the LNTP Price described in Schedule 2 corresponding to each part of the Initial Work completed as of the effective date of the termination, plus demobilization costs and liabilities associated therewith. For greater certainty, the compensation determined by this Section 5 shall be Contractor's sole and exclusive remedy for termination of this LNTP Agreement.
- (c) Subject to paragraphs (a) to (c) and (d) in this Section 5, if the Company and Contractor have not executed the Agreement by no later than 31 October 2013 or any other date agreed to between the Parties, this LNTP will be terminated as of such date and neither Party will be liable for any costs, damages or liabilities on account of such termination, except for the obligation of Contractor to complete the Initial Work and liabilities associated therewith and for the obligation of Company to pay the LNTP Price, demobilization costs, and liabilities associated therewith.
- (d) Upon termination of this LNTP Contractor shall reimburse Company the amount of the Initial Advance Payment as follows:
  - i. Company shall be entitled to set off any amount otherwise payable to Contractor pursuant to paragraphs (a), (b) and (c) in this Section 5 against the Initial Advance Payment, and
  - ii. Contractor shall reimburse Company the difference between the amount of the Initial Advance Payment and the amount payable pursuant to paragraphs (a), (b) and (c) in this Section 5 within 15 days of the effective date of the termination.

6. **General Terms**

- (a) This LNTP shall in all respects be governed by and construed and interpreted in accordance with the laws of Province of Newfoundland and Labrador, and the laws of Canada applicable therein and the Parties agree to attorn to the jurisdiction of the courts of the Province of

Newfoundland and Labrador.

(b) Notices

Any notice required or permitted to be given pursuant to this LNTP shall be in writing signed by the Party giving such notice and shall be hand delivered or sent by registered letter, telefax or email (subject to confirmation of receipt in the Aconex system) to the address or telefax number or email address set forth below.

(A) To Company:

Name: Scott O'Brien  
Position: Project Manager, Muskrat Falls Facilities and Infrastructure  
Address: 350 Torbay Road, Suite 2  
St. John's, NL A1A 4E1  
Telephone: 709-737-4245  
Facsimile: 709-737-1985  
E-mail: Scott.O'Brien@nalcenergy.com s.30(1)

(B) To Contractor:

Astaldi Canada Inc.  
Name: Guido Venturini  
Position: Project Director  
Address: 69 Elizabeth Ave  
St. John's, NL A1A 1W8  
Telephone: (514) 933-5525  
Facsimile: (514) 933-2550  
E-mail: g.venturini@astaldi.com s.30(1)

(i) Each Party to this LNTP shall have the right to change the place to which notice shall be sent or delivered by similar notice sent in like manner to the other Party.

(ii) A notice issued pursuant to this LNTP shall be deemed to have been delivered as follows. Any communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fifth (5th) Business Day following the deposit thereof in the mail and, if given by telecopier or email, on the day of transmittal thereof; provided that if any such notice or other communications so delivered or transmitted by telecopier or email after 3:00 p.m. EST on a Business Day (as hereinafter defined) or on a day other than a Business Day it shall be deemed received by the addressee on the next succeeding Business Day. In the event of the disruption of postal service, communication shall be given only by personal service or by transmittal by telecopier or email. For the purposes of this LNTP a Business Day means any day other than a Saturday, a Sunday, or a statutory or civic holiday in the Province of Newfoundland and Labrador.

(c) The Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to

Exhibit 2 – Appendix J  
Fully Executed LNTF with Amendment No. 1  
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effectively carry out or better evidence or perfect the full intent and meaning of this LNTF.

- (d) If any part of this LNTF or the application of such part to either Party or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this LNTF, or the application of such remainder part to any other Party or circumstances, shall not be affected thereby and each provision of this LNTF shall be valid and enforceable to the fullest extent permitted by law.
- (e) No amendment to this LNTF shall be valid or binding unless set forth in writing and duly executed by the Parties to this LNTF. No waiver of any breach of any provision of this LNTF shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.
- (f) This LNTF may be executed in counterparts and may be executed and delivered by facsimile and all the counterparts and facsimiles together constitute one and the same agreement.
- (g) This LNTF shall endure to the benefit of, and be binding upon, the Parties hereto and their respective successors and assigns, provided that neither Party shall be entitled to assign this LNTF in whole or in part, to any other Party without the prior written consent of the other Party hereto.
- (h) Contractor shall not assign this LNTF without the prior written consent of Company. Company may assign this LNTF in accordance with the provisions of Article 35.1 in the Agreement form attached as Schedule 3.
- (i) Notwithstanding any other provisions, the aggregate liability of Contractor (including its affiliates) or Company (including its affiliates) for any claims of any kind, losses, damages or expenses arising out of or in connection with the Initial Work or this LNTF or from the performance or breach thereof shall not exceed the LNTF Price.
- (j) Notwithstanding any other provision, neither the Company nor Contractor will be liable to the other Party for: (i) loss of profit, loss of revenue or business opportunity, loss of production, costs of money, claims of customers, costs of replacement power, in each case whether foreseeable or not; or (ii) any incidental, indirect, special or consequential damages of any nature.

IN WITNESS WHEREOF the Parties hereto have executed this LNTF as of the date first written above.

<u>Nalcor Energy</u>		<u>Astaldi Canada Inc.</u>	
By:		By:	s.30(1)
Name: <u>GILBERT BENNETT, Pres.</u>	Name: <u>GUIDO VENTORINI</u>		
Title: <u>VICE PRESIDENT - LCP</u>	Title: <u>PROJECT DIRECTOR</u>		
By:		By:	
Name: <u>E. J. Martin</u>			
Title: <u>President &amp; CEO</u>			

LNTF – 24 September 2013

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**SCHEDULE 1**

**DESCRIPTION OF INITIAL WORK**

The objective of this LNTP is the performance of activities described below by the Contractor related to the Agreement. The list below sets out the deliverables to be provided by Contractor for delivery to Company under the LNTP.

The Contractor is required to commence the Initial Work as part of the Work under the Agreement. Since the performance of the Initial Work should allow the Contractor to comply with the Interface and Milestone Schedule, the Initial Work shall include not only preliminary works and mobilization activities, but also the activities in relation with design, procurement (plant, equipment, material and subcontract) and any other activities necessary in the expectation of executing the Agreement.

Based on the above, the estimated Initial Work shall include the following activities:

1) - Design and Permits

Detailed design of the Integrated cover system (App.A2.1 item 5)  
 Detailed design of the Site Installations (App.A2.1 item 2)  
 Detailed design of the electrical, drainage and industrial water system (App.A2.1 item 2)  
 Detailed design of the dewatering system (App.A2.1 item 26)  
 Executive quality plan (for approval) (App.A2.1 item 12)  
 Executive HSE plan (for approval) (App.A2.1 item 10)  
 Permits (Task Force)  
 Construction Schedule

2) - Procurement

2.1 - Selection, approval contract agreement and mobilization of subcontractors for:

Fine and coarse aggregate supply for concrete (App.A2.1 item 2)  
 Concrete production (App.A2.1 item 2)  
 Power generation and Industrial Water production (App.A2.1 item 2)  
 Power House Integrated Cover System (App.A2.1 item 5)

2.2 - Materials for Site Installations (shelters, containers, other facilities) (App.A2.1 item 2)

2.3 - Equipment for Site Installation works (App.A2.1 item 2)

2.4 - Contract finalization of strategic suppliers (Task Force)

Formworks.  
 Cement  
 Steel reinforcement

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3) - Construction

Site inspection to define availability of the assigned areas to allow all temporary construction activities that can be realized outside the spillways and powerhouse (Task Force)

Access road construction (App.A2.1 item 4)

Preliminary activities for Gd 11 borrow pit stripping and excavation (App.A2.1 item 4)

Preparation and construction of laydown area (App.A2.1 item 4)

Site installation and facilities (App.A2.1 item 2)

Equipment mobilization (App.A2.1 item 1 and 3)

Workshop construction (App.A2.1 item 2)

Note: The references to items in "App.A2.1" are references to the Schedule of Price Breakdown in Appendix 2 of Exhibit 2 – Compensation in the Agreement.

**SCHEDULE 2**

**ESTIMATED MONTHLY PROGRESS PAYMENT OF ACTIVITIES DURING LNTP PERIOD**

Price Item	Description	Currency	Sept.2013	Oct.2013
1	Mobilization	CAD	\$370,058	\$768,582
2	Site Installation	CAD	536,211	2,267,515
3	Contractor Equipment for Indirects	CAD	60,126	124,878
4	Temporary Works	CAD	540,699	1,161,453
5	Winter Protection	CAD	246,406	511,767
6	Management and Staff	CAD	173,943	361,266
6A	Design and technical assistance	CAD	11,226	23,323
7	Attendant labour	CAD	55,963	116,262
8	Services	CAD	17,659	36,610
10	Health and Safety Requirements	CAD	41,093	85,347
11	Environmental Requirements	CAD	2,462	5,116
12	Quality Assur/Quality Control	CAD	49,746	103,320
26	Dewatering of Structure Areas	CAD		
	<b>TOTAL</b>	<b>CAD</b>	<b>\$2,105,592</b>	<b>\$5,565,439</b>

In order to initially cover the above listed activities and to start-up the following Subcontractors and suppliers an initial amount equal to CAD \$ 15,000,000 as part of the total advance payment payable pursuant to the Agreement, shall be paid to Contractor immediately upon signature of this LNTP Agreement (the "Initial Advance Payment"): covering system fabrication, aggregates and concrete plants, power generation and industrial water production, temporary facilities, formworks, cement and reinforcing steel. Contractor shall provide a letter of credit in the form in the Agreement from a bank listed in Schedule 1 of the Bank Act to secure Contractor's reimbursement obligations under this LNTP, which letter of credit shall be in the amount of the Initial Advance Payment and shall be valid and enforceable until the earlier of the execution of the Agreement or 60 days following the termination of this LNTP, following which such letter of credit shall immediately be released by Company to Contractor.

The above monthly progress payments shall be subject to a 10% holdback by Company pursuant to the Newfoundland and Labrador *Mechanics' Lien Act*. The holdback will be released to Contractor following execution of the final Agreement upon receipt by Company of a holdback release bond in the form in the Agreement covering the amount to be released or, if no Agreement is executed, the later of 45 days after termination of this LNTP or 45 days after the last work is performed under this LNTP.

Exhibit 2 – Appendix J  
Fully Executed LNTP with Amendment No. 1  
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If during the term of the LNTP, the Contractor is required to enter into any agreement with third parties and/or to perform any activity in order to comply with the Interface and Milestone Schedule, the Contractor shall obtain Company's Approval to enter into such agreements. Company shall reimburse Contractor for any amounts paid by Contractor to third parties under any such Approved agreements.

Exhibit 2 – Appendix J  
Fully Executed LNTF with Amendment No. 1  
Agreement No.: CH0007-001

**SCHEDULE 3 AGREEMENT FORM**

[Attached]

**Including:**

Articles	Agreement Document	Dated 8 <sup>th</sup> September Bidder-Astaid	Rev
Exhibit 1	Civil Works Agreement		
Exhibit 1	Scope of Work Specification	505573-3331-41EW-0001	09
Exhibit 1	Technical Document List	505573-CH0007-4DAL-I-0001	08
Exhibit 1	Technical Specification (With 13 Sections updated and remainder unchanged since Addendum No. 14)	505573-3331-41EF-0001	01
Exhibit 1	Drawings per Document List		
Exhibit 2	Compensation (Including Appendices A to G)	505573-0007-51AF-I-2135 Dated 27 August	074
Exhibit 2	Attachment 1 Measurement and Payment	505573 – CH0007	08
Exhibit 3	Coordination Procedures	505573-CH0007-51AF-I-2136	02
Exhibit 4	Supplier Document Requirements List	505573-3331-41EL-0002	01
Exhibit 5	Health and Safety Requirements	505573-0000-51AF-I-2138	01
Exhibit 6	Environmental and Regulatory Compliance Req.	505573-0000-51AF-I-2139	03
Exhibit 7	Quality Requirements	505573-CH0007-51AF-I-2140	00
Exhibit 8	Subcontractors, Manufacturers and Material Sources (Including Appendix A16.2, Rev 2)	505573-0000-51AF-I-2141	00
Exhibit 9	Interface and Milestone Schedule	505573-CH0007-51AF-I-2142	07
Exhibit 10	Declaration of Residency (Including Appendix A2.6)	505573-0000-51AF-I-2143	00
Exhibit 11	Company Supplied Documents	505573-CH0007-51AF-I-2144	03
Exhibit 12	Site Conditions	505573-CH0007-51AF-I-2145	06
Exhibit 13	Provincial Benefits (including Appendix A11)	505573-0000-51-AF-I-2146	00
Exhibit 14	Performance Security	505573-0007-51AF-I-2147	02
Exhibit 15	Supplementary Data		
Exhibit 16	Dispute Resolution Procedures		
	Minutes of Meeting held on 14 <sup>th</sup> September 2013		
	Pre-Award Record of Site Inspection, and Status of Site Conditions		

