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Subject: MF/LTA and LIL Construction Reports 20 Sept 2015
Date: Monday, September 21, 2015 4:40:53 PM
Attachments: [.png](#)
[.png](#)
[LIL Construction Report 20 September 2015.pdf](#)
[MFLTA Construction Report 20 September 2015.pdf](#)

Hello Folks,

In accordance with the provisions of the MF/LTA and LIL Project Finance Agreements, please find attached the respective Construction Reports dated September 20, 2015.

By all means let me know if you have any questions.

Regards,

Jim



LIL Construction Report 20 September 2015.pdf



MFLTA Construction Report 20 September 2015.pdf

CONSTRUCTION REPORT
LIL Project Finance Agreement

Date: 20-September-2015

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

MWH CANADA INC.
AS INDEPENDENT ENGINEER
Suite 740, 1185 W. Georgia Street
Vancouver, BC V6E 4E6

Ladies and Gentlemen:

We refer you to the amended and restated financing agreement dated as of July 16, 2015 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 ("**Opc**") 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 amended and restated 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, Opc, as an obligor, the General Partner, as an obligor, and Computershare Trust Company of Canada, as the security trustee (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as 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 31-August-2015 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, Vice-President of Devco, and as Vice-President of the General Partner, in my capacity as an officer and 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;

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 it relates to Hard Costs, 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 they relate to Hard Costs, 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. Please refer to Schedule "D" hereto for details;
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 31-AUGUST-2015

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 20th day of September, 2015.



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



Name: Gilbert Bennett, P. Eng.
Title: Vice-President of Devco

SCHEDULE "A"

**Schedule "A" - Summary of Project Budget - Hard Costs
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-August-2015**

Description	Initial Project Budget	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	\$225,814	\$2,699	\$131,357	\$4,381	\$139,146
Feasibility Engineering	\$34,012	\$21,252	\$0	\$21,252	\$0	\$21,252
Environmental & Regulatory Compliance	\$25,768	\$22,306	\$339	\$12,828	\$526	\$10,156
Aboriginal Affairs	\$2,244	\$2,244	\$51	\$1,167	\$0	\$453
Procurement & Construction	\$2,135,212	\$2,426,095	\$91,291	\$1,032,086	\$87,782	\$862,644
Commercial & Legal	\$22,490	\$16,490	\$5	\$16,339	-\$179	\$12,997
Contingency	\$79,355	\$72,280	\$2,530	\$24,575	\$0	\$0
Total	\$2,546,155	\$2,786,480	\$96,914	\$1,239,605	\$92,510	\$1,046,647

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs for the Current Period and Project-to-Date are lower than planned, primarily as a result of lower than estimated progress at the Converter Stations under CD0501 for Supply and Install Converters and Cable Transition Compounds in the category of “Procurement & Construction”.

The net negative Current Period Incurred Cost under “Commercial & Legal” is related to the transfer of historical internal labour costs to the category of “Owners Team, Admin and EPCM Services” to align with where budgets are allocated.

Incurred Costs for the Current Period under “Owners Team, Admin and EPCM Services” are higher than planned mainly as a result of the reconciliations with Nalcor services, the higher than planned costs for contractor management, and the transfer of costs from the category of “Commercial & Legal” as described above.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

SCHEDULE "B"

**Schedule "B" - Summary of Cost to Complete
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-August-2015**

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$225,814	\$139,146	\$221,262	\$82,117
Feasibility Engineering	\$34,012	\$21,252	\$21,252	\$21,252	\$0
Environmental & Regulatory Compliance	\$25,768	\$22,306	\$10,156	\$18,306	\$8,150
Aboriginal Affairs	\$2,244	\$2,244	\$453	\$2,244	\$1,792
Procurement & Construction	\$2,135,212	\$2,426,095	\$862,644	\$2,467,200	\$1,604,556
Commercial & Legal	\$22,490	\$16,490	\$12,997	\$16,490	\$3,493
Contingency	\$79,355	\$72,280	\$0	\$39,726	\$39,726
Total	\$2,546,155	\$2,786,480	\$1,046,647	\$2,786,480	\$1,739,833

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Cost to Complete for “Owners Team, Admin and EPCM Services” has decreased from last month due to the decrease in Final Forecast Cost for this category, and incurred costs this period.

