

**David.Nichols**

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**From:** Lavigne, Charles <clavigne@cahillganotec.ca>  
**Sent:** Friday, December 15, 2017 2:59 PM  
**To:** Julie.Canuel; Yarn, Julie  
**Cc:** Catherine.Hebert; Mike.Buckle; Harrington, Tim; John.Henley-PTR; Butler, Jeff  
**Subject:** [EXTERNAL] CH0031-001 Response to Contractor LTR No. TC006-MFC-0047 - Neutral funding payment  
**Attachments:** CH0031-001 Response to Contractor LTR No. TC006-MFC-0047[1].pdf

Julie & Julie,

Please refer to the letter received from Nalcor earlier today.

Julie C. – As discussed, we will need a table to summarise our cash situation in regard of the PLA neutral funding payment and actual incurred cost and projection by Monday EOD.

Regards,

Charles

**Muskrat Falls Corporation**

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500 Columbus Drive  
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St. John's, NL Canada A1B 0M4

Lower Churchill Project Operations Office  
350 Torbay Road, Suite 2  
St. John's, NL Canada A1A 4E1

**December 15, 2017**

**Cahill-Ganotec, A Partnership  
The Tower Corporation Campus  
240 Waterford Bridge Road, Suite 101  
St. John's, NL, A1E 1E2**

**Attention: Tim Harrington**

**Subject: Agreement CH0031-001  
Supply and Install Mechanical and Electrical Auxiliaries (MF)  
Contractor Letter No. TC006-MFC-0047**

Dear Mr. Harrington,

Contractor is referred to Exhibit 2, Section 16 of the above noted Agreement which outlines the principles of neutral funding. These principles include:

1. Contractor will submit a monthly invoice to Company where Reimbursable Cost of Labour and LOH&P will be documented, supported and offset against neutral funding for the corresponding period.
2. Company reserves the right to review funding arrangements to ensure the desired results are achieved. This right includes modifying and/or ceasing neutral funding arrangements if neutral funding exceeds documented Reimbursable Cost of Labour and LOH&P.

Contractor has failed to comply with the requirements of the Agreement with regards to Exhibit 2, Section 16. Company has yet to receive a properly documented and supported invoice for Reimbursable Cost of Labour and LOH&P, therefore is unable to assess the status of neutral funding. Based on these circumstances, Company is suspending neutral funding until the following conditions are met:

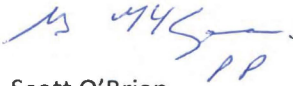
1. Company receives and approves an invoicing plan from Contractor. This plan will outline the processes, controls and methodologies implemented by Contractor to ensure the preparation of properly documented and supported invoices for Reimbursable Cost of Labour and LOH&P.
2. Company receives properly documented and supported invoices from Contractor demonstrating the actual Reimbursable Cost of Labour and LOH&P for periods currently neutral funded by Company, specifically:
  - a. October 2017 neutral funding totaling \$1,511,651.30 net of HST.
  - b. November 2017 neutral funding totaling \$1,279,455.93 net of HST.

Company reminds Contractor that Company has and will continue to work with Contractor to provide feedback on the requirements to substantiate reimbursable costs; however the obligation to comply with the Agreement regarding substantiating reimbursable costs resides with the Contractor. Company accounting representatives last met with Contractor's representatives on November 23, 2017, to review proposed reports to support reimbursable labour costs and has yet to receive a properly documented invoice or invoicing plan.

Further, due to the suspension of neutral funding, Company is rejecting the following neutral funding invoices:

- Invoice #9000091478 – Neutral Funding (December 2017)
- Invoice #9000091479 – Neutral Funding (January 2018)

Sincerely,

A handwritten signature in blue ink, appearing to read "S. O'Brien", with the initials "S O" written below it.

Scott O'Brien

Company Representative

**David.Nichols**

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**From:** Henley, John <jhenley@cahill.ca>  
**Sent:** Friday, April 13, 2018 1:42 PM  
**To:** Harrington, Tim; Mike.Buckle  
**Subject:** [EXTERNAL] Change Orders in Dispute

Tim/Mike:

My notes from the high level discussion on the disputed COs with Scott O'Brien and Paul Adams yesterday.

The plan is to meet again on a formal basis on Monday at 10 AM.

**PCO-0041: Change of Condensing Unit Type/Model: \$36,255.66**

Scott does not want to address this issue in isolation. He would prefer to see a CO for the whole system? He appears to believe there are puts/takes coming on other components. Tim any idea what else is out there related to the HVAC system

My sense is he has no issue with the extra cost on the specific issue but is looking to trade it off against other items he believes are out there. Tim any insight as to what could be the trade?

**PC-005: Relocation of Site Trailers: \$190,444.83**

Scott's view is they gave us a better/agreed location for the office. He also believes they met their contractual commitments on the Power House area. In addition, in his view they did us a favour by levelling the upper parking lot area at their cost to help us get the trailers placed.

I explained that we did not carry costs to put site trailers at multiple locations near the Power House and that Nalcor had committed to an area and then did not allow us to occupy it as another Contractor was in that space. We expended significant additional money on materials etc than budget.

I also explained that there is a real difference between the Trade Labour costs on these COs vs the material & third party costs. The trade labour is essentially an increase in the ATCL and only a hard cost to Nalcor if we exceed the ATCL. (Note the CO includes \$36k for a scaffold stairwell which we did not spend)

He has agreed to look at the issue again. He had not considered the labour cost and I believe he wanted time to think that through.

**PCO-0028: Type 2 Cable Tray Supports: \$251,226.67**

Scott was adamant that Nalcor was not paying for Type 2 tray support modifications. His view is that Nalcor have done CG a favour by not holding us to their spec on the trays and if they did we would have to eat a significant amount of rework. Both he and Paul were concerned that we even considered putting in a CO given the concessions they have given us.

I explained that Type 2 angle iron supports were not shown in the bid documents, where all tray details are unistrut. Equally, we do not believe that Nalcor have given us concessions on the tray spec.

This will be a hard one to get settled. We need to understand what is driving their view on the "Concessions"??

**PCO-0027: Modification of Cable Tray Supports: \$32,332.14**

Same comments as above on trays. However, he relented a bit when I explained the issue was the location of the building structure we have to tie into that requires modified tray supports.

Again, my view is this will be difficult to resolve until we peel back the tray concession perspective.

We will try again on Monday after they have had some time to think about it. The ATCL argument got some traction in principle.

**Staff and Site Overhead CO Factor:**

This issue is not in formal dispute but I reminded him that he owes us an answer. He promised to get back with a firm answer at the next meeting, now set for Monday. General sense is he believes he can sell a version of this approach.

I will send out an update on Monday, April 16/18.

Regards

John J.

**John J. Henley**  
VP Project Services  
The Cahill Group.

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