**KNOWN ITEMS TO BE ADDRESSED**

- 1) Incorporate any revisions made through the Bid Clarification Master, which have not already been incorporated.
- 2) Incorporate any clarifications or revisions confirmed in the Commercial Proposal Clarification Forms (Nos. 1 to 20); also agree any outstanding items in the Forms, if any;
- 3) Update the Supplier Document Requirement List;
- 4) Incorporate "good housekeeping" revisions;
- 5) Review and take account of the set of Approved For Construction Drawings that will be available in the next two weeks;
- 6) Survival clause of Agreement to be reviewed and updated.
- 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 14<sup>th</sup>, 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.
- 8) Submission of detailed sheets as referenced in the Minutes of Meeting of September 14<sup>th</sup>;
- 9) Finalization of all Appendices of Exhibit 2, in complete alignment with one another, Exhibit 2 and the Articles.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

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LNTF – 24 September 2013

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Exhibit 2 – Appendix J  
 Fully Executed LNTF with Amendment No. 1  
 Agreement No.: CH0007-001

Amendment No. 1  
LIMITED NOTICE TO PROCEED  
LOWER CHURCHILL PROJECT: MUSKRAT FALLS  
CH0007: CIVIL WORKS

This Amendment to the Limited Notice to Proceed Agreement is made as of the 31<sup>st</sup> day of October, 2013, by and between:

NALCOR ENERGY a body corporate constituted pursuant to the  
*Energy Corporation Act, S.N. 2007, c. E-11.01* solely in its own  
 right and not as agent of the Crown in right of the Province of  
 Newfoundland and Labrador, and having its head office at the City  
 of St. John's, Province of Newfoundland and Labrador  
 (hereinafter referred to as "Company")

- and -

Astaldi Canada Inc.  
 (hereinafter referred to as "Contractor")

**WHEREAS** the Company and the Contractor are in the process of finalizing an agreement for the construction of the intake and powerhouse, spillway and transition dams as described in contract package CH0007 (the "Agreement");

**AND WHEREAS** the Company and the Contractor entered into a Limited Notice to Proceed dated the 24<sup>th</sup> day of September, 2013, for a limited scope of work on certain terms pending finalizing the Agreement ("the LNTF");

**AND WHEREAS** the discussions to finalize the terms of the Agreement are ongoing and the Parties acknowledge that they will not be able to finalize, execute and deliver the Agreement by October 31, 2013 as contemplated in the LNTF and wish to extend the term of the LNTF to the 30<sup>th</sup> day of November, 2013;

**AND WHEREAS** the Parties have agreed to meet during the week of November 4, 2013, and such other times as the Parties may agree, to discuss additions to the scope of work to be performed by the Contractor under the LNTF and the compensation payable to the Contractor for such additional work to preserve the target price and contract schedule.

(15851482.1)

Exhibit 2 – Appendix J  
Fully Executed LNTP with Amendment No. 1  
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WITNESSETH that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto covenant and agree each with the other as follows:

1. The date in Section 5(c) of the LNTP is deleted and replaced with the following:  
"30 November 2013".
2. The Parties agree that all other understandings and provisions set out in the LNTP shall remain unchanged.

IN WITNESS WHEREOF the Parties hereto have executed this Amendment No. 1 to the LNTP as of the date first written above.

s.30(1)

Naicor Energy  
 By: Paul Harrington  
 Name: PAUL HARRINGTON  
 Title: PROJECT DIRECTOR

Astaldi Canada Inc.  
 By: Guido Venturini  
 Name: GUIDO VENTURINI  
 Title: PROJECT DIRECTOR

s.30(1)

By: \_\_\_\_\_  
 Name: \_\_\_\_\_

Exhibit 2 – Option 2 - FPTCL  
Compensation  
Agreement No: CH0007-001

**EXHIBIT 2**

**COMPENSATION**

**LABOUR COMPONENT WITH TARGET COST OF LABOUR AND LMAX**

**and**

**FIXED PRICE FOR NON LABOUR COMPONENT**

(As of 29 November 2013 )

**1 GENERAL**

- 1.1 Company shall compensate Contractor for the Work, in accordance with the provisions of this Agreement. The Contract Price, as calculated in Appendix A – Schedule of Price Breakdown, shall consist of:
- the total of the Reimbursable Cost of Labour, subject to a cost sharing adjustment based on a comparison of the total to the Final Adjusted Target Cost of Labour, and subject also to the constraint of a guaranteed maximum (LMAX) for the total of the Reimbursable Cost of Labour; and the Labour Profit; all in accordance with Section 2 of this Exhibit 2;
  - the actual travel costs of trades labour as stipulated in the Collective Agreement between the Muskrat Falls Employer's Association Inc. and the Resource Development Trades Council of Newfoundland and Labrador (i.e. the "Collective Agreement"); all in accordance with Section 3.1 of this Exhibit 2 (these costs are flow through expenses without mark-up; travel time is not a reimbursable cost as per the Collective Agreement);
  - the fixed lump sum amounts and unit prices as listed in the Non Labour Component of Appendix A - Schedule of Price Breakdown; all in accordance with Section 4 of this Exhibit 2; and
  - any adjustment in compensation pursuant to Article 14 – Changes in the Work, or Section 11 (Escalation for Materials) of this Exhibit 2.
- 1.2 The Contractor commits to use its best efforts to ensure that the total of the Reimbursable Cost of Labour does not exceed the Target Cost of Labour.
- 1.3 The fixed lump sum amounts, and fixed unit prices stated in this Exhibit 2 for the Non Labour Component (excluding Price Item 19A), together with the provisions for reimbursement of the Reimbursable Cost of Labour, Labour Profit and travel costs, shall be all-inclusive to meet all requirements outlined in this Agreement, or reasonably inferred from the nature of the Work.
- 1.4 Consistent with Article 1.4 of the Articles of Agreement, reference in this Exhibit 2 to an Article is a reference to a clause, subclause or subdivision in the Articles of Agreement and reference in this Exhibit 2 to a Section is a reference to a Section of an Exhibit as identified.
- 1.5 Invoices shall be issued by Contractor in accordance with Article 12 – Compensation and Terms of Payment, this Exhibit 2 – Compensation, and Exhibit 3 – Coordination Procedures.
- 1.6 The currency of payment of the Agreement is Canadian dollars (CAD).

**1A LIMITED NOTICE TO PROCEED WITH RESPECT TO THIS AGREEMENT**

- 1A.1 While this Agreement was being finalized, the Parties signed a Limited Notice To Proceed (LNTP) with Amendment No. 1 to permit "Initial Work" as defined in the LNTP to commence. That Limited Notice To Proceed with Amendment No. 1 is recorded in Appendix J to this Exhibit 2.
- 1A.2 The Parties agree that the remuneration paid to the Contractor pursuant to the LNTP with respect to the Initial Work is included in, and forms a part of, the Contract Price pursuant to this Agreement for the Work and will not be an extra above and beyond the Contract Price. Such remuneration shall be credited against the Contract Price following the signing of this Agreement. For greater certainty, the sum of the Contractor's compensation for performing the Initial Work under the LNTP and for performing the Work under this Agreement shall not exceed the Contract Price.
- 1A.3 The amounts paid under the LNTP to be deducted from the Contract Price of this Agreement are recorded in Section 9.2 of this Exhibit 2.

**2 LABOUR COMPONENT**

- 2.1 The provisions of this Section 2 define the total compensation for the Labour Component, including the Reimbursable Cost of Labour, Labour Profit, Cost Sharing in relation to the Target Cost of Labour and LMAX.
- 2.2 **Definitions**
- 2.2.1 "Labour Component" means the Reimbursable Cost of Labour and Labour Profit. For greater certainty, the Labour Component excludes all other costs, including, all overheads, mark-ups including mark-ups by Subcontractors on the cost of Wages and Benefits, travel costs and board associated with the Work, and any costs of head office personnel visiting the Site.
- 2.2.2 "Non Labour Component" means all costs, overhead and profit which are required to perform the Work, excluding the Labour Component and travel costs of trades labour.
- 2.2.3 "Target Cost of Labour" means the Contractor's estimate of the Reimbursable Cost of Labour for the performance of the Work as of the Effective Date, being the summation of the lump sums, and the products of the manpower costs per unit and quantities, for all price items of the Labour Component, as listed in Appendix A - Schedule of Price Breakdown. The lump sums and the unit prices include escalation of the Wages and Benefits.

The Target Cost of Labour includes a reduction as listed under Price Item 391A of Appendix A – Schedule of Price Breakdown. This reduction is subject to the conditions listed in Section 2.8 of this Exhibit 2; and shall only apply if the conditions are met.

- 2.2.4 "Adjusted Target Cost of Labour" means the Target Cost of Labour adjusted for the effect of Change Orders issued by Company after the Effective Date. Adjusted Target Cost of Labour at any time after the Effective Date is the summation of the Target Cost of Labour and the estimated Reimbursable Cost of Labour related to each Change Order issued to that time.
- 2.2.5 "Final Adjusted Target Cost of Labour" means the Adjusted Target Cost of Labour after inclusion of the effect of all Change Orders, and adjusted after Final Completion for the actual quantities installed of each unit price item in Appendix A - Schedule of Price Breakdown.
- 2.2.6 "Reimbursable Cost of Labour" means the Actual Cost of Labour minus Disallowed Items.
- 2.2.7 "Actual Cost of Labour" means actual Wages and Benefits paid by Contractor to Contractor's Work Force working to perform the Work; plus the government burdens associated with such Wages and Benefits which the Contractor is required to pay for Canada Pension Plan (CPP), Canada Employment Insurance (EI), Newfoundland Health and Post Secondary Education (HAPSET), and Newfoundland Workplace, Health, Safety and Compensation (WHSCC).
- 2.2.8 "Contractor's Work Force" means
- all Contractor trades labour at Site;
  - Contractor's management and staff at Site, up to and including the project director;
  - trades labour and staff of Subcontractors (including Subcontractor's subcontractors of every tier) at Site, who are covered by the Collective Agreement. For greater clarity, with the exception of the Subcontractors who have been specifically named in Appendix F of this Exhibit 2, the cost of management and staff of all remaining Subcontractors (including Subcontractor's subcontractors of every tier) who are not covered by the Collective Agreement, are included in the Non Labour Component);
  - The three persons working at the Contractor's Goose Bay office and the four persons working in the Contractor's St John's office (these are the only off-Site persons who are included in the Actual Cost of Labour).

- 2.2.9 "Wages and Benefits" means the wages and benefits paid by Contractor to Contractor's Work Force in accordance with the Collective Agreement. In the case of Contractor's Work Force not covered by the Collective Agreement, Wages and Benefits means the wages and payroll burden of these personnel as listed in Appendix F – Wages and Benefits of Contractor's Work Force Not Covered by the Collective Agreement - of this Exhibit 2. In all cases, whether under the Collective Agreement or under Appendix F, Wages and Benefits does not include: 1) any mark-up or profit of any kind, bonuses, incentives or special allowances paid to the Contractor's Work Force; 2) with the exception of HAPSET, any taxes including tax equalization payments for Contractor's Work Force.
- 2.2.10 "Disallowed Items" means
- the cost of labour to correct Work which has not been executed in accordance with the Technical Requirements prior to Final Completion;
  - the cost of labour to satisfy Warranty obligations;
  - any labour costs incurred for Contractor's Work Force off-Site (with the exception of the persons working in the Contractor's Goose Bay and St. John's offices as mentioned in Section 2.2.8 of this Exhibit 2);
  - any labour costs incurred by Contractor in the preparation and resolution of a claim: after a Company decision to proceed with a Change Order under Article 14.6; or after a Company decision under Article 14.8 b); or for anything related to Article 31 – Dispute Resolution;
  - any labour costs covered by insurance, or by an equipment service agreement;
  - Labour costs which cannot be reasonably justified from the Contractor's records.
- 2.2.11 "Labour Profit" means the compensation for profit on the Reimbursable Cost of Labour, calculated in accordance with Section 2.6 of this Exhibit 2.
- 2.2.12 "LMAX" means the maximum value of the Reimbursable Cost of Labour to be compensated by Company as determined pursuant to Section 2.5 of this Exhibit 2. Contractor shall be responsible, and assumes the risk, for the Reimbursable Cost of Labour which exceeds this maximum.
- 2.2.13 "Labour Cost Difference" means the absolute value of the Final Adjusted Target Cost of Labour minus the total of the Reimbursable Cost of Labour.
- 2.2.14 "Collective Agreement" has the meaning ascribed thereto in Section 8 of this Exhibit 2.
- 2.2.15 "Cost Sharing" means the sharing of the Labour Cost Difference by Company and Contractor in accordance with Tables 1 and 2 of Appendix G – Contractor Share of Labour Cost Difference – of this Exhibit 2.

