

**From:** [edbush@lowerchurchillproject.ca](mailto:edbush@lowerchurchillproject.ca)  
**To:** [Manzer, Alison; andrew.kitching@nrcan-rncan.gc.ca; Anne Boudreau; Kapoor, Anoop; aonesi@fasken.com; Auburn Warren; Celeste Christensen; Gutierrez, Félix; Gerald Cahill; Connors, Gregory; John Medland; Krupski, Joseph; martina.mishkova@mwhglobal.com; Felt, Meghan; Freeman, Michael \(TD Securities\); mike.rayner@nrcan-rncan.gc.ca; Nikolay Argirov; Sullivan, Peter J.; Lazarus, Rhonda; Martis, Xeno](mailto:Manzer, Alison; andrew.kitching@nrcan-rncan.gc.ca; Anne Boudreau; Kapoor, Anoop; aonesi@fasken.com; Auburn Warren; Celeste Christensen; Gutierrez, Félix; Gerald Cahill; Connors, Gregory; John Medland; Krupski, Joseph; martina.mishkova@mwhglobal.com; Felt, Meghan; Freeman, Michael (TD Securities); mike.rayner@nrcan-rncan.gc.ca; Nikolay Argirov; Sullivan, Peter J.; Lazarus, Rhonda; Martis, Xeno)  
**Cc:** [jamesmeaney@nalconenergy.com](mailto:jamesmeaney@nalconenergy.com)  
**Subject:** MF/LTA and LIL Construction Reports June 21, 2014  
**Date:** Monday, July 21, 2014 5:47:12 PM  
**Attachments:** [.png](#)  
[.png](#)  
[LIL Construction Report July 21 2014.pdf](#)  
[MFLTA Construction Report July 21 2014.pdf](#)

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Hi All;

In accordance with the provisions of the MF/LTA and LIL Project Finance Agreements, please find attached the respective Construction Reports dated June 20, 2014.

Please let me know if you have any questions.

Regards,

Ed

**Ed Bush, MBA, P.Eng., PMP**

**Project Controls Manager**

**PROJECT DELIVERY TEAM**

**Lower Churchill Project**

t. 709-733-5230 c. 416-577-9769

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

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LIL Construction Report July 21 2014.pdf



MFLTA Construction Report July 21 2014.pdf

**CONSTRUCTION REPORT**  
**LIL Project Finance Agreement**

Date: 21-July-2014

**THE TORONTO-DOMINION BANK**

AS COLLATERAL AGENT  
 66 Wellington Street West  
 9th Floor  
 Toronto, Ontario M5K 1A2

**MWH CANADA INC.**

AS INDEPENDENT ENGINEER  
 505 Burrard Street, Suite 1500  
 One Bentall Centre  
 Vancouver, BC V7X 1M5

Ladies and Gentlemen:

We refer you to the financing agreement dated as of November 29, 2013 entered into among Labrador - Island Link Limited Partnership (the "**Partnership**"), as borrower LIL Construction Project Trust (the "**Intermediary Trust**"), as lender, Labrador - Island Link Operating Corporation ("**Opco**") and Labrador - Island Link General Partner Corporation (the "**General Partner**"), as credit parties, and The Toronto-Dominion Bank, as collateral agent (the "**Collateral Agent**") (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as the "**LIL Project Finance Agreement**").

We also refer you to the master definitions agreement entered into among, *inter alia*, the Collateral Agent, BNY Trust Company of Canada, as issuer trustee of Labrador-Island Link Funding Trust, BNY Trust Company of Canada, as trustee of the Intermediary Trust, Nalcor Energy, Labrador-Island Link Holding Corporation, Her Majesty The Queen In Right of the Province of Newfoundland and Labrador, the Partnership, as an obligor, Opco, as an obligor, the General Partner, as an obligor, and Computershare Trust Company of Canada, as the security trustee (the "**MDA**").

Unless otherwise defined herein or unless there be something in the subject or the context inconsistent therewith, all capitalized terms and expressions used herein shall have the same meaning as that ascribed to them from time to time in the MDA.

This Construction Report is delivered to you pursuant to subsection 7.3.2 and Section 11.3 of the LIL Project Finance Agreement in respect of the month ending on 30-June-2014 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, Vice-President of Devco, and as Vice-President of the General Partner, without personal liability, do hereby certify that:

1. I have conducted such investigations as I have deemed necessary to provide the information set out in this report and in so doing I have verified all engineering related matters with a licensed professional engineer working on our behalf in respect of the Project;

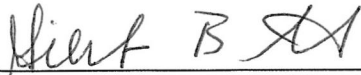
LIL CONSTRUCTION REPORT  
PERIOD ENDING 30-JUNE-2014

