

From: jamesmeaney@lowerchurchillproject.ca
To: [Derrick Sturge](#)
Subject: Re: Response to GT Question PTQ1.10
Date: Sunday, October 28, 2018 12:55:57 PM

Hi Derrick,

Just some additional context on this matter.

I do recall there were a number of discussions with Canada/IE on the concept of "fixed and firm" contract costs. Some very well could have occurred in late 2014 or the earlier part of 2015 around the time of the very first COREA payment and as a number of the material contracts were being awarded.

But it was only the fall of 2015 and then again in late 2016, as it related to the Astaldi situation, where I can find any official correspondence on the matter, and it was definitely only in the 2015/16 COREA certificates where this issue was actually "formalized".

That's what GT specifically asked for, and I suspect that's what you may be asked at the inquiry. So my approach has always been to anchor to the facts relating to the FLG, financing, etc. that we can readily support with documentation as opposed to making statements involving generalities.

Regards,

Jim

Sent from my iPhone

On Oct 28, 2018, at 12:02 AM, James Meaney
<JamesMeaney@lowerchurchillproject.ca> wrote:

That was my take as well. Their characterization of the understanding with Canada in the Manifesto may have gone a bit too broad.

Sent from my iPhone

On Oct 27, 2018, at 11:59 PM, Derrick Sturge
<DSturge@nalcenergy.com> wrote:

Thanks for this Jim. I have reviewed all the emails. It does appear to be a general understanding related to a specific issue. However, it appears to be a stretch to be describing it as a general principle as seems to be the case in PMT papers. My take on this is that it was a specific issue that was addressed, but that I would not see it extending any further than that unless specific approval provided by. Canada.

Derrick

Derrick Sturge, EVP, Finance & CFO, Nalcor Energy

On Oct 27, 2018, at 11:08 PM, James Meaney
<JamesMeaney@lowerchurchillproject.ca> wrote:

James Meaney

Vice President Finance, Power Supply

PROJECT DELIVERY TEAM

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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

----- Forwarded by James Meaney/NLHydro on 10/27/2018 11:08 PM -----

From: James Meaney/NLHydro

To: "Deborah L.J. Hutchings" <dhutchings@bensonbuffett.com>

Cc: Paul Harrington/NLHydro@NLHydro

Date: 10/23/2018 09:29 PM

Subject: Response to GT Question PTQ1.10

Question:

In the presentation provided to Grant Thornton on May 30-31, 2018, Tab 9 - Financial Close / Completion Guarantees / Corea notes that it was understood with Canada and the IE that only fixed and firm costs were to be considered in the overrun calculation of COREA. Can you please provide evidence that supports that Canada was aware and understood this?

Response:

With respect to an understanding on LCP cost updates and the impact on the COREA calculation, it became formalized in 2015 / 2016 as it related to the ongoing commercial negotiations with Astaldi. It was acknowledged between Nalcor and Canada/Independent Engineer that there was going to be an impact on cost / schedule once a commercial settlement was reached with Astaldi, but at the time of the COREA payments in December 2015 and December 2016 this could not be quantified with certainty. The execution of the December 2016 Completion Contract with Astaldi, and related impacts it had on overall project cost and schedule, was the means by which this eventually got settled. This was documented as the "*Ongoing Commercial Negotiations Caveat*" in the December 2015 / 2016 COREA certificates issued by the LCP entities, which Canada and the IE accepted. These documents are attached.

(See attached file: MFLTA Cost Overruns Certificate 14 Dec 2015.pdf)(See attached file: MFLTA Cost Overruns Certificate 13 Dec 2016.pdf)

<MFLTA Cost Overruns Certificate 14 Dec 2015.pdf>

<MFLTA Cost Overruns Certificate 13 Dec 2016.pdf>