### 2.3 Reimbursable Cost of Labour

- 2.3.1 As full compensation for the Labour Component, and subject to Sections 2.4 to 2.7 of this Exhibit 2, Company will pay Contractor the total of the Reimbursable Cost of Labour, and the Labour Profit.
- 2.3.2 Daily time sheets shall be prepared in triplicate by Contractor showing breakdown of hours in accordance with Company's costing system and listing the names, category and hours worked for each member of Contractor's Work Force, and these shall be submitted daily to Engineer for checking. One copy of these time sheets, when signed by Engineer, shall be retained by Company. The Contractor's monthly billing for the Labour Component shall be substantiated with copies of these approved time sheets.
- 2.3.3 Contractor shall keep proper accounts and records, in such form and with such detail as shall be satisfactory to Company, of the cost to Contractor of the Wages and Benefits of Contractor's Work Force; and such accounts and records shall at all times be open to audit in accordance with Article 16 – Access, Inspection, Testing, Audit. Contractor shall furnish Company or its authorized representative with all such information about the accounts as it or they may require.
- 2.3.4 Contractor shall submit a cost management plan, as required under Section 6 of Exhibit 3 – Coordination Procedures. The plan shall incorporate the requirements of this Section 2.3 and such other elements that may be required by Company to ensure that costs charged to Company are in accordance with this Agreement and have actually been paid by Contractor.

### 2.4 Target Cost of Labour and Cost Sharing

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

- 2.4.1 As of Effective Date, the Target Cost of Labour is CAD \$ 507,598,340.87.
- 2.4.2 An Adjusted Target Cost of Labour shall be calculated with the issue of each Change Order.
- 2.4.3 On issuance of the Final Completion Certificate, the Final Adjusted Target Cost of Labour shall be calculated.
- 2.4.4 If the total of the Reimbursable Cost of Labour as of Final Completion is less than the Final Adjusted Target Cost of Labour, Company will pay Contractor the Contractor's share of the Labour Cost Difference as listed in this Exhibit 2 Appendix G, Table 1. Such sharing and payment shall be paid on issuance of the Final Completion Certificate in accordance with Section 2.7 of this Exhibit 2.



2.4.5 Subject to Section 2.5 of this Exhibit 2, if the total of the Reimbursable Cost of Labour as of Final Completion is greater than the Final Adjusted Target Cost of Labour, Contractor shall credit Company Contractor's share of the Labour Cost Difference listed in Exhibit 2, Appendix G, Table 2. Company will begin making deductions of the credit owing as soon as the cumulative Reimbursable Cost of Labour exceeds the Adjusted Target Cost of Labour, and a reconciliation of final amount to be credited shall be determined on issuance of the Final Completion Certificate, in accordance with Section 2.7 of this Exhibit 2.

2.5 **LMAX** ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.5.1 As of Effective Date, LMAX is equal to Target Cost of Labour plus sixty-four Million, three hundred thousand CAD \$ 571,898,340.87.

2.5.2 On issuance of the Final Completion Certificate the LMAX shall be adjusted to equal the Final Adjusted Target Cost of Labour plus sixty-four Million, three hundred thousand CAD.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.5.3 Company shall have no responsibility for the portion of the total value of Reimbursable Cost of Labour which exceeds LMAX as adjusted on Final Completion.

2.5.4 If, at any time, the cumulative value of Reimbursable Cost of Labour exceeds the Adjusted Target Cost of Labour Plus sixty-four million three hundred thousand, the Company shall cease payments for the Reimbursable Cost of Labour. Any further adjustments, calculated in accordance with Section 2.5.2 of this Exhibit 2, shall be determined after issuance of the Final Certificate, as described in Section 2.7.1 of this Exhibit 2.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.6 **Labour Profit**

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.6.1 Labour Profit shall be fixed at seven percent (7%) of the Target Cost of Labour plus seven percent (7%) of the difference between the Final Adjusted Target Cost of Labour and the Target Cost of Labour.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.6.2 As of Effective Date, the Labour Profit is CAD \$ 35,531,883.86, being seven percent (7%) of CAD \$ 507,598,340.87.

2.6.3 Labour Profit, calculated as of Effective Date, shall be paid monthly based on the progress of installation of concrete over the Period of the Agreement; the proportion of labour profit paid each month shall be in the in the same proportion as the total concrete actually installed each month is of the estimated quantity of concrete to be installed as of Effective Date.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

2.6.4 On Final Completion, total Labour Profit due under the Agreement shall be calculated as **seven percent (7%)** of the Final Adjusted Target Cost of Labour. Any unpaid amount, or overpayment, shall be included in the computation under Section 2.7 of this Exhibit 2.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

## 2.7 Final Completion

2.7.1 Following issuance of the Final Completion Certificate the Final Adjusted Target Cost of Labour, LMAX based on Final Adjusted Target Cost of Labour, Cost Sharing and Labour Profit shall be calculated, and an adjusting payment or deduction to complete the obligations specified under this Section 2 shall be computed, for inclusion in the balance of the Contract Price as described under Article 25.10.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

## 2.8 Reduction in the Target Cost of Labour

2.8.1 Contractor agrees to reduce the amount of the Target Cost of Labour - as recorded under price Item 391A of Appendix A – Schedule of Price Breakdown – **by forty (40) million Canadian dollars**, subject to Sections 2.8.1 to 2.8.4 of this Exhibit 2. Consistent with this change, the LMAX will be reduced by the same amount (refer to Section 2.5.1 of this Exhibit 2) and the Labour Profit will be reduced **by 2.8 million Canadian dollars** (refer to Section 2.6.2 of this Exhibit 2). Cost Sharing, as defined in Section 2.2.15 and Appendix G (Tables 1 and 2) of this Exhibit 2, remains unchanged.

2.8.2 Company agrees to contract 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 Contractor, provided the Parties are able to agree on pricing and schedule for the work.

2.8.3 The Parties agree that they will work together, per dates set by Company, 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 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;
- Contractor home office overheads are already covered by the Agreement for package CH0007;

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

- Profit at a fixed percentage;

2.8.4 The Parties agree 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 Contractor, as per Section 2.8.1 above, will be revoked and Company will be free to award a contract for this work to contractors of its choice.

### 3 TRAVEL COSTS

3.1 Travel Allowances - Trades Labour: Company shall pay the actual travel allowances /air transportation of the Contractor's Work Force covered by the Collective Agreement and working at Site. All such travel allowances/air transportation shall be strictly in accordance with the stipulations of the Collective Agreement: arrangements for air transportation must be made at least two weeks in advance; travel time is not reimbursable per the Collective Agreement; and Company shall not pay any mark-up on the travel allowances/cost of air transportation.

3.2 Contractor's Work Force Not Covered by the Collective Agreement: For Contractor's Work Force not covered by the Collective Agreement working at Site or in the Goose Bay and St John's offices, travel costs are included in the Non Labour Component:

- travel costs, including any travel time, to mobilize on commencement of the Work and to demobilize on completion of the Work are included in the lump sums for mobilization and demobilization under price items 1 and 19 respectively in Appendix A - Schedule of Price Breakdown;
- travel costs for rotational leave during the execution of the Work are included in Appendix A - Schedule of Price Breakdown - under price items 6 and 6A, under "Profit and Other".

### 4 LUMP SUMS AND UNIT PRICES FOR THE NON LABOUR COMPONENT

This Section 4 covers the Non Labour Component of the Contract Price. The lump sums and unit prices of the Non Labour Component of Appendix A – Schedule of Price Breakdown - include for the entire Contract Price, with the exception only of the Labour Component (covered under Section 2 of this Exhibit 2) and travel costs of trades labour (covered under Section 3.1 of this Exhibit 2 and price item 19A of the Schedule of Price Breakdown).

**4.1 Fixed Lump Sums**

- 4.1.1 The following provisions in this Section 4.1 apply only to Work completed on a lump sum basis.
- 4.1.2 Subject to Section 11 (Escalation For Materials) of this Exhibit 2, all of the lump sum payment items stated in Appendix A – Schedule of Price Breakdown of this Agreement are fixed price and their aggregate total will form the fixed lump sum price portion of the Contract Price.
- 4.1.3 Each lump sum item stated in Appendix A – Schedule of Price Breakdown shall include all elements necessary to achieve completion of the item, whether specifically identified, or whether inherent in the Work.
- 4.1.4 Pursuant to Article 12 – Compensation and Terms of Payment, payment for each lump sum item shall be monthly based on progress as the Contractor has satisfied the requirements of each payment item.
- 4.1.5 Before issuing its first Payment Certificate under the Agreement, the Contractor shall submit to the Engineer a schedule of values of the various parts of the Work totalling the full amount of the fixed lump sum price portion of the Contract Price. The schedule shall be used as a guideline for applications for payment.
- 4.1.6 Measurement of lump sum price items shall be undertaken on a monthly basis by Contractor and Engineer. Progress achieved against each item from the schedule of values, and Accepted by Engineer, shall form the basis of interim measurement for payment of each lump sum item on a Payment Certificate. Only Company Approved lump sum progress payments shall be invoiced by Contractor.

**4.2 Fixed Unit Prices**

- 4.2.1 The following provisions in this Section 4.2 apply only to Work completed on a unit price basis.
- 4.2.2 The full compensation for unit price Work shall be determined in accordance with the unit prices set forth in Appendix A – Schedule of Price Breakdown.
- 4.2.3 Subject to Section 11 (Escalation For Materials) of this Exhibit 2, all of the unit price payment items stated in Appendix A – Schedule of Price Breakdown - are fixed prices.
- 4.2.4 Each unit price item stated in Appendix A – Schedule of Price Breakdown shall include all elements necessary to achieve completion of the item, whether specifically identified, or whether inherent in the Work.
- 4.2.5 Quantities of units estimated by Company are not guaranteed, as independent circumstances shall control actual quantities performed. Payment for unit price items

shall only be for the actual quantities of Work completed in accordance with the Agreement and not estimated quantities. There will be no adjustment of any unit price due to variances from the estimated quantities (whether increases/decreases).

- 4.2.6 The quantities of unit price items for inclusion on a Payment Certificate shall be determined on a monthly basis by Contractor and Engineer. Such determination shall form the basis for all progress and final payments for unit price Work. Only Company Approved quantities on a Payment Certificate for unit price items shall be invoiced by Contractor.
- 4.2.7 Unless otherwise specifically stated, all unit prices shall be complete and inclusive of all costs required for the Work (including profit).

**5 REIMBURSABLE CHANGE ORDERS**

- 5.1 The following provisions in this Section 5 apply only to Work resulting from a Change Order which has been determined to be completed on a cost reimbursable basis.
- 5.2 This Section, with the exception of Section 5.3 (a) and 5.3 (b), is to be interpreted in accordance with Articles 14.10 and 14.11.
- 5.3 Full compensation to Contractor for complete performance of any Change Order performed on a reimbursable basis shall be the sum of the following costs and mark-ups:

(a) the total Reimbursable Cost of Labour for trades labour working directly on the work of the Change Order; the total shall be added to the Adjusted Target Cost of Labour and profit on the labour shall be covered by the calculation for Labour Profit (refer to Section 2.6.4 of this Exhibit 2).

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

(b) a price addition on each of the trades labour hours certified under (a) above of \$2.30 to cover consumables, personal protective equipment and small tools (with a value less than \$2,000 Canadian dollars) as further illustrated in Appendix C.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

(c) the sum of Contractor's equipment rates, as detailed in Appendix D – Equipment Rate Schedule - , multiplied by Company Approved hours of use as detailed on timesheets; these rates include for profit and overhead and consequently they shall be treated as meeting the requirements of Article 14.10 (a).

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

(d) Company Approved material expenses, travel and mileage expenses, and third party expenses.

Contractor shall advise Company in writing when it has expended seventy-five percent (75%) of the total estimated price for any item of Change Order Work to be compensated on a reimbursable basis, along with a forecast of the cost to complete the item of Work.