2. Attached hereto as Schedule "A" is a true and accurate table detailing the Hard Costs incurred during the Applicable Month and compared as against the original Project Budget;
3. Attached hereto as Schedule "B" is a true and accurate analysis of the Cost to Complete as at the end of the Applicable Month;
4. Attached hereto as Schedule "C" is a true and accurate analysis of the Cost Variances as at the end of the Applicable Month, with a narrative explanation as to any variances from the original Project Budget;
5. The estimated Commissioning Date is currently 01-June-2018;
6. There are no material disputes with any Material Project Participant or related claims against the Partnership, other than as set out in Schedule "E" hereto;
7. Attached hereto as Schedule "F" is a true and accurate report describing the progress of the construction of the Project since the Previous Construction Report and compared as against the originally established milestone in the Project Schedule;
8. The Project is being built substantially in all respects in accordance with the Project Plans and Good Utility Practice;
9. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, I have no reason to believe that the Project is being built in violation of any Applicable Laws or Authorizations in effect at the time of performance of the relevant work;
10. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Material Project Participants and other Persons participating or working toward the Commissioning of the Project, to the best of my Knowledge, are not in material default with respect to any of their respective obligations which would delay Commissioning beyond the Date Certain and the Partnership is not in material default in the payment of any sums due to such Persons in accordance with the terms agreed upon or in the fulfilment of any of its obligations with respect to such Persons, save and except with respect to such payments or obligations which the Partnership shall be contesting diligently and in good faith and in respect of which, in the event that such contestation should prove unsuccessful, no Lien shall be created or result upon or with respect to any LIL Assets and Rights now owned or hereafter acquired by the Partnership, except for Permitted Encumbrances;
11. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Authorizations which, under Applicable Law, as at the date hereof, are necessary to have been obtained in connection with the Project and the work currently being performed on the Project, have been obtained and are in full force and effect and do not contain any condition which could prevent or adversely affect the ability of the Partnership of attaining Commissioning by the Date Certain; and

LIL CONSTRUCTION REPORT  
PERIOD ENDING 30-JUNE-2014

12. Attached hereto as Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by the Partnership since the Previous Construction Report.

Signed at St. John's, Newfoundland and Labrador, this 21<sup>st</sup> day of July, 2014.



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Name: Gilbert Bennett, P.Eng.  
Title: Vice-President of Devco and the  
General Partner



**SCHEDULE "A"**

**Schedule "A" - Summary of Project Budget - Hard Costs  
 Lower Churchill Project-Phase 1  
 Labrador-Island Transmission Link (LIL)  
 Period Ending 30-June-2014**

Description	Project Budget	Planned Costs		Incurred Costs	
		Current Period	Project-to-Date	Current Period	Project-to-Date
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$5,052	\$93,574	\$5,052	\$93,574
Feasibility Engineering	\$34,012	\$0	\$21,252	\$0	\$21,252
Environmental & Regulatory Compliance	\$25,768	\$0	\$8,088	\$0	\$8,088
Aboriginal Affairs	\$2,244	\$0	\$450	\$0	\$450
Procurement & Construction	\$2,135,212	\$35,606	\$155,343	\$35,606	\$155,343
Commercial & Legal	\$22,490	-\$2,247	\$12,765	-\$2,247	\$12,765
Contingency	\$79,355	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,546,155</b>	<b>\$38,412</b>	<b>\$291,471</b>	<b>\$38,412</b>	<b>\$291,471</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

Incurred Costs for the Current Period and Project-to-Date are aligned with the incurred cost flow for the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of the General Partner during the current period.

The net negative Incurred Cost for the Current Period under "Commercial & Legal" is a result of adjusting entries made in relation to the alignment of incurred versus invoiced costs.

**SCHEDULE "B"**

**Schedule "B" - Summary of Cost to Complete  
Lower Churchill Project-Phase 1  
Labrador-Island Transmission Link (LIL)  
Period Ending 30-June-2014**

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$93,574	\$225,814	\$132,240
Feasibility Engineering	\$34,012	\$21,252	\$21,252	\$0
Environmental & Regulatory Compliance	\$25,768	\$8,088	\$22,306	\$14,218
Aboriginal Affairs	\$2,244	\$450	\$2,244	\$1,794
Procurement & Construction	\$2,135,212	\$155,343	\$2,426,095	\$2,270,752
Commercial & Legal	\$22,490	\$12,765	\$16,490	\$3,726
Contingency	\$79,355	\$0	\$72,280	\$72,280
<b>Total</b>	<b>\$2,546,155</b>	<b>\$291,471</b>	<b>\$2,786,480</b>	<b>\$2,495,009</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of the General Partner during the current period, resulting in an approximate increase of \$202M in the overall Cost to Complete, compared to the previous period.

The majority of the increase in the Cost to Complete is contained in the category of "Procurement & Construction" where several major construction contracts for LIL are pending award and construction activities for work in progress remain in the early stages.

The Cost to Complete for "Owners Team, Admin and EPCM Services" and "Environmental and Regulatory Compliance" has decreased as a result of the reduction in Final Forecast Cost for these categories.

The Cost to Complete for "Feasibility Engineering" and "Aboriginal Affairs" remains unchanged.