The Cost to Complete for “Feasibility Engineering”, and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the incurred cost this period notwithstanding the increase in Final Forecast Cost for this category, and continues to remain significant as construction activities for work in progress are ongoing.

The Cost to Complete for “Commercial & Legal” has increased as a result of the transfer described in Schedule “A”.

The Cost to Complete for “Contingency” has decreased as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for the remaining category has decreased from last month by the incurred cost this period as the Final Forecast Cost remains unchanged from the last reporting period.

SCHEDULE "C"

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-August-2015**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$225,814	\$221,262	-\$4,551
Feasibility Engineering	\$34,012	\$21,252	\$21,252	\$0
Environmental & Regulatory Compliance	\$25,768	\$22,306	\$18,306	-\$4,000
Aboriginal Affairs	\$2,244	\$2,244	\$2,244	\$0
Procurement & Construction	\$2,135,212	\$2,426,095	\$2,467,200	\$41,105
Commercial & Legal	\$22,490	\$16,490	\$16,490	\$0
Contingency	\$79,355	\$72,280	\$39,726	-\$32,554
Total	\$2,546,155	\$2,786,480	\$2,786,480	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Final Forecast Cost for “Owners Team, Admin and EPCM Services” has decreased during the current reporting period by \$30 as a result of the transfer of costs for site office supplies for C3 (HVdc Specialties) from this category to the category of “Procurement & Construction” under SD0568. As a result of the above, the variance has decreased from (\$4,521) as reported last period.

The Final Forecast Cost for “Procurement and Construction” has increased during the current reporting period by \$15,794, primarily as a result of clearing cost increases on the HVdc Transmission Line in Labrador under CT0327, alignment with contract value increase for the HVac 230 kV Modifications and Island Electrode Line under CT0342, additional rock anchors required for the HVdc Transmission Line under PT0352, and the additional cost of services at Muskrat Falls for Catering, Housekeeping and Janitorial under SH0018, Garbage Removal and Disposal under SH0040, and Fuel Supply under SH0022 to accommodate the work being carried out under C3 at the switchyard and converter station, as well as the transfer noted above. As a result of the above, the variance has increased from \$25,311 as reported last period.

The Final Forecast Cost for “Contingency” has decreased by a net amount of \$15,764 as a result of the changes described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for LIL.

SCHEDULE "D"

Due to the schedule review under Muskrat Falls, the Commissioning Date of 01-June-2018 set forth in the LIL Project Schedule is under review; however it is anticipated not to extend past the Date Certain.

SCHEDULE "E"

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

SCHEDULE "F"

Milestone Description	Planned	Actual/Forecast	Status
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	24-July-2017	
HVdc Transmission Line Construction Complete and Connected	30-Jun-2017	03-July-2017	
Soldier's Pond Switchyard and Converter Station Ready for Operation	04-Oct-2017	24-July-2017	
Ready for Power Transmission	04-Oct-2017	22-Sept-2017	
Soldier's Pond Synchronous Condenser Ready for Operation	13-Nov-2017	17-June-2017	
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	Under Review (as a result of noted MF schedule review)
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Manufacturing and testing of the submarine cable in Japan under contract LC-SB-003 continues to progress as planned. All fibre manufacturing and delivery has been completed and embedded into the cable, with FAT of Cable Batch No. 3 on schedule for completion by October 2015. Both the Shoal Cove and Forteau Point sites have now been handed over to Nexans, LC-SB-003 cable Contractor, following completion of all civil works in July. Land cable preparation, including scaffolding tower erection and guy wire support installation, has commenced at Shoal Cove, with activities scheduled to commence at Forteau Point in September 2015, and all land cables are in Halifax with delivery to site scheduled for September 2015. Quayside construction activities continued and final rock quantities for cable protection have now been defined for 2016 as 448,000 tonnes, with 435,000 tonnes currently ready for use.