- 5.4 When Contractor is requested to purchase materials on a reimbursable basis:

- (a) All actual costs to Contractor for materials supplied for incorporation into the permanent facility shall be at actual invoiced cost to Contractor (exclusive of tax), including transportation to Site, as substantiated by invoices certified paid or by such documentation as may be required by Company, plus the mark-up as listed in Article 14.10 (b) (i).
- (b) Contractor shall solicit a minimum of three bids for material purchases of \$30,000.00 Canadian and greater.
- (c) Contractor shall supply a copy of supplier's invoice with each Invoice.
- (d) Company reserves the right to provide, at no cost to Contractor, materials, equipment, services, supplies or incidentals required to perform the Work.
- (e) This Section does not include consumables, personal protection equipment, and small tools which cost Contractor less than \$2,000 Canadian dollars; all as illustrated in Appendix C. These are covered under Section 5.3 (b).

5.5 When Contractor is requested to supply equipment on a reimbursable basis:

- (a) All costs of Contractor for Contractor-owned equipment shall be at the rates set forth in Appendix D – Equipment Rate Schedule.
- (b) When Contractor's equipment does not resemble the equipment having rental rates listed in Appendix D – Equipment Rate Schedule – the agreed rental rate shall be incorporated into the Agreement by Change Order prior to rental.
- (c) All costs of Contractor for equipment which is rented from third parties and does not resemble the equipment having rental rates listed in Appendix D – Equipment Rate Schedule – must be Approved by Company in writing prior to rental and shall be at actual cost to Contractor, including transportation to Site, as substantiated by invoices certified paid or by such documentation as may be required by Company plus the mark-up as listed in Article 14.10 (b) (i).
- (d) For reimbursable Work, Company reserves the right to substitute and provide, at no cost to Contractor, equipment to perform the Work. Contractor shall not be allowed to claim for loss of profit and/or any other of its own costs resulting from such substitution by Company.

5.6 When Contractor requires third party services to assist with Work being performed on a reimbursable basis:

- (a) Contractor shall secure Company pre-approval of any third party services, including materials, tools, supplies and consumables, that are required for the performance of the Work and are additional to that which is included in the rates and lump sum prices outlined herein. Company shall reimburse Contractor for the actual, documented and necessary costs of such third party services.

- (b) All third party services provided for performance of the Work which has been previously Approved by Company shall be at actual cost to Contractor of such third party service provided by others plus the mark-up as listed in Article 14.10 (b) (i).
  - (c) In no instance shall the third party rates plus mark-up exceed Contractor's rates for similar work or equipment.
  - (d) To be eligible for reimbursement, invoicing for third party services shall be fully supported by Billing Information and any other documentation that Engineer may reasonably require.
- 5.7 Trades travel costs, to and from the Site, will be compensated per the Project Labour Agreement as a pass through expense without any mark-up.
- 5.8 For all Work carried out on a reimbursable basis, Contractor shall prepare time sheets for all personnel, equipment, material and third party services assigned to the performance of the Work which will be reviewed and signed daily by the Engineer . Copies of time sheets shall accompany all Contractor invoices.
- 5.9 When Contractor uses assets of an associated company (such as common ownership, subsidiary, strategic partner, licensee ) to undertake reimbursable Work then only one (1) mark-up shall be allowed on the actual associated company base cost for the Work.
- 5.10 The mark-ups referenced in Sections 5.4, 5.5 and 5.6 of this Exhibit 2 take into account that allowances have already been made in the indirect costs (Price Items 1 to 19) for overheads on Change Orders. Refer to Section 9.3 of this Exhibit 2.
- 5.11 For greater certainty, extra work added as a result of the understanding recorded in Section 2.8 of this Exhibit 2, will not be counted in the cumulative value of Change Orders issued, as mentioned above.
- 5.12 Contractor shall include requests for compensation for Work performed on a reimbursable basis on the Payment Certificate applicable to the time period in which the reimbursable Work was performed.

**6 CHANGES**

- 6.1 Changes shall be evaluated and agreed by the Parties on the basis of a reasonable estimate of the Reimbursable Cost of Labour for the Change, and a fixed price adjustment to the Non Labour Component. Prices listed in Appendix A – Schedule of Price Breakdown - shall be used wherever they are applicable. Profit for the labour portion of the Change will be covered by the calculation for Labour Profit. Profit on the Non Labour Component will be included in the fixed price.
- 6.2 Each Change Order issued shall record the estimate of the Reimbursable Cost of Labour for the Change, the fixed price for the Non Labour Component for the Change, and the Adjusted Target Cost of Labour as of that Change Order.
- 6.3 In the event the parties cannot agree on overall cost for a Change, Company may direct the Contractor to complete the Work on a cost reimbursable basis as specified in Section 5 of this Exhibit 2, or to proceed with the work and continue to negotiate the value of the Change Order, subject to Article 31, at the discretion of Company.

**7 STANDBY TIME**

- 7.1 When the Work is suspended by Company for a reason that is not related to the Contractor's performance of the Work, the Company may compensate the Contractor for standby costs which are reasonably incurred by the Contractor. For all standby time Approved by Company, Contractor shall prepare daily time sheets for all labour and equipment assigned to the performance of the Work, which will be reviewed, and if accepted, signed by the Engineer. Copies of time sheets shall accompany all Contractor invoices. Rates outlined in Appendix D – Equipment Standby Rate Schedule shall apply when Contractor submits an invoice for payment of equipment standby costs. Payment for such standby will be limited to not more than eight (8) hours in a twenty-four (24) hour day or forty (40) hours in a week.
- 7.2 No compensation will be allowed for equipment that is inoperable due to breakdown, unavailability, or the like. No payment will be allowed for equipment that is not operating because the work has been suspended in accordance with the Articles of the Agreement or because the work has been suspended by the Contractor for its own reasons.
- 7.3 When Company agrees that standby costs should be compensated these shall be approved under a Change Order and the standby cost of labour shall be recorded as an adjustment to the Target Cost of Labour.



**8 PROJECT LABOUR AGREEMENT**

- 8.1 This Agreement is based on Newfoundland and Labrador Regulation 67/13 - a Special Project Order under the Labour Relations Act of Newfoundland and Labrador - , and the associated Project Labour Agreement (PLA) which has been negotiated for the Lower Churchill Project.
- 8.2 In this Agreement, "Project Labour Agreement" means the "Collective Agreement between Muskrat Falls Employer's Association Inc. and Resource Development Trades Council of Newfoundland and Labrador" (also called the "Collective Agreement"). Any reference to the Collective Agreement is a reference to the Project Labour Agreement.
- 8.3 The Contractor shall be bound to the terms of the PLA, become a member of the Project Employers' Association and name at least one (1) staff person to be responsible for daily labour relations matters at the Site. Prior to working at Site, all Contractor's Personnel will be required to attend an LCP Site orientation session that includes health, safety and environment obligations; human resources policies, including respectful workplace, cultural sensitivity, gender equity and diversity; and labour relations, including PLA overview, site standards, corrective action and dispute resolution.

**9 COMPENSATION**

- 9.1 Pursuant to Article 12.3, Contractor shall invoice each month: for the Reimbursable Cost of Labour and the actual travel costs of trades labour incurred in that month; for the pro-rated portion of Labour Profit; and for the actual progress on the Non labour Component for the month. Contractor shall be paid the costs incurred and monthly progress following Approval by Company of a Payment Certificate and in accordance with the provisions of Article 12 – Compensation and Terms of Payment. Payment of the Reimbursable Cost of Labour is subject to Sections 2.3 to 2.5 and 2.7 of this Exhibit 2.
- 9.2 Pursuant to Section 1A of this Exhibit 2 and Appendix J to this Exhibit 2, the following disbursements made under the LNTP are to be credited to Company in accordance with Article 12.15 (c) of the Agreement:

*(Insert a list of payments made under the LNTP)*

- 9.3 If the cumulative value of all Change Orders Approved plus variances (as mentioned in Section 4.2.5 of this Exhibit 2) exceeds seventeen and one half percent (17.5%) of the Contract Price as of Effective Date (excluding travel costs), the Parties shall analyse and agree the impact of the excess above seventeen and one half percent on the indirect costs (Price Items 1 to 19).

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

**10 ADVANCE PAYMENT**

- 10.1 Company will make an advance payment to Contractor in the amount of one hundred and two million, four hundred and twenty-nine thousand, two hundred and fifty-five Canadian dollars (**\$CAD 102,429,255.00** ), representing **ten percent (10%)** of the Contract Price as of Effective Date. The advance payment will be delivered by Company to Contractor within thirty (30) Business Days of receipt of an irrevocable Letter of Credit and invoice from Contractor, for the same amount. The letter of credit shall be in the format provided for the advance payment letter of credit in Exhibit 14 – Performance Security.
- 10.2 The bank issuing the Letter of Credit must be listed in Schedule I of the Bank Act (Canada), S.C. 1991, c.46, as amended or replaced from time to time, and the bank must have and maintain a senior, unsecured long-term credit rating of not less than A- or equivalent from any one of Standard & Poor's, or Fitch, or not less than A3 or equivalent from Moody's. In addition, the bank issuing the letter of credit must be acceptable to Company.
- 10.3 Contractor shall reimburse Company the full amount of the advance payment through deductions from each invoice Approved by Company. The first deduction shall be made after the cumulative invoices for the Work have reached twenty percent (20%) of the Contract Price (calculated as of Effective Date). The first deduction, and each successive deduction thereafter, shall be at the rate of fifteen percent (15%) of the value of the invoice Approved by Company, until the full amount of the advance payment has been reimbursed.
- 10.4 In the event that this Agreement is terminated for any reason in accordance with the terms of this Agreement prior to reimbursement of the advance payment pursuant to Section 10.3 herein, the outstanding balance of the advance payment shall become immediately payable by Contractor to Company.

**11 ESCALATION FOR MATERIALS**

The Contract Price, as of the Effective Date, shall be subject to escalation as follows:

**11.1 General**

- (a) **"Escalation"** means the amount by which the Contract Price will be adjusted for the variations in the cost of cement, rebar, structural steel and fuel. Escalation for the cost of labour has already been included in the pricing.

**(b) Escalation Period:**

Escalation will be calculated for each quarter of the calendar year (e.g. Jan. to March; April to June), hereinafter referred to as **"Escalation Period"**. With the exception of cement, the first such Escalation Period shall be the calendar

quarter starting after the Effective Date of Agreement. In the case of cement, the first such Escalation Period shall be the calendar quarter January to March 2015.

(c) Indexes:

“**Index**” means the defined indicator to be used to calculate the Escalation.

The Indexes to be used for each of the designated commodities, shall be as specified in Section 11.2 of this Exhibit 2.

(d) Index Numbers:

“**Index Numbers**” shall mean one or both, as the context requires, of the following defined terms:

- With the exception of cement, the “**Base Index Number**” used to calculate Escalation for an Index shall be the final published index number for the given Index for the month of July 2013. In the case of cement the **Base Index Number** shall be the average of the final published index numbers for the given Index for the 12 months of 2014.
- The “**Actual Cost Index Number**” used to calculate escalation for an Index shall be the average of the final published numbers applicable to each month of the Escalation Period.

11.2 Escalation Calculation for Materials

11.2.1 Escalation of Cement, Rebar and Structural Steel

Escalation for cement, rebar and structural steel shall be calculated for a particular Escalation Period using the following formula and the quarterly cost of the commodity for the particular Escalation Period, as declared in Table 1 of Appendix E of this Exhibit 2.

$$EL_{CRS} = e \times [(C_a - C_b) / C_b] + f \times [(S_a - S_b) / S_b] + g \times [(R_a - R_b) / R_b]$$

In which:

$EL_{CRS}$  = Escalation for cement, structural steel and rebar, calculated for the particular Escalation Period.

e = cost of cement to be purchased in the particular Escalation Period, as listed in Table 1 of Appendix E.

C = Index for cement (Statistics Canada, Consumer Price Index for Newfoundland – special aggregates, all items excluding energy),

where:

- $C_a$  = Actual Cost Index Number of cement
- $C_b$  = Base Index Number of cement

f = cost of structural steel to be purchased in the particular Escalation Period, as listed in Table 1 of Appendix E.

S = Index for structural steel (Statistics Canada, v53433892),

where:

- $S_a$  = Actual Cost Index Number of structural steel
- $S_b$  = Base Index Number of structural steel

g = cost of rebar to be purchased in the particular Escalation Period as listed in Table 1 of Appendix E.

R = Index for rebar (Statistics Canada, V53433771),

where:

- $R_a$  = Actual Cost Index Number for rebar
- $R_b$  = Base Index Number for rebar

#### 11.2.2 Escalation of Cost of Fuel

Escalation for fuel shall be calculated using the following formula.

$$EL_F = [H - (h \times P_b)]$$

In which:

$EL_F$  = Escalation for fuel, calculated for the particular Escalation Period.

H = Actual cost of the fuel purchased at the Company fuel station at Company's laydown area during the particular Escalation Period.

h = actual number of litres of fuel purchased at the Company fuel station during the particular Escalation Period.