Although the Final Forecast Cost for "Commercial & Legal" remains unchanged from the last reporting period, the Cost to Complete has increased as a result of the adjustment to incurred costs during the current period.

The Cost to Complete for "Contingency" has increased as result of the increase in Final Forecast Cost for this category.

**SCHEDULE "C"**

**Schedule "C" - Summary of Cost Variances  
Lower Churchill Project-Phase 1  
Labrador-Island Transmission Link (LIL)  
Period Ending 30-June-2014**

Description	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$225,814	-\$21,261
Feasibility Engineering	\$34,012	\$21,252	-\$12,760
Environmental & Regulatory Compliance	\$25,768	\$22,306	-\$3,462
Aboriginal Affairs	\$2,244	\$2,244	\$0
Procurement & Construction	\$2,135,212	\$2,426,095	\$290,884
Commercial & Legal	\$22,490	\$16,490	-\$6,000
Contingency	\$79,355	\$72,280	-\$7,075
<b>Total</b>	<b>\$2,546,155</b>	<b>\$2,786,480</b>	<b>\$240,325</b>

**Note: Costs in CAD (\$ Thousands)**

Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of the General Partner during the current period, resulting in an increase of \$240,325 in the overall Final Forecast Cost.

The main component of this variance is the increase in the category of "Procurement & Construction", which has been amended to reflect actual commitments and updated estimates for un-awarded commitment packages based on bids or substantially advanced pricing.

The Final Forecast Costs for "Owners Team, Admin and EPCM Services", and "Environmental & Regulatory Compliance" have decreased as a result of analysis of these categories during the AFE revision.

The Final Forecast Costs for "Feasibility Engineering", "Aboriginal Affairs" and "Commercial & Legal" remain unchanged from the last reporting period.

The Final Forecast Cost for "Contingency" has increased from the last reporting period as a result of the analysis of the category during the AFE revision, however, continues to remain below the Project Budget.

**SCHEDULE "D"**

There is currently no variance from the planned Commissioning Date of 01-June-2018 set forth in the LIL Project Schedule which would delay the Commissioning Date beyond the Date Certain.

**SCHEDULE "E"**

There are currently no material disputes with any Material Project Participant, or related claims against the Partnership.

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**SCHEDULE "F"**

<b>Labrador-Island Link - Milestone Schedule</b>			
<b>Milestone Description</b>	<b>Planned</b>	<b>Actual/Forecast</b>	<b>Status</b>
Project Sanction	17-Dec-2012	17-Dec-2012	Achieved
SOBI Cable Systems Ready	25-Oct-2016	25-Oct-2016	
Muskrat Falls Switchyard and Converter Station Ready for Operation	28-Feb-2017	28-Feb-2017	
HVdc Transmission Line Construction Complete and Connected	30-Jun-2017	30-Jun-2017	
Soldier's Pond Switchyard and Converter Station Ready for Operation	04-Oct-2017	04-Oct-2017	
Ready for Power Transmission	04-Oct-2017	04-Oct-2017	
Soldier's Pond Synchronous Condenser Ready for Operation	13-Nov-2017	13-Nov-2017	
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

The horizontal directional drilling spread under LC-SB-022 was re-assembled and work has commenced on the first bore at Forteau Point, the Labrador side of the SOBI crossing. Casing for all holes has been received, threaded and in the process of undergoing coating prior to shipment to the respective drill sites in July.

Manufacturing and testing of the submarine cable in Japan under contract LC-SB-003 is progressing as planned. The mass impregnation insulation process is underway for the first submarine cable prior to application of the outer layers and armour.

The commencement of ROW Clearing on the first 30 km of the HVdc Transmission Line under CT0327-006 occurred during the current reporting period and is proceeding well above plan.

A marshalling yard has been established to support the island portion of the HVdc construction at the port of Argentia, Newfoundland. The yard is on schedule to begin receiving transmission line materials by mid-July 2014.

Preparation and development of the Soldier's Pond switchyard and converter station site under CD0503-002 is progressing well. Construction of the permanent access road intersection with the Trans- Canada Highway is underway and proceeding in accordance with plan. Overall progress is at 51% against a plan of 49%.

Contract CD0501 for the Supply and Installation of Converters and Cable Transition Compounds was awarded 19-June-2014. Work continues on the preparation of management, technical, and commercial deliverables.

**SCHEDULE "G"**

The following Additional Material Project Document was entered into since the Previous Construction Report:

- CD0501 – Supply and Install Converters and Cable Transition Compounds.

Awarded to Alstom Grid, Executed 19-June-2014.

A Limited Notice to Proceed had previously been entered into 31-March-2014.