ROW clearing and access development is proceeding well under the various CT0327 clearing contracts. By the end of August, approximately 1,693 hectares had been cleared to date in Labrador representing 71% complete of the clearing required for the region, and approximately 1,503 hectares cleared to date in Newfoundland representing 36% of the clearing required on the Island.

Mass fabrication activities of material for the HVdc transmission line towers are continuing in Texas, Dubai and India, and receiving, storage and handling activities at both the Port of Argentia marshalling yard and the Labrador marshalling yard to support HVdc construction is ongoing.

By the end of August quantities produced for Workfront 1 (of 3) were as follows: 469 foundations installed, 478 towers assembled and 111 erected, out of a total of 1284; and 135 guy anchors tested, out of 191 installed, of an overall total of 1147.

Work is continuing on the preparation of management, technical, and commercial deliverables under contracts CD0501 for the Supply and Installation of Converters and Cable Transition Compounds, CD0502 for Construction of AC Substations and CD0534 for EPC Synchronous Condensers at Soldiers Pond. Civil works activity for the Soldier's Pond Switchyard and Converter Station continued during the period. Progress has been made with excavation activities and work on concrete foundations in the Valve Hall and Control Building areas, along with footings and foundations for the gantries. Fabrication activities are ongoing under CD0534, and civil works activity at the Soldier's Pond site continued with water reservoir, building and gantry foundations in progress. Fabrication and Factory Acceptance Testing of the three remaining transformers for Soldier's Pond has been successfully completed under PD0537 for Supply of Power Transformers, AC Substations at facilities in St. Louis, with all units scheduled for shipment to site in September.

Work is progressing well and ahead of schedule under Contract CD0508 for Supply and Install of Electrode Sites in support of construction of the two electrode stations. At the Dowden's Point site in Conception Bay South, repair and coring of both original and new pipe holes has been completed, with installation of the conduit, and junction boxes scheduled for September 2015. At

the L'Anse au Diable site in the Strait of Belle Isle area of Labrador, placement of core material, filter and armour stone continued, the road to breakwater was completed up to subgrade elevation and all HDPE wells have been installed.

SCHEDULE "G"

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

CONSTRUCTION REPORT
Muskrat/LTA Project Finance Agreement

Date: 20-September-2015

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

MWH CANADA INC.
AS INDEPENDENT ENGINEER
Suite 740, 1185 W. Georgia Street
Vancouver, BC V6E 4E6

Ladies and Gentlemen:

We refer you to the amended and restated financing agreement dated as of July 16, 2015 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 amended and restated master definitions agreement entered into among, *inter alia*, the Collateral Agent, 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 (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as 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 31-August-2015 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, the Vice-President of Devco, and Vice-President of Muskrat, in my capacity as an officer and without personal liability, do hereby certify the matters set forth in Section A below, and I, Gilbert Bennett, the undersigned, the Vice-President of Devco, and Vice-President of Labrador Transco, in my capacity as an officer and without personal liability, do hereby certify the matters set forth in 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.
2. Attached hereto as Part I of Schedule "A" is a true and accurate table detailing the Hard Costs incurred during the Applicable Month with respect to the MF Plant by and compared as against the 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 it relates to Hard Costs, 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 they relate to Hard Costs, as at the end of the Applicable Month, with a narrative explanation as to any variances from the MF Project Budget.
5. The estimated Commissioning Date is currently 01-June-2018. Please refer to Part I of Schedule "D" hereto for details.
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 and compared as against the established milestones in the MF Project Schedule.
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, as at the date hereof 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.


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 during the Applicable Month with respect to the LTA and compared as against the LTA Project Budget.
15. Attached hereto as Part II of Schedule "B" is a true and accurate analysis of the Cost to Complete for the LTA, as it relates to Hard Costs, 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 they related to Hard Costs, as at the end of the Applicable Month, with a narrative explanation as to any variances from the LTA Project Budget.
17. The estimated Commissioning Date is currently 01-June-2018. Please refer to Part II of Schedule "D" hereto for details.
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 and compared as against the established milestones in the LTA Project Schedule.
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, as at the date hereof 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 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 20th day of September, 2015.