$P_b$  = Base Index Number for fuel = \$CAD 1.40/litre.

#### 11.3 Payment of Quarterly Escalation

Escalation ( $EL_{CRS} + EL_F$ ), whether an increase or a decrease, for a given Escalation Period shall be invoiced in the second month following the end of the Escalation Period; or the month at which all Index Numbers are available, whichever is later.

#### 11.4 Escalation shall not apply after the Milestone Date for Substantial Completion.

**12 MONTHLY PAYMENT FORECAST SCHEDULE**

12.1 Appendix B of this Exhibit 2 includes the Monthly Payment Forecast Schedule. The Schedule is meant as a forecast only. Company will pay the Contractor monthly for actual costs incurred and progress achieved. Contractor shall update the Monthly Payment Forecast Schedule as required, to keep it current.

**13 LIQUIDATED DAMAGES FOR DELAY**

13.1 Contractor is responsible to achieve completion of all Milestones in accordance with the Interface and Milestone Schedule and Company has made a genuine pre-estimate of damages that it would suffer (liquidated damages) if the Milestone Dates are not achieved. For each Milestone listed below, if Contractor fails to achieve the Milestone by the associated Milestone Date, Contractor shall pay Company, as liquidated damages and not as a penalty, the amount listed for each and every calendar day by which the completion of such Milestone is delayed.

<u>Milestone No.</u>	<u>Milestone</u>	<u>Liquidated Damages per calendar day of delay</u>
M2	Substantial Completion of the Work.	\$20,000
	<b>Spillway, North Transition Dam, Separation Wall</b>	
M4A	Spillway and Related Works required for Company's Supply and Installation of Hydro Mechanical Equipment Contractor (CH0032) for Upstream Guides installation and concreting, including: <ul style="list-style-type: none"> <li>- Completion of Spillway Invert;</li> <li>- Completion of Spillway piers and walls (upstream 2/3 portion only), including Upstream Bridge;</li> <li>- Spillway Upstream Channel free for Company's Other Contractor (CH0032) occupation.</li> </ul> (Refer to sketch attached to Exhibit 9)	\$45,000.00

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

<u>Milestone No.</u>	<u>Milestone</u>	<u>Liquidated Damages per calendar day of delay</u>
M4B	Spillway and related works required for Company's Other Contractor (CH0032) installation of Downstream Stoplog Guides, Gates and Hoists as well as for Company's Construction of North and South Dams Contractor (CH0009) for construction of Intake Channel Upstream Cofferdam and Spillway Upstream Channel Temporary Bridges, and all works required for diversion including: <ul style="list-style-type: none"> <li>- Completion of Spillway piers and walls (downstream 1/3 remaining portion), including both Downstream Bridges;</li> <li>- Completion of North Transition Dam;</li> <li>- Completion of Northern 2 monoliths of Center Transition Dam including the Electrical Building Platform;</li> <li>- Completion of Spillway Discharge Channel Phase 1;</li> <li>- Completion of Separation Wall;</li> <li>- Spillway Discharge Channel free for Company's Other Contractor (CH0032) occupation;</li> </ul> (Refer to sketch attached to Exhibit 9)	\$50,000.00
<b>Powerhouse, Draft Tube Cone</b>		
M22	Unit 1 – Ready for Installation of Draft Tube Cone by Company's Supply and Installation of Turbines and Generators Contractor (CH0030).	\$25,000.00
M30	Unit 2 – Ready for Installation of Draft Tube Cone by Company Other Contractor (CH0030).	\$25,000.00
M38	Unit 3 – Ready for Installation of Draft Tube Cone by Company's Other Contractor (CH0030).	\$25,000.00
M46	Unit 4 – Ready for Installation of Draft Tube Cone by Company's Other Contractor (CH0030).	\$25,000.00
<b>Powerhouse, Generator Floor Completed</b>		
M24	Unit 1 – Generator Floor Completed, including Pit Free for Unit 1.	\$40,000.00
M32	Unit 2 – Generator Floor Completed, including Pit Free for unit 2	\$20,000.00
M40	Unit 3 – Generator Floor Completed, including Pit Free for Unit 3	\$20,000.00
M48	Unit 4 – Generator Floor Completed, including Pit Free for Unit 4.	\$20,000.00

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

<u>Milestone No.</u>	<u>Milestone</u>	<u>Liquidated Damages per calendar day of delay</u>
	<b>Service Bays</b>	
M18	South Service Bay Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors. This includes: <ul style="list-style-type: none"> <li>- South Service Bay Mezzanines, Ready for Start of Work by Company's other Contractors.</li> <li>- South Service Bay Structural Steel Ready for Setting Powerhouse Crane on Rails.</li> <li>- Service Bay Draft Tube Gallery, Ready for Installation of Gantry Crane by Company's Other Contractor (CH0032).</li> </ul>	\$5,000.00
M53	North Service Bay Building Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors.	\$5,000.00
	<b>Powerhouse, Draft Tube Structure</b>	
M26	Unit 1 – Building Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors, including: <ul style="list-style-type: none"> <li>- Unit 1 – Draft Tube, Structure Complete for start of Hydro-Mechanical works by Company's Other Contractor (CH0032).</li> <li>- Unit 1 – Mezzanines, Ready for start of Work by Company's Supply and Installation of Mechanical and Electrical Auxiliaries Contractor (CH0031).</li> </ul>	\$5,000.00
M34	Unit 2 - Building Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors, including: <ul style="list-style-type: none"> <li>- Unit 2 – Draft Tube, Structure Complete for start of hydro-mechanical works by Company's Other Contractor (CH0032).</li> <li>- Unit 2 – Mezzanines, Ready for start of Work by Company's Other Contractor (CH0031).</li> </ul>	\$5,000.00

<u>Milestone No.</u>	<u>Milestone</u>	<u>Liquidated Damages per calendar day of delay</u>
M42	Unit 3 - Building Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors, including - Unit 3 - Draft Tube, Structure Complete for start of hydro-mechanical works by Company's Other Contractor (CH0032). - Unit 3 - Mezzanines, Ready for start of Work by Company's Other Contractor (CH0031).	\$5,000.00
M50	Unit 4 - Building Enclosed and High Bay Lighting Installed and Ready for Start of Work by Company's Other Contractors, including - Unit 4 - Draft Tube, Structure Complete for start of hydro-mechanical works by Company's Other Contractor (CH0032). - Unit 4 - Mezzanines, Ready for start of Work by Company's Other Contractor (CH0031).	\$5,000.00
	<b>Powerhouse, Intake Structure</b>	
M28	Unit 1 - Intake Structure Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M36	Unit 2 - Intake Structure Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M44	Unit 3 - Intake Structure Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M52	Unit 4 - Intake Structure Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
	<b>Center and South Transition Dam</b>	
M54	Center Transition Dam complete including Trashrack cleaner rails installed.	\$5,000.00
M55	South Transition Dam Complete	\$5,000.00

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)



<u>Milestone No.</u>	<u>Milestone</u>	<u>Liquidated Damages per calendar day of delay</u>
	<b>Rollways</b>	
M12	Bay No. 1 Rollway Construction Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M13	Bay No. 2 & 4 Rollway Construction Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M14	Bay No.3 & 5 Rollway Construction Complete and Ready for start of hydro-mechanical works by Company's Other Contractor (CH0032).	\$5,000.00
M16A/M2A	Completion of Phase 2 of Spillway Discharge Channel Lining and Final Completion of the Work	\$5,000.00

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

13.2 The period of delay for a Milestone shall exclude each day of extension of time to the Milestone Date granted by Company in accordance with Article 14 – Changes in the Work.

**14 LIQUIDATED DAMAGES FOR KEY PERSONNEL**

14.1 Contractor shall not remove any Key Personnel (as listed below or any Approved successors) from the Work without first obtaining Approval from Company. Such Approval shall be at Company's sole and absolute discretion and provided that Contractor has satisfied the following conditions:

- (a) requesting Approval by Company at least 60 days in advance of the date of the proposed removal of individual Key Personnel;
- (b) providing curricula vitae for replacement candidates, who must have qualifications and experience at least equivalent to those of the Key Personnel Contractor proposes to replace;
- (c) arranging a minimum 14 day hand-over period between Key Personnel to be replaced and the Company accepted replacements; and
- (d) accepting that all costs associated with reassignments initiated by Contractor, including mobilization and demobilization, to replace Key Personnel shall be at the sole expense of Contractor if Key Personnel are removed before the projected end date for Key Personnel.

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

14.2 Contractor shall pay Company liquidated damages of **one million Canadian dollars (\$1,000,000)** per instance if Contractor replaces Key Personnel without following the requirements in Section 14.1. Such amount is agreed as a genuine pre-estimate of the disruptive effect on the Work due to Contractor's unauthorized withdrawal of individual Key Personnel. This provision shall not limit Company's other rights under the Agreement in the event of recurrent unauthorized withdrawal of Key Personnel by Contractor.

Key Personnel Position Description	Name of Key Person	Liquidated Damages \$
Project Director	Guido Venturini	\$1,000,000
Project Manager	Ken Chryssolor	\$1,000,000
Construction Manager	Vittorio Robiati	\$1,000,000
Planner	Pierre Cianni	\$1,000,000
General Superintendent	Marvin Bennett	\$1,000,000
General Superintendent	Yves Gagnon	\$1,000,000
Formwork Superintendent	Yves Gauthier	\$1,000,000

s.30(1)

ATIPPA: ss.24(1)(b) and 24(1)(g); ECA: ss.5.4(1)(a), 5.4(1)(c) and 5.4(1)(d)

# 2015 AGM Financial Update

## Derrick Sturge, Vice-President, Finance & CFO

Boundless Energy



**DRAFT**

March 23, 2015



# Outline

- 2014 Financial Results
- 2015 Financial Outlook

# Key Financial Metrics

	2004	2013	2014	10-Yr Change
Net Income (\$ millions)	\$67	\$88	<b>\$116</b>	73%
Total Assets (\$ billions)	\$2.2	\$9.5	<b>\$10.6</b>	4.8x
Income Producing Assets (\$ billions)	\$2.2	\$3.1	<b>\$3.6</b>	64%
Capital Expenditures (\$ millions)	\$40	\$991	<b>\$1,784</b>	45x
Capital Structure (Debt / Equity)	76/24	72/28	<b>69/31</b>	-7/+7
Sales to NP (TWh)	4.7	5.6	<b>5.9</b>	26%
Total Electricity Sales (TWh)	38.7	40.2	<b>38.3</b>	(0.4)
Realized Oil Price (\$CAD/bbl)	n/a	\$115	<b>\$115</b>	--
Oil Production (000 bbls)	n/a	658	<b>661</b>	661
Proven Oil Reserves (M bbls)	n/a	8.5	<b>16.6</b>	16.6
Total Oil Reserves (M bbls)	n/a	59.0	<b>61.9</b>	61.9

Notes:

- (1) Capital Expenditures exclude the Maritime Link
- (2) Income Producing Assets exclude Lower Churchill and Hebron

# Financial Highlights

## Regulated Hydro

- General Rate Application (GRA) process continued throughout 2014
- Cost deferrals of \$56 million approved by regulator at the end of 2014, resulting in higher net income in 2014 than prior year.....but regulatory risk remains until GRA completed in 2015
- Capital projects of approx. \$500 million approved by regulator
- Completed \$200 million long-term bond issue (and retired a \$125 million 10.5% bond issue)

## Churchill Falls

- Execution of long-term asset management plan continued with total capital investments of \$50 million
- Lower energy sales in 2014 primarily due to HQ taking less energy and storing energy in reservoir to purchase at later date

# Financial Highlights

## Oil & Gas

- Realized oil prices in \$CAD/bbl were on par with 2013, despite oil price decreases in Q4
  - Decrease in \$USD price per barrel was offset by favourable impacts from foreign exchange rate and hedging
- Production levels were consistent with 2013
- Successful exploration program and sales of data (\$14 million) had a positive impact on net income

## Energy Marketing

- Higher sales in U.S. markets due to a colder winter in 2014 and the resulting favourable impact on prices, partially offset by a cooler than normal summer in the U.S and reduced sales due to planned maintenance on the NY transmission system in late 2014

# Financial Highlights

## Lower Churchill

- Total capital expenditures (excluding Maritime Link) of \$1.3 billion
- Significant progress on all aspects of the project
- Forecast cost of facilities updated to \$6.99 billion in June 2014