**CONSTRUCTION REPORT**  
**Muskrat/LTA Project Finance Agreement**

Date: 21-July-2014

**THE TORONTO-DOMINION BANK**  
 AS COLLATERAL AGENT  
 66 Wellington Street West  
 9th Floor  
 Toronto, Ontario M5K 1A2

**MWH CANADA INC.**  
 AS INDEPENDENT ENGINEER  
 505 Burrard Street, Suite 1500  
 One Bentall Centre  
 Vancouver, BC V7X 1M5

Ladies and Gentlemen:

We refer you to the financing agreement dated as of November 29, 2013 entered into among Muskrat Falls Corporation ("**Muskrat**") and Labrador Transmission Corporation ("**Labrador Transco**"), as borrowers, Muskrat Falls/Labrador Transmission Assets Funding Trust (the "**Funding Vehicle**"), as lender, and The Toronto-Dominion Bank, as collateral agent (the "**Collateral Agent**") (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as the "**Muskrat/LTA Project Finance Agreement**").

We also refer you to the master definitions agreement entered into among, *inter alia*, the Collateral Agent and lead arranger, BNY Trust Company of Canada, as issuer trustee of the Funding Vehicle, Computershare Trust Company of Canada, as security trustee, Nalcor Energy, Her Majesty The Queen In Right of the Province of Newfoundland and Labrador, Muskrat, as a credit party, and Labrador Transco, as a credit party (the "**MDA**").

Unless otherwise defined herein or unless there be something in the subject or the context inconsistent therewith, all capitalized terms and expressions used herein shall have the same meaning as that ascribed to them from time to time in the MDA.

This Construction Report is delivered to you pursuant to subsection 7.4.2 and Section 11.3 of the Muskrat/LTA Project Finance Agreement in respect of the month ending on 30-June-2014 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, Vice President of Devco, of Muskrat, and of Labrador Transco, without personal liability, do hereby certify the matters set forth in Section A and Section B below:

**A. MUSKRAT MATTERS**

1. I have conducted such investigations as I have deemed necessary to provide the information set out in this report and in so doing I have verified all engineering related matters with a licensed professional engineer working on our behalf in respect of the MF Plant.



MF/LTA CONSTRUCTION REPORT  
PERIOD ENDING 30-JUNE-2014

2. Attached hereto as Part I of Schedule "A" is a true and accurate table detailing the Hard Costs incurred as at the Effective Date in such prior month with respect to the MF Plant by and compared as against the original MF Project Budget.
3. Attached hereto as Part I of Schedule "B" is a true and accurate analysis of the Cost to Complete the MF Plant as at the end of the Applicable Month.
4. Attached hereto as Part I of Schedule "C" is a true and accurate analysis of the Cost Variances for the MF Plant as at the end of the Applicable Month, with a narrative explanation as to any variances.
5. The estimated Commissioning Date is currently 01-June-2018.
6. There are no material disputes with any Material Project Participant related to the MF Plant and any related claims against Muskrat, other than as set out in Part I of Schedule "E" hereto.
7. Attached hereto as Part I of Schedule "F" is a true and accurate report describing the progress of the construction of the MF Plant since the Previous Construction Report.
8. The MF Plant is being built substantially in all respects in accordance with the MF Project Plans and Good Utility Practice.
9. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, I have no reason to believe that the MF Plant is being built in violation of any Applicable Laws or Authorizations pertaining to the MF Plant in effect at the time of performance of the relevant work.
10. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Authorizations which, under Applicable Law, at such time are necessary to have been obtained in connection with the MF Plant and the work currently being performed on the MF Plant, have been obtained and are in full force and effect and do not contain any condition which could prevent or adversely affect the ability of the Credit Parties of attaining Commissioning by the Date Certain.
11. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Material Project Participants related to the MF Plant and other Persons participating or working toward the Commissioning of the MF Plant, to the best of my Knowledge, are not in material default with respect to any of their respective obligations which would delay Commissioning beyond the Date Certain and Muskrat is not in material default in the payment of any sums due to such Persons in accordance with the terms agreed upon or in the fulfilment of any of its obligations with respect to such Persons, save and except with respect to such payments or obligations which Muskrat shall be contesting diligently and in good faith and in respect of which, in the event that such contestation should prove unsuccessful, no Lien shall be created or result upon or with respect to any of its Assets, except for Permitted Encumbrances.



MF/LTA CONSTRUCTION REPORT  
PERIOD ENDING 30-JUNE-2014

12. Attached hereto as Part I of Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by Muskrat since the Previous Construction Report.

**B. LABRADOR TRANSCO MATTERS**

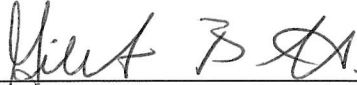
13. I have conducted such investigations as I have deemed necessary to provide the information set out in this report and in so doing I have verified all engineering related matters with a licensed professional engineer working on our behalf in respect of the LTA.
14. Attached hereto as Part II of Schedule "A" is a true and accurate table detailing the Hard Costs incurred as at the Effective Date in such prior month with respect to the LTA and compared as against the original LTA Project Budget.
15. Attached hereto as Part II of Schedule "B" is a true and accurate analysis of the Cost to Complete the LTA as at the end of the Applicable Month.
16. Attached hereto as Part II of Schedule "C" is a true and accurate analysis of the Cost Variances for the LTA as at the end of the Applicable Month, with a narrative explanation as to any variances.
17. The estimated Commissioning Date is currently 01-June-2018.
18. There are no material disputes with any Material Project Participant related to the LTA and any related claims against Labrador Transco, other than as set out in Part II of Schedule "E" hereto.
19. Attached hereto as Part II of Schedule "F" is a true and accurate report describing the progress of the construction of the LTA since the Previous Construction Report.
20. The LTA is being built substantially in all respects in accordance with the LTA Project Plans and Good Utility Practice.
21. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, I have no reason to believe that the LTA is being built in violation of any Applicable Laws or Authorizations pertaining to the LTA in effect at the time of performance of the relevant work.
22. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Authorizations which, under Applicable Law, at such time are necessary to have been obtained in connection with the LTA and the work currently being performed on the LTA, have been obtained and are in full force and effect and do not contain any condition which could prevent or adversely affect the ability of the Credit Parties of attaining Commissioning by the Date Certain.
23. That, subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Material Project Participants related to the LTA and other Persons participating or

MF/LTA CONSTRUCTION REPORT  
PERIOD ENDING 30-JUNE-2014

working toward the Commissioning of the LTA, to the best of our Knowledge, are not in material default with respect to any of their respective obligations which would delay Commissioning beyond the Date Certain and Labrador Transco is not in material default in the payment of any sums due to such Persons in accordance with the terms agreed upon or in the fulfilment of any of its obligations with respect to such Persons, save and except with respect to such payments or obligations which Labrador Transco shall be contesting diligently and in good faith and in respect of which, in the event that such contestation should prove unsuccessful, no Lien shall be created or result upon or with respect to any of its Assets, except for Permitted Encumbrances.

24. Attached hereto as Part II of Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by Labrador Transco since the Previous Construction Report.

Signed at St. John's, Newfoundland and Labrador, this 21<sup>st</sup> day of July, 2014.



---

Name: Gilbert Bennett, P. Eng.  
Title: Vice-President of Devco, Muskrat,  
and Labrador Transco

**SCHEDULE "A"**

**Part I - Hard Costs for the MF Plant**

Schedule "A" - Summary of Project Budget - Hard Costs  
 Lower Churchill Project-Phase 1  
 Muskrat Falls Generation  
 Period Ending 30-June-2014

Description	Project Budget	Planned Costs		Incurred Costs	
		Current Period	Project-to-Date	Current Period	Project-to-Date
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$7,331	\$216,709	\$7,331	\$216,709
Feasibility Engineering	\$18,345	\$0	\$17,949	\$0	\$17,949
Environmental & Regulatory Compliance	\$20,312	\$753	\$14,770	\$753	\$14,770
Aboriginal Affairs	\$13,314	\$371	\$4,916	\$371	\$4,916
Procurement & Construction	\$2,719,626	\$35,932	\$630,242	\$35,932	\$630,242
Commercial & Legal	\$20,457	-\$543	\$13,702	-\$543	\$13,702
Contingency	\$94,255	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$3,265,278</b>	<b>\$43,844</b>	<b>\$898,288</b>	<b>\$43,844</b>	<b>\$898,288</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

Incurred Costs for the Current Period and Project-to-Date are aligned with the incurred cost flow for the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Muskrat during the current period.

The net negative Incurred Cost for the Current Period under "Commercial & Legal" is a result of adjusting entries made in relation to the alignment of incurred versus invoiced costs.

**Part II - Hard Costs for the LTA**

**Schedule "A" - Summary of Project Budget - Hard Costs  
Lower Churchill Project-Phase 1  
Labrador Transmission Asset (LTA)  
Period Ending 30-June-2014**

Description	Project Budget	Planned Costs		Incurred Costs	
		Current Period	Project-to-Date	Current Period	Project-to-Date
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$2,899	\$57,875	\$2,899	\$57,875
Feasibility Engineering	\$256	\$0	\$220	\$0	\$220
Environmental & Regulatory Compliance	\$710	\$0	\$664	\$0	\$664
Aboriginal Affairs	\$188	\$0	\$0	\$0	\$0
Procurement & Construction	\$626,869	\$11,108	\$129,966	\$11,108	\$129,966
Commercial & Legal	\$2,030	\$94	\$2,056	\$94	\$2,056
Contingency	\$14,030	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$720,322</b>	<b>\$14,101</b>	<b>\$190,781</b>	<b>\$14,101</b>	<b>\$190,781</b>

Note: Costs in CAD (\$ Thousands)

**Analysis:**

Incurred Costs for the Current Period and Project-to-Date are aligned with the incurred cost flow for the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Labrador Transco during the current period.