## Bull Arm Fabrication

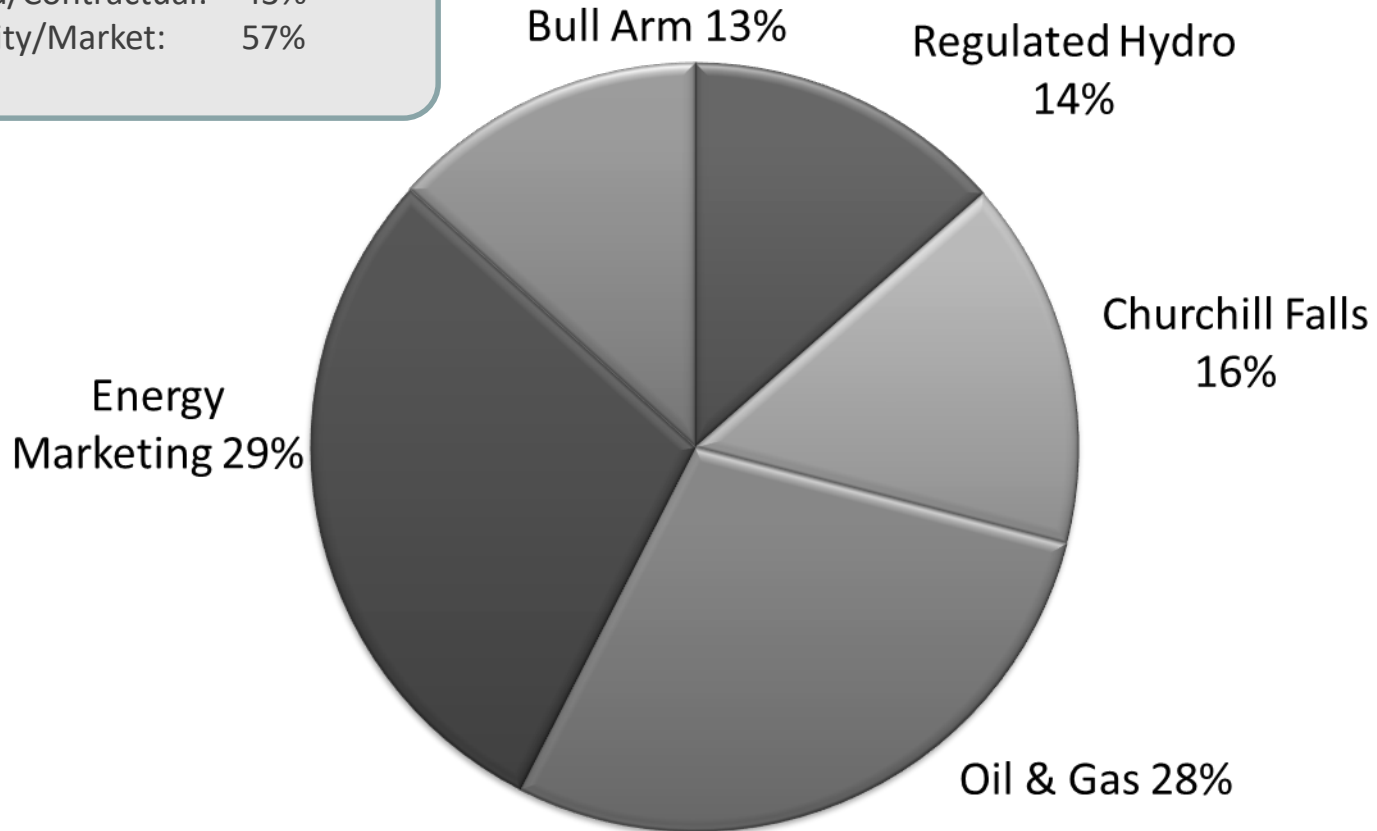
- Construction of Hebron GBS continued at Bull Arm through 2014
- Net income of \$17 million primarily the result of lease revenue from Exxon Mobil



# Business Segment Net Income Contribution

## Net Income Mix:

- Regulated/Contractual: 43%
- Commodity/Market: 57%



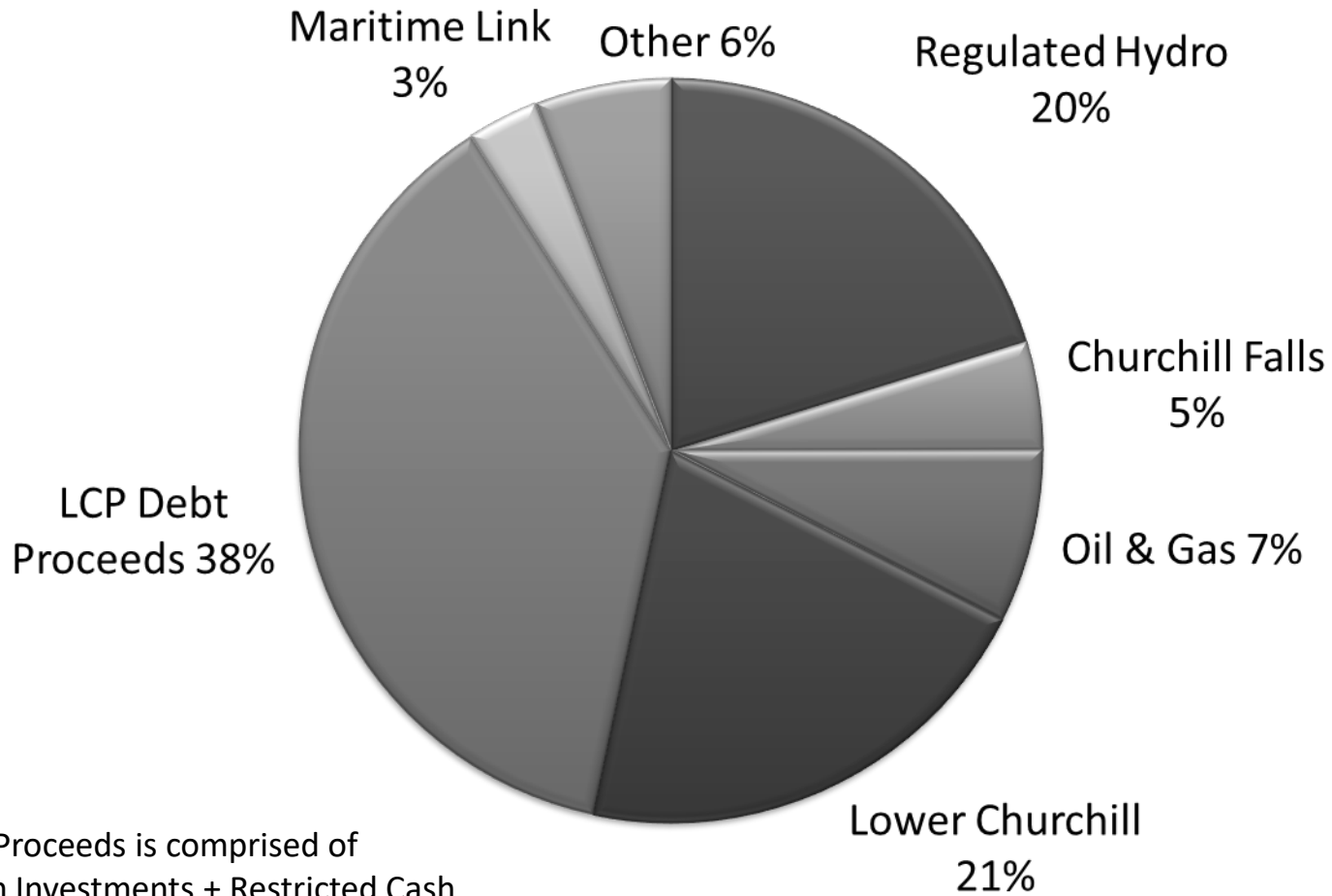
# Business Segment Net Income

(\$ millions)	2013	2014	Change
Hydro Regulated	\$ 0.5	<b>\$17.6</b>	\$17.1
Churchill Falls	26.1	<b>20.2</b>	(5.9)
Oil & Gas	26.2	<b>37.1</b>	10.9
Energy Marketing	33.3	<b>38.0</b>	4.7
Bull Arm	15.5	<b>17.3</b>	1.8
Lower Churchill	(2.0)	<b>(2.4)</b>	(0.4)
Corporate & Other	(11.9)	<b>(12.2)</b>	(0.3)
<b>Total</b>	<b>87.7</b>	<b>115.6</b>	<b>27.9</b>

# Total Assets

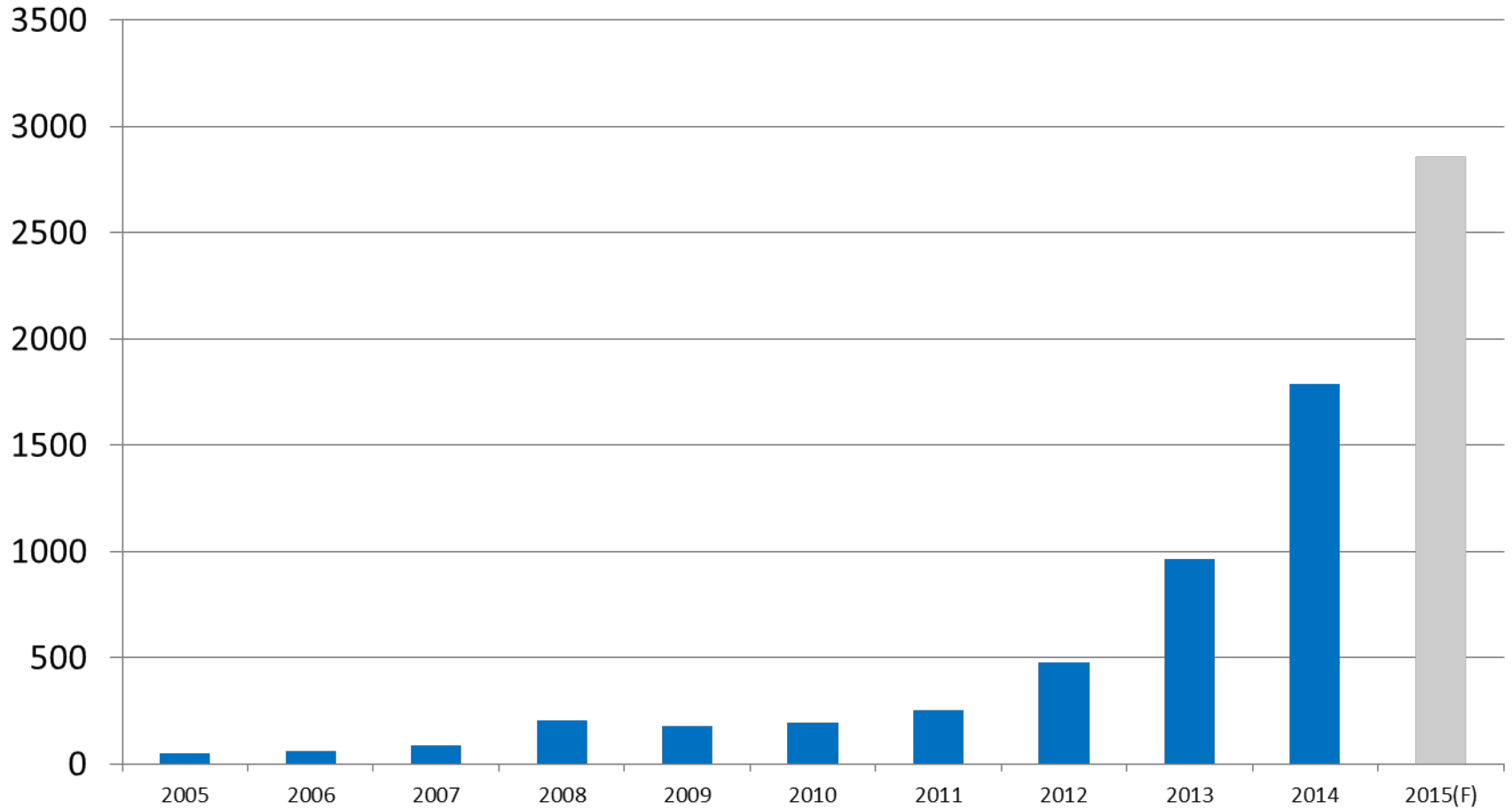
(December 31, 2014)