**SCHEDULE "B"**

**Part I - Muskrat Cost to Complete**

**Schedule "B" - Summary of Cost to Complete  
Lower Churchill Project-Phase 1  
Muskrat Falls Generation  
Period Ending 30-June-2014**

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$216,709	\$382,811	\$166,102
Feasibility Engineering	\$18,345	\$17,949	\$17,949	\$0
Environmental & Regulatory Compliance	\$20,312	\$14,770	\$24,312	\$9,542
Aboriginal Affairs	\$13,314	\$4,916	\$13,314	\$8,399
Procurement & Construction	\$2,719,626	\$630,242	\$2,786,766	\$2,156,524
Commercial & Legal	\$20,457	\$13,702	\$25,989	\$12,287
Contingency	\$94,255	\$0	\$120,847	\$120,847
<b>Total</b>	<b>\$3,265,278</b>	<b>\$898,288</b>	<b>\$3,371,989</b>	<b>\$2,473,701</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Muskrat during the current period, resulting in an approximate increase of \$63M in the overall Cost to Complete, compared to the previous period.

The majority of this increase is contained in the category of "Procurement & Construction" where there are several major construction contracts for MF (including CH0008, CH0009 and CH0031) pending award, and construction activities for work in progress remain in the early stages.

Although the Final Forecast Cost for "Owners Team, Admin and EPCM Services" increased from the last reporting period, the Cost to Complete has decreased in alignment with the increase in Incurred Costs.

The Cost to Complete for "Feasibility Engineering" remains unchanged from the last reporting period.

The Cost to Complete for "Environmental & Regulatory Compliance", and "Contingency" has increased as a result of the increase in Final Forecast Cost for these categories.

The Cost to Complete for "Aboriginal Affairs" is based on the Final Forecast Cost which remains unchanged.

Although Final Forecast Cost for "Commercial & Legal" decreased from the last reporting period, the Cost to Complete has increased as a result of the adjustment to incurred costs during the current period.



**Part II - Labrador Transco Cost to Complete**

**Schedule "B" - Summary of Cost to Complete  
Lower Churchill Project-Phase 1  
Labrador Transmission Asset (LTA)  
Period Ending 30-June-2014**

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$57,875	\$99,973	\$42,098
Feasibility Engineering	\$256	\$220	\$220	\$0
Environmental & Regulatory Compliance	\$710	\$664	\$710	\$46
Aboriginal Affairs	\$188	\$0	\$188	\$188
Procurement & Construction	\$626,869	\$129,966	\$696,322	\$566,355
Commercial & Legal	\$2,030	\$2,056	\$3,141	\$1,085
Contingency	\$14,030	\$0	\$31,391	\$31,391
<b>Total</b>	<b>\$720,322</b>	<b>\$190,781</b>	<b>\$831,945</b>	<b>\$641,164</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Labrador Transco during the current period, resulting in an approximate increase of \$98M in the overall Cost to Complete, compared to the previous period.

The majority of this increase is contained in the category of "Procurement & Construction" where the construction contract of the switchyards at Muskrat Falls and Churchill Falls (CD0502) has yet to be awarded, and construction activities for work in progress remain in the early stages.

The Cost to Complete for "Owners Team, Admin and EPCM Services", "Commercial & Legal", and "Contingency" have increased as a result of the increase in Final Forecast Cost for these categories.

The Cost to Complete for "Feasibility Engineering", "Environmental & Regulatory Compliance" and "Aboriginal Affairs" remains unchanged from the last reporting period.

## SCHEDULE "C"

## Part I - Muskrat Cost Variances

**Schedule "C" - Summary of Cost Variances  
Lower Churchill Project-Phase 1  
Muskrat Falls Generation  
Period Ending 30-June-2014**

Description	Project Budget	Final Forecast Cost (FFC)	Variance
<b>NE-LCP Owners Team, Admin and EPCM Services</b>	\$378,969	\$382,811	\$3,842
<b>Feasibility Engineering</b>	\$18,345	\$17,949	-\$396
<b>Environmental &amp; Regulatory Compliance</b>	\$20,312	\$24,312	\$4,000
<b>Aboriginal Affairs</b>	\$13,314	\$13,314	\$0
<b>Procurement &amp; Construction</b>	\$2,719,626	\$2,786,766	\$67,140
<b>Commercial &amp; Legal</b>	\$20,457	\$25,989	\$5,533
<b>Contingency</b>	\$94,255	\$120,847	\$26,592
<b>Total</b>	<b>\$3,265,278</b>	<b>\$3,371,989</b>	<b>\$106,711</b>

Note: Costs in CAD (\$ Thousands)

## Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Muskrat during the current period, resulting in an increase of \$106,711 in the overall Final Forecast Cost.

The main component of this variance is the increase in the category of "Procurement & Construction", which has been amended to reflect actual commitments and updated estimates for un-awarded commitment packages based on bids or substantially advanced pricing.

The Final Forecast Costs for "Owners Team, Admin and EPCM Services", "Environmental & Regulatory Compliance" and "Contingency" have increased as a result of the analysis of these categories during the AFE revision.

The Final Forecast Cost for "Feasibility Engineering" and "Aboriginal Affairs" remains unchanged from the last reporting period.