Assets Under Development : 66%  
Income Producing Assets: 34%

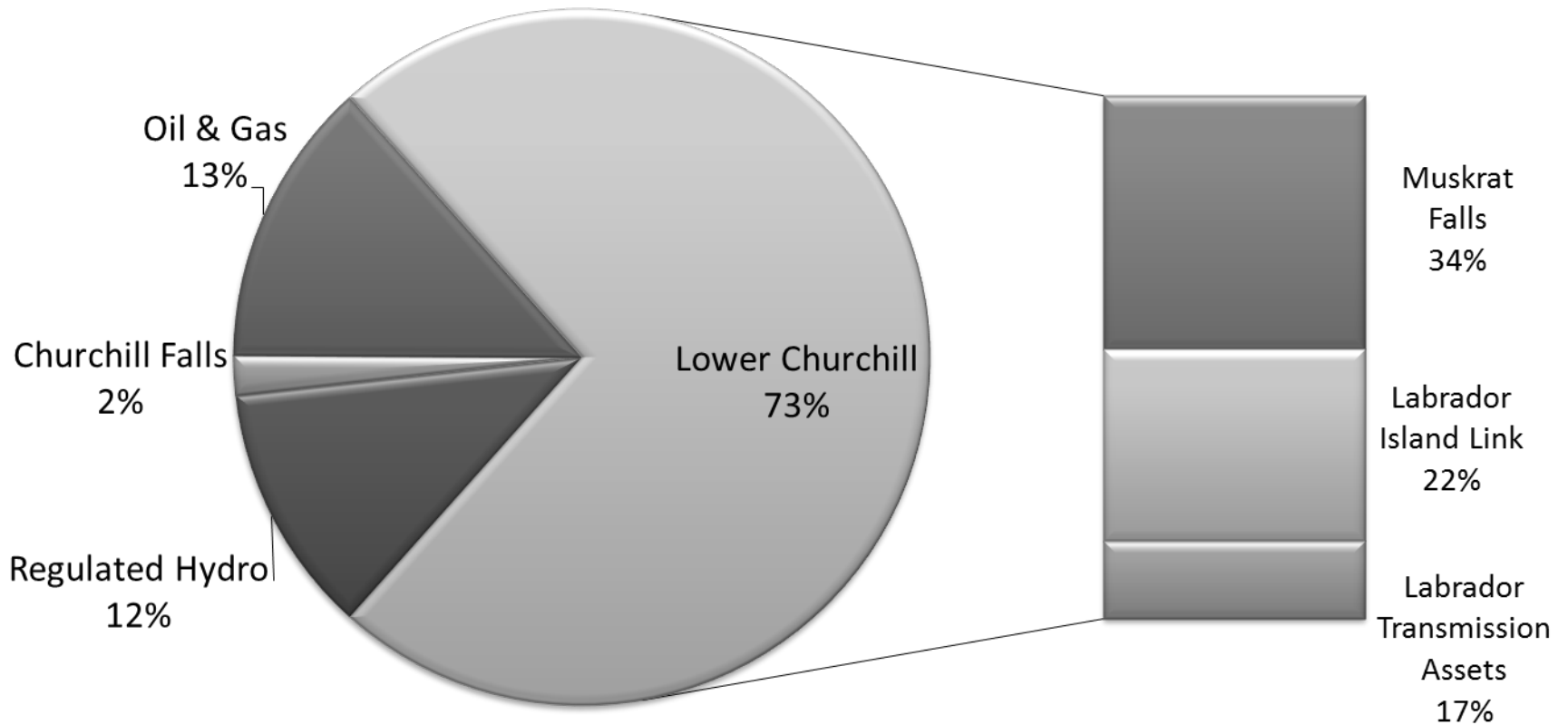


LCP Debt Proceeds is comprised of Long-Term Investments + Restricted Cash

# Capital Expenditures (\$ millions)



# 2014 Capital Expenditures



Note: Excludes the Maritime Link

# Business Segment Capital Expenditures

(\$ millions)	2013	2014	Change
Hydro Regulated	\$87	\$209	122
Churchill Falls (1)	33	33	---
Oil & Gas	185	238	53
Lower Churchill	680	1,298	618
Energy Marketing	0	1	1
Corporate & Other	6	5	(1)
<b>Total</b>	<b>991</b>	<b>1,784</b>	<b>793</b>

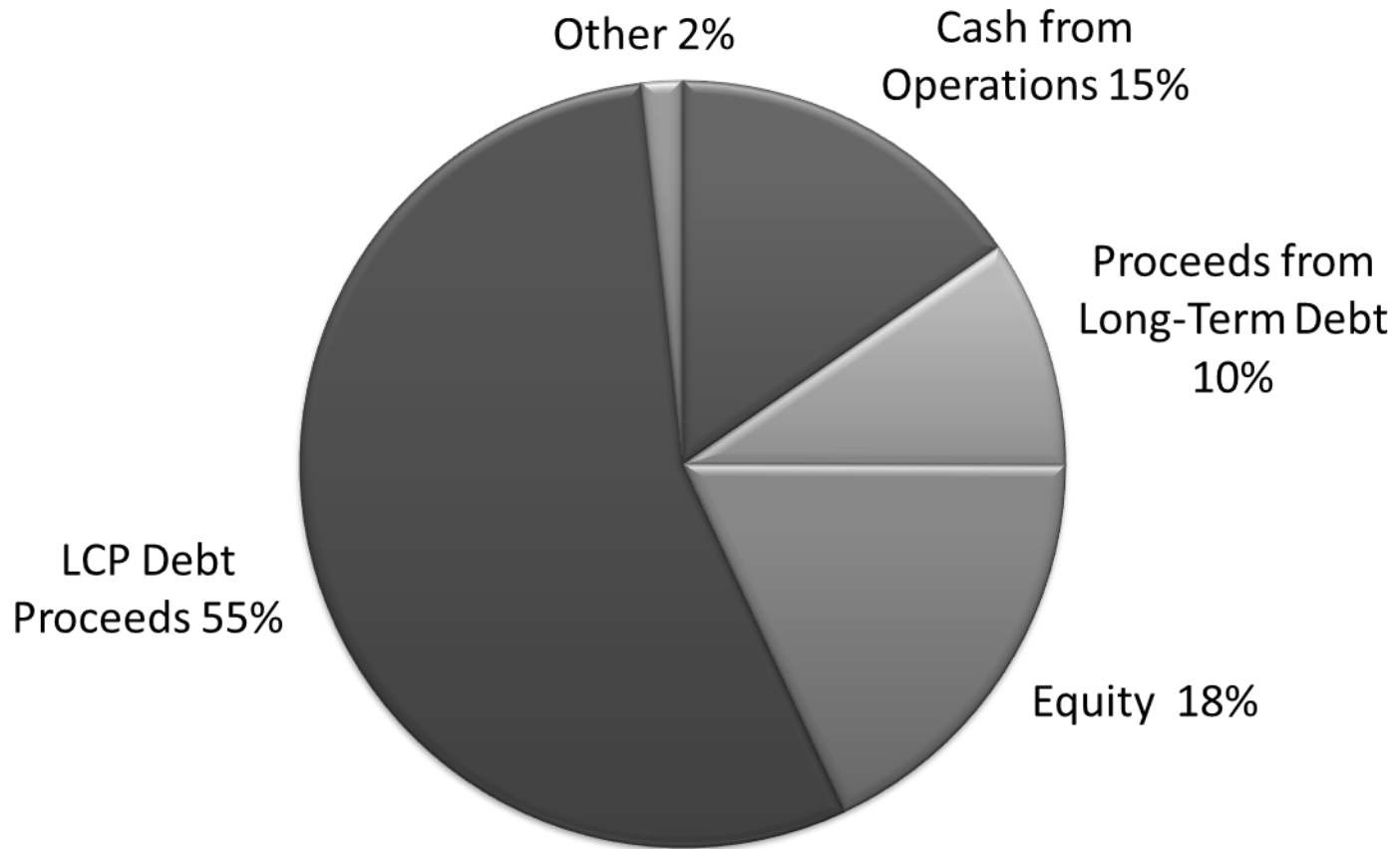
(1) Total capital expenditures of \$50 million, \$33 million represents Nalcor's 65.8% ownership

# Lower Churchill Capital Expenditures

(\$ millions)	2013	2014	Total to Date
Muskrat Falls	\$471	\$580	\$1,257
Labrador Transmission Assets	93	183	305
Labrador-Island Link	73	405	579
Nalcor Facilities Capital Costs	637	1,168	2,141
Capitalized Interest & Financing Costs	43	130	194
Total Capital Costs for Nalcor Components	680	1,298	2,335

Note: "Total to Date" Capitalized Interest & Financing Costs excludes \$39 million of Allowance for Funds Used During Construction incurred at the project level but eliminated on consolidation