The Final Forecast Cost for "Commercial & Legal" decreased from the last reporting period but continues to remain above Project Budget.

## Part II - Labrador Transco Cost Variances

**Schedule "C" - Summary of Cost Variances**  
**Lower Churchill Project-Phase 1**  
**Labrador Transmission Asset (LTA)**  
**Period Ending 30-June-2014**

Description	Project Budget	Final Forecast Cost (FFC)	Variance
<b>NE-LCP Owners Team, Admin and EPCM Services</b>	\$76,238	\$99,973	\$23,735
Feasibility Engineering	\$256	\$220	-\$36
Environmental & Regulatory Compliance	\$710	\$710	\$0
Aboriginal Affairs	\$188	\$188	\$0
Procurement & Construction	\$626,869	\$696,322	\$69,452
Commercial & Legal	\$2,030	\$3,141	\$1,111
Contingency	\$14,030	\$31,391	\$17,361
<b>Total</b>	<b>\$720,322</b>	<b>\$831,945</b>	<b>\$111,623</b>

Note: Costs in CAD (\$ Thousands)

## Analysis:

The Final Forecast Cost has been updated to align with the 2014 revised Authorization for Expenditure (AFE) approved by the Board of Directors of Labrador Transco during the current period, resulting in an increase of \$111,623 in the overall Final Forecast Cost.

The main component of this variance is the increase in the category of "Procurement & Construction", which has been amended to reflect actual commitments and updated estimates for un-awarded commitment packages based on bids or substantially advanced pricing.

The Final Forecast Costs for "Owners Team, Admin and EPCM Services", "Commercial & Legal", and "Contingency" have increased as a result of the analysis of the categories during the AFE revision.

The Final Forecast Costs for "Feasibility Engineering", "Environmental & Regulatory Compliance", and "Aboriginal Affairs" remain unchanged from the last reporting period.

**SCHEDULE "D"****Part I - Muskrat Estimated Commissioning Date**

There is currently no variance from the planned Commissioning Date of 01-June-2018 set forth in the MF Project Schedule which would delay the Commissioning Date beyond the Date Certain.

**Part II - Labrador Transco Estimated Commissioning Date**

There is currently no variance from the planned Commissioning Date of 01-June-2018 set forth in the LTA Project Schedule which would delay the Commissioning Date beyond the Date Certain.



**SCHEDULE "E"****Part I - Muskrat Material Disputes**

Material disputes with any Material Project Participant or related claims against Muskrat are listed below:

- CH0006 – Construction of Bulk Excavation Works and Associated Works:

The Contractor, IKC-ONE, submitted a Request for Equitable Adjustment (REA) dated 27-August-2013 in the approximate amount of \$31,000,000. The Contractor has stated that there were delays outside of its control and they were required to accelerate their work to meet their contract schedule.

The REA is being managed in accordance with Devco business processes however a deadline has not been established for resolution.

Evaluation completed to date by Devco has established the value of the REA as submitted by the Contractor is inflated, and that the estimated value is below \$10,000,000. A forensic audit of the Contractor's costs was completed May 2014 and discussions with the Contractor are ongoing.

The Request for Equitable Adjustment will not impact the MF Project Schedule as the work has been completed, on schedule.

**Part II - Labrador Transco Material Disputes**

There are currently no material disputes with any Material Project Participant, or related claims against Labrador Transco.



**SCHEDULE "F"**

**Part I - MF Plant Construction Progress**

<b>Muskrat Falls Generation - Milestone Schedule</b>			
<b>Milestone Description</b>	<b>Planned</b>	<b>Actual/Forecast</b>	<b>Status</b>
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
North Spur Works Ready for Diversion	30-Nov-2015	30-Nov-2015	
River Diversion Complete	09-Nov-2016	09-Nov-2016	
Reservoir Impoundment Complete	19-Nov-2017	19-Nov-2017	
Powerhouse Unit 1 Commissioned - Ready for Operation	30-Dec-2017	30-Dec-2017	
First Power from Muskrat Falls	30-Dec-2017	30-Dec-2017	
Powerhouse Unit 2 Commissioned - Ready for Operation	18-Feb-2018	18-Feb-2018	
Powerhouse Unit 3 Commissioned - Ready for Operation	12-April-2018	12-April-2018	
Powerhouse Unit 4 Commissioned - Ready for Operation	22-May-2018	22-May-2018	
Full Power from Muskrat Falls	22-May-2018	22-May-2018	
Commissioning Complete -	01-Jun-2018	01-Jun-2018	

Commissioning Certificate Issued			
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Construction of the Accommodations Complex at Muskrat Falls under CH0002 is nearing completion, with the kitchen, dining and recreation complex fully operable, and the new 1500 person construction camp at 99% complete. A total of 10 of 11 dormitories are now ready for occupancy. The contractor is continuing demobilization.

Construction of the administrative buildings under contract CH0003 progressed during the period with the commencement of commissioning activities for all major buildings including the materials testing laboratory, fire and ambulance shelter, security building, the gatehouse and camp maintenance building. Foundation installation continued for the sports complex, and preparations for the site administration complex have been completed with all modular units currently awaiting installation on site. Overall work under this contract is 56% complete with the majority of the remaining work relating to the site administration complex.

Following remobilization during the last reporting period, the CH0004-002 contractor for construction of the Caroline Brook Resource Road upgrade continued with grading, drainage and embankment construction activities. Overall work under this contract is at 82% complete.

Construction of the Southside Access Road under CH0004-001 continued during the period and ditching and crowning activities in the segment between the company laydown area and the powerhouse were completed.

The CH0007 contractor responsible for the Intake, Powerhouse, Spillway, and Transition Dams is continuing with mobilization and set up of offices and temporary facilities (maintenance building, heated warehouse and carpenter shop) at the contractors lay down area as well as at the intake, powerhouse and spillway sites.

- Extension of construction power distribution to the batch plant and laydown areas was completed.
- Foundation preparation for the center transition dam commenced during the period along with the initiation of concrete placement for the tower crane base.
- Foundation preparation at the spillway continued and work commenced on formwork, and reinforcing for the first 4 of 9 spillway base slab pours. Deliveries of preassembled formwork for the spillway piers have commenced.

- Aggregate crushing and screening operations are continuing, with intermittent operation of the crusher during the period. A second crushing spread was mobilized and assembly commenced, along with construction of the new crusher pad.
- Erection of the permanent batch plant structure and installation of equipment is continuing.
- Foundation construction for the ICS at the powerhouse, intake and south service bay is ongoing in advance of the start of structural steel erection planned to begin in July. Access ramps have been constructed to facilitate crane access.
- Dewatering in the powerhouse and spillway excavations is ongoing along with overall maintenance of the site road infrastructure.
- Efforts continue with Devco and the contractor to improve progress which has been tracking behind plan.

Manufacturing of the Turbines and Generators under CH0030 is proceeding on schedule and currently at 21% complete. Repairs on the first hub are complete and NDE has passed. A visit by Devco to the manufacturing facilities in China was completed in June, and audits were conducted at the Tianbao facility, along with three of the subcontractors, two of which are scheduled to provide overflow machining capacity for Tianbao and the third to assist in manufacturing of the bearings. The first stay ring, draft tube liner and circular passage door were completed during the period and are scheduled to ship from China in the coming weeks.

Manufacturing of the primary anchor materials for the spillway is continuing under contract CH0032 for the supply and installation of the Hydro-Mechanical Equipment. The third and fourth sets of anchors were delivered to the Muskrat Falls site during the period.

The CH0024 contractor responsible for Clearing the North and South Banks of the Muskrat Falls reservoir is progressing well and continues to be ahead of schedule. Approximately 830 hectares have been cleared to date representing 45% complete.

**Part II - LTA Construction Progress**

<b>Labrador Transmission Asset - Milestone Schedule</b>			
<b>Milestone Description</b>	<b>Planned</b>	<b>Actual/Forecast</b>	<b>Status</b>
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
Hvac Transmission Line Construction Complete	08-Jun-2016	08-Jun-2016	
Churchill Falls Switchyard Ready to Energize	31-May-2017	31-May-2017	
Muskrat Falls Switchyard Ready to Energize	31-May-2017	31-May-2017	
Ready for Power Transmission	31-May-2017	31-May-2017	
Commissioning Complete- Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	
Date Certain	28-Feb-2019	28-Feb-2019	



Construction Narrative:

Catering services for the Churchill Falls camp under SD0564 continued during the period, and the Kitchen and Dining facility was successfully opened for residents. The camp is currently being occupied by approximately 125 personnel engaged in transmission line clearing operations and switchyard civil construction at Churchill Falls.

The contractor for bulk excavation and grading of the new Churchill Falls switchyard under CD0503 continued with the ongoing progression of work, adding equipment and resources regularly as work fronts open up.

The Labrador marshalling yard operation is ongoing and supporting the HVac transmission line construction activities. Receipt of materials such as steel towers, foundations, hardware, guy wire and conductor are continuing for the HVac transmission line, along with the ongoing issuance of towers and foundation materials to the CT0319 contractor.

Clearing for the HVac right of way is proceeding well under package CT0314, with a forecast to complete the entire line by September 2014. Work is approximately 69% complete overall.

The CT0319 contractor for the HVac transmission line erection is continuing with mobilization efforts including set up of modular offices and camp facilities in the vicinity of the North Spur, which are now occupied. During the current period the first tower foundation for the transmission line was installed, and approximately 16 tower assemblies were successfully completed by the end of the period. Work continues on development of access routes along the transmission line ROW.



**SCHEDULE "G"**

**Part I - Muskrat Additional Material Project Documents**

There were no Additional Material Project Documents entered into since the Previous Construction Report.

**Part II - Labrador Transco Additional Material Project Documents**

There were no Additional Material Project Documents entered into since the Previous Construction Report.

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