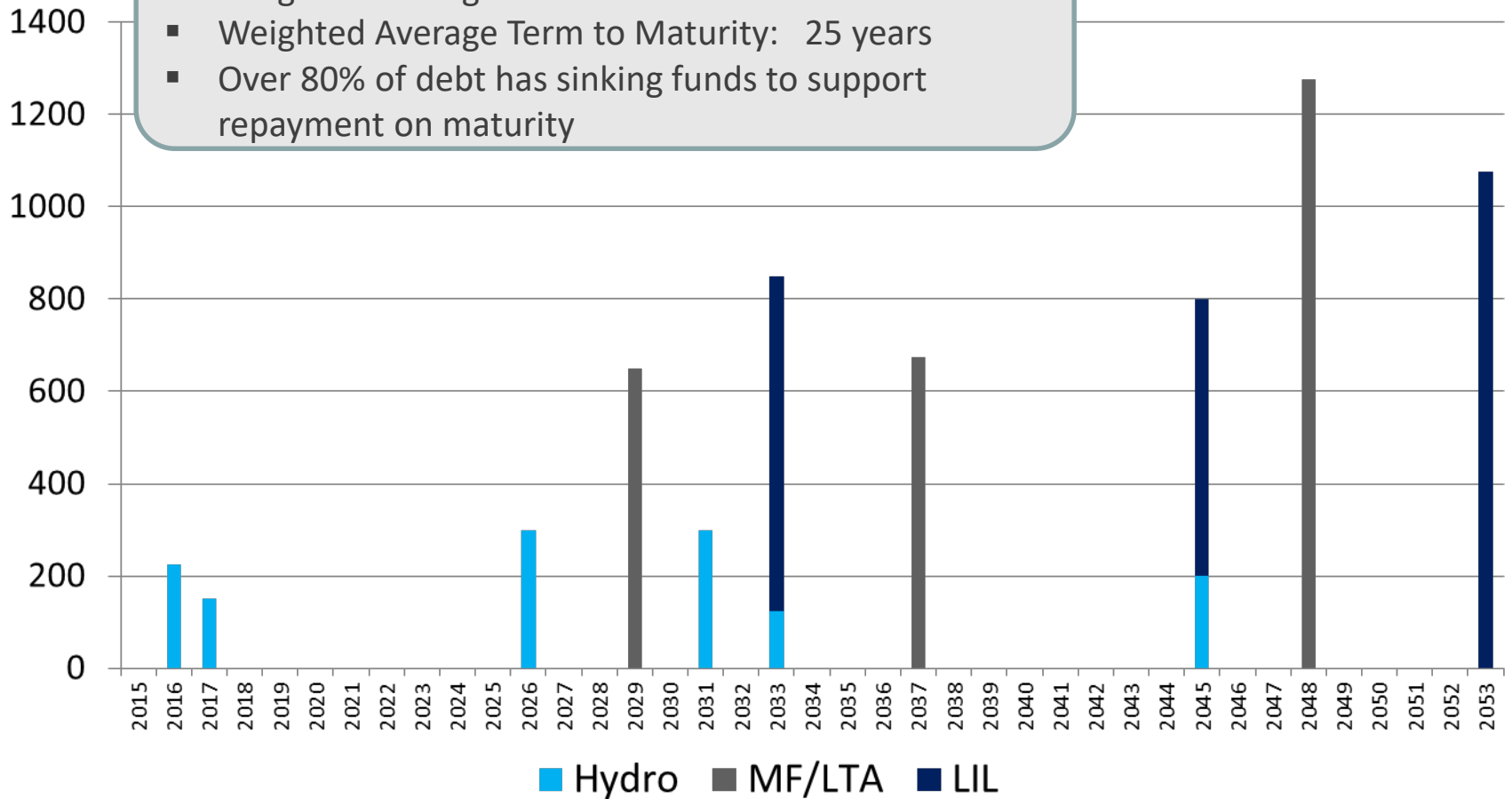
# Financing 2014 Capital Program





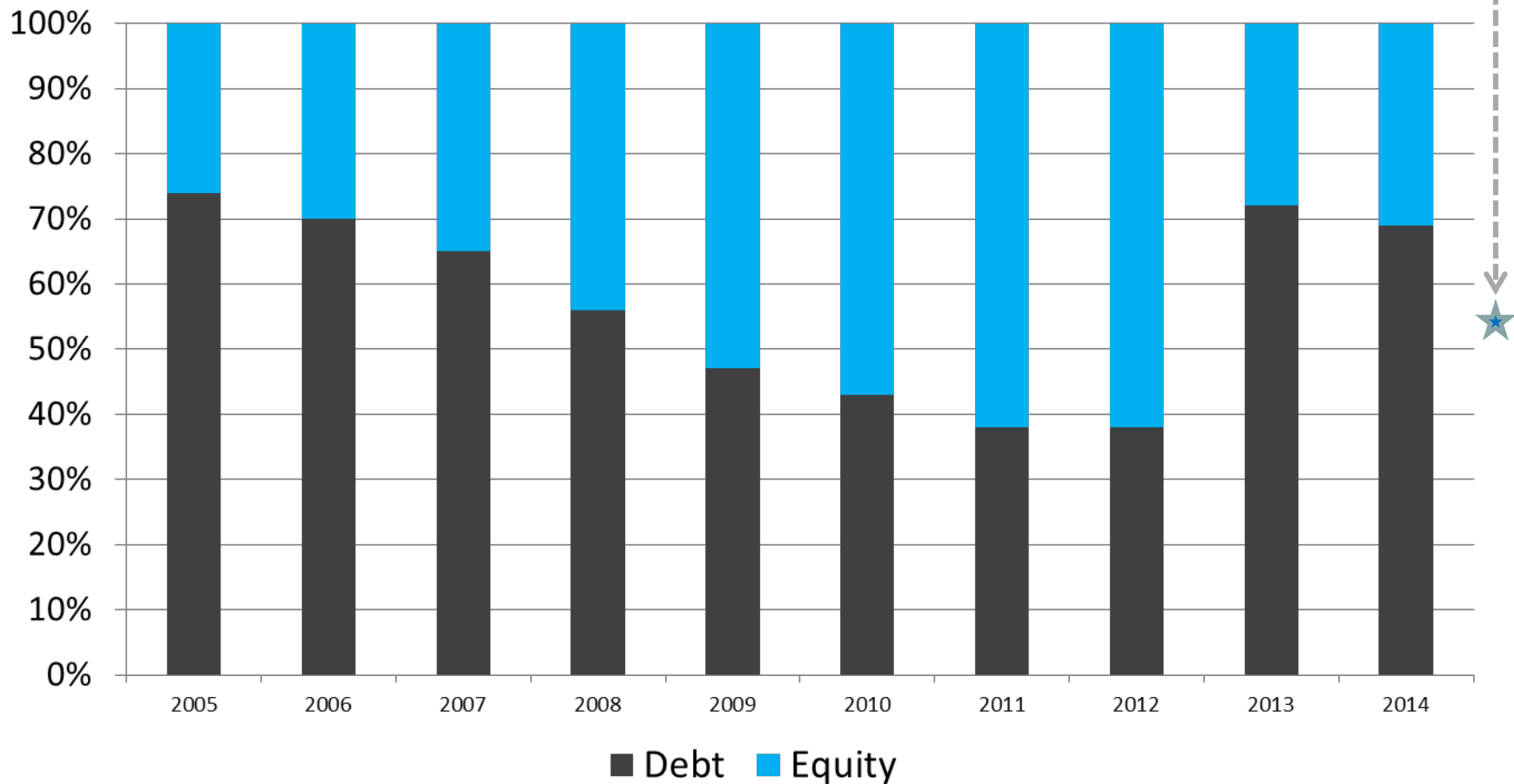
# Debt Maturity Profile (\$ millions)

- AAA credit rating on 79% of debt
- Weighted Average Interest Rate: 4.0%
- Weighted Average Term to Maturity: 25 years
- Over 80% of debt has sinking funds to support repayment on maturity



# Capital Structure

Forecast  
55/45 Capital  
Structure by 2018



# 2015 Financial Outlook

- Forecast capital expenditures of \$2.8 billion in 2015
- 2015 forecast net income tracking slightly ahead of 2014
- Outcome of Hydro's General Rate Application (GRA) will have significant impact on net income
  - Waiting on PUB approval of interim rates for 2015. Delays in approval have had negative impact on Hydro net income to date in 2015
  - Lower fuel prices at Holyrood will benefit customers in 2015
- Higher value for Twinco Block of power in Labrador commencing January 1, 2015
  - Contribute \$22 million to net income in 2015

# 2015 Financial Outlook (continued)

- Significant pressure on oil & gas earnings from lower oil prices, partially offset by favourable foreign exchange rates and oil price hedges
- Prices in U.S electricity markets are tracking ahead of expectations so far in 2015, but forecasts trending below expectations for the year

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Astaldi Situation – 1 April 2015

## Background

### CH0007 Contract for Powerhouse and Spillway

Nalcor have been meeting regularly (weekly) with Astaldi Senior management on operational matters, in addition 6 CEO level meetings have been held also since with the mid Year 2014. The focus of every meeting has been the same, i.e. Nalcor's concerns regarding Astaldi's Safety performance, Project Management, Construction Management, Production rates, Organization , Readiness to execute and Priorities.

This effort by Nalcor to improve Astaldi's overall performance and organizational abilities culminated in December of 2014 when an action plan was developed by Astaldi to respond to Nalcor's concerns, which were based on actual concrete production and volume of concrete placed versus planned.

Astaldi have been responsive and have endeavoured to make improvements in all areas, Astaldi have requested Nalcor's assistance ( and Nalcor has responded positively) in all areas with working groups established to address challenges and concerns regarding various aspects of this contract including the Integrated Cover System, Winter Readiness, Spillway Production, Crushing, Batch Plant, PowerHouse production, Productivity, Construction Management. Incremental improvement was noted when the working groups were established but the improvement in production levelled off and was not sustained. The cause of this lack of sustainability was attributed to a Construction management organization not well suited to operate in Canada's cold weather, using negotiated labour agreements, following the Benefits Strategy and IBA with the Innu Nation. This culminated in November 2014 with an offer by Nalcor, subsequently accepted a request by Astaldi, ~~to Nalcor~~ to release to them senior construction personnel within the Nalcor construction management team. This request was agreed to and a "reset plan" by Astaldi over the Christmas break was put into action. This reset plan included a lay off of all craft labour other than those needed for site maintenance and a "recall " of labour after the Christmas break. The recall of labour would be a modest number of craft persons and a relatively low concrete production and placement schedule during the very cold winter months. The Astaldi Construction management organization under the new leadership was put in place and follows the Canadian model well known by craft labour and supervision in Newfoundland and Labrador. The Astaldi plan was to establish the new Construction Management team, replace the Project Manager, bring in Project Management support personnel ( which is continuing) get the Direct to Indirect labour ratio back into an acceptable band and plan the work more efficiently. These steps have been taken and in many cases are continuing and are showing improvements. However the real test will be over time, to determine if all these changes and improvements result in the concrete production and placement levels required to recover the schedule, which will only be evident in the June/July period when the craft labour ramp up has been achieved and the weather improves.

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#### Current Status

Spillway status as of 22 March 2015 – Concrete poured 24,400 m<sup>3</sup> , remaining concrete to be poured 25,000 m<sup>3</sup>. Nalcor's PM at site is not overly concerned that Astaldi will complete the Spillway in order to install the gates and achieve river diversion in November 2016

Powerhouse status as of 22 March 2015 – Concrete poured 2,800 m<sup>3</sup> – remaining concrete 312,400 m<sup>3</sup>. The delay in the ICS construction has impacted the ability to work in the powerhouse, because it was not possible from a safety aspect to have people working under the ICS on concrete placement whilst work overhead was ongoing. Astaldi made the decision late 2014 not to install the ICS over units 3 and 4. Concrete works for Units 3 and 4 will be constructed in summer and through winter using hoarding and insulated tarpaulins similar to those used on the spillway. The plan going forward is to start-ramp up concrete works in the powerhouse and intakes in the coming months as the weather improves and the craft labour is mobilized. The ability for Astaldi to produce and place the amount of concrete in the time remaining is Nalcor's focus with Astaldi. The following actions are ongoing

- New batch plant installation underway
- Activation of back up crushing plant
- Tower Cranes for Units 3 and 4 are ordered
- Entire logistics plan and analysis of site and planning
- Optimizations of construction methods

The following Astaldi senior management support changes are implemented or underway:

#### Implemented

- Production Manager on site
- Technical manager on site
- Procurement manager – April 12
- Safety Manager- April 12

#### To be implemented

- New Chief Engineer
- New Contract Manager
- New LR Manager

The Nalcor approach has been to constantly highlight areas of deficiency with Astaldi, engage at all levels with Astaldi , support Astaldi by bringing Senior Nalcor staff onto site to augment the existing Site Team and to work cooperatively with Astaldi to address the production and organizational issues. Nalcor feels that Astaldi are now poised to ramp up and get back on track, however the next 120 days will be the proof of that. Astaldi have prepared a 120 day plan which forecasts that the total cumulative concrete placed will be 90,00m<sup>3</sup> with 360,00m<sup>3</sup> remaining . The number of pours are planned to double month over month March to May inclusive .

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The forecast shows the pours levelling out at ~120 in June and July. The labour count will increase over the next 4 months to 1350 . Until we are able to see Astaldi achieve these latest targets we will maintain pressure on Astaldi using all of the contractual levers available to Nalcor , whilst continuing to engage at all levels of Astaldi's management and leadership and providing support wherever possible whilst still maintaining the current contract relationship.

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The Nalcor approach has been to constantly highlight areas of deficiency with Astaldi, engage at all levels with Astaldi , support Astaldi by bringing Senior Nalcor staff onto site to augment the existing Site Team and to work cooperatively with Astaldi to address the production and organizational issues. Nalcor feels that Astaldi are now poised to ramp up and get back on track, however the next 120 days will be the proof of that. Astaldi have prepared a 120 day plan which forecasts that the total cumulative concrete placed will be 90,00m<sup>3</sup> with 360,00m<sup>3</sup> remaining . The number of pours are planned to double month over month March to May inclusive .

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The forecast shows the pours levelling out at ~120 in June and July. The labour count will increase over the next 4 months to 1350 . Until we are able to see Astaldi achieve these latest targets we will maintain pressure on Astaldi using all of the contractual levers available to Nalcor , whilst continuing to engage at all levels of Astaldi's management and leadership and providing support wherever possible whilst still maintaining the current contract relationship.

Appendix A

Extracts from the NL Oversight Committee

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#### Appendix A

The Oversight Committee Report for the period ending 31 December 2015 asked the following questions regarding the CH0007 performance specifically schedule slippage. The Nalcor responses as reported by the Oversight Committee are also shown.

Q. What Mitigating measures are Nalcor undertaking to address the progress slippage?

A. Nalcor advises that they have had numerous meetings with the civil contractor for CH0007 over the last several months. The contractor has been responsive with the implementation of a new Project Management organization which it began implementing in January 2015, including the hiring of additional new site Managers with experience from other major capital projects ongoing and/or completed in this province. Nalcor has increased its Project team members working on site and are working closely with the civil contractor on several performance improvement initiatives to mitigate this slippage. The civil contractor has also modified its project delivery plans to introduce an additional concrete batch plant to increase its concrete pouring capacity. This increased capacity will facilitate the pouring of concrete for Units 3 and 4 of the Powerhouse during the summer of 2015 and will continue through the winter of 2016 using the winter protection method involving tarp coverings and heaters that has proven successful on the Spillway during the current winter of 2015. These efforts are designed to mitigate this schedule impact resulting from the decision not to complete the ICS over these two units.

It is currently anticipated that this slippage in schedule progress will continue over the upcoming winter months while these mitigation actions are implemented. Nalcor anticipates schedule improvement over the spring and summer of 2015 as the mitigation actions take effect. Nalcor advises that though the timelines may change for the individual work within the project, such as the progress on Units 3 and 4 over this winter, the slippage to date has not had

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an impact on the key Project milestones or the critical path for first power in December 2017.

The Oversight Committee will continue to monitor progress and the results of the mitigation measures being implemented by Nalcor and the contractor.

Q . The Committee sought information from Nalcor with respect to the performance of the Contractor under contract CH0007 at the Muskrat Falls Generating Facility.

A. Nalcor advised that it is working closely with the contractor to address the work progress.

Actions being taken by both Nalcor and the contractor are designed to improve production, increase productivity and regain the schedule to ensure there is no impact on the critical path to first power in December 2017.

The contractor is responsible to take all necessary actions to address any variances between planned and actual progress on the Powerhouse & Intake and Spillway & Gates Contract. The contract format requires the contractor to meet certain milestones or be liable for liquidated damages if a milestone is not achieved.

Mitigating measures are being taken on a number of fronts with this contract. These measures include:

- Nalcor and the contractor's leadership have regular dialogue to address any issues that may affect progress.
- The contractor is mobilizing additional management resources and Nalcor is supporting and providing additional project oversight.
- The contractor is taking initiatives to improve performance.
- The contractor is mobilizing additional plant material and equipment required for concrete placement.
- Additional equipment is being procured where required.
- Working groups have been formed to address key focus areas including the Powerhouse/ Intakes, Spillway, and Productivity.

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