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Muskrat Falls Corporation



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Labrador Transmission Corporation



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Devco

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 31-August-2015**

Description	Initial Project Budget	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	\$382,811	\$3,076	\$259,772	\$7,535	\$287,204
Feasibility Engineering	\$18,345	\$17,949	\$0	\$17,949	\$0	\$17,949
Environmental & Regulatory Compliance	\$20,312	\$24,312	\$227	\$17,950	\$496	\$16,945
Aboriginal Affairs	\$13,314	\$13,314	\$227	\$8,094	\$0	\$6,683
Procurement & Construction	\$2,719,626	\$2,786,766	\$78,313	\$1,461,920	\$68,653	\$1,382,843
Commercial & Legal	\$20,457	\$25,989	\$155	\$21,664	-\$506	\$14,733
Contingency	\$94,255	\$120,847	\$3,094	\$29,263	\$0	\$0
Total	\$3,265,278	\$3,371,989	\$85,092	\$1,816,612	\$76,178	\$1,726,356

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs for the Current Period and Project-to-Date are lower than planned mainly due to lower than anticipated progress under Contracts CH0030 and CH0032 for Manufacturing of the Turbines and Generators, and Supply and Installation of Hydro-Mechanical Equipment respectively; however, higher than anticipated progress in the period was achieved in relation to CH0007 due to recovery of progress.

The net negative Current Period Incurred Cost under "Commercial & Legal" is related to the transfer of historical internal labour costs to the category of "Owners Team, Admin and EPCM Services" to align with where budgets are allocated.

Incurred Costs for the Current Period under "Owners Team, Admin and EPCM Services" are higher than planned mainly as a result of the higher than planned costs for contractor management, reconciliations with Nalcor services, and the transfer of costs from the category of "Commercial & Legal" as described above.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

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 31-August-2015**

Description	Initial Project Budget	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	\$99,973	\$859	\$69,903	\$1,885	\$87,365
Feasibility Engineering	\$256	\$220	\$0	\$220	\$0	\$220
Environmental & Regulatory Compliance	\$710	\$710	\$1	\$681	\$5	\$813
Aboriginal Affairs	\$188	\$188	\$0	\$189	\$0	\$1
Procurement & Construction	\$626,869	\$696,322	\$16,866	\$388,155	\$7,618	\$397,676
Commercial & Legal	\$2,030	\$3,141	\$10	\$2,856	-\$78	\$2,202
Contingency	\$14,030	\$31,391	\$1,099	\$10,673	\$0	\$0
Total	\$720,322	\$831,945	\$18,835	\$472,677	\$9,429	\$488,277

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs Project-to-Date remain higher than planned, however, are lower than planned for the Current Period mainly as a result of an adjustment made to modify incurred cost for the prior period for the HVac Transmission under “Procurement & Construction”.

The net negative Current Period Incurred Cost under “Commercial & Legal” is related to the transfer of historical internal labour costs to the category of “Owners Team, Admin and EPCM Services” to align with where budgets are allocated.

Incurred Costs for the Current Period under “Owners Team, Admin and EPCM Services” are higher than planned mainly as a result of the higher than planned costs for contractor management, reconciliations with Nalcor services, and the transfer of costs from the category of “Commercial & Legal” as described above.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

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 31-August-2015**

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$382,811	\$287,204	\$387,723	\$100,519
Feasibility Engineering	\$18,345	\$17,949	\$17,949	\$17,949	\$0
Environmental & Regulatory Compliance	\$20,312	\$24,312	\$16,945	\$24,742	\$7,797
Aboriginal Affairs	\$13,314	\$13,314	\$6,683	\$13,314	\$6,632
Procurement & Construction	\$2,719,626	\$2,786,766	\$1,382,843	\$2,806,567	\$1,423,725
Commercial & Legal	\$20,457	\$25,989	\$14,733	\$25,239	\$10,506
Contingency	\$94,255	\$120,847	\$0	\$96,454	\$96,454
Total	\$3,265,278	\$3,371,989	\$1,726,356	\$3,371,989	\$1,645,633

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Cost to Complete for “Feasibility Engineering”, and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the decrease in Final Forecast Cost for this category, however continues to remain significant as construction activities for work in progress remain in the early stages, including Contract CH0009 in which an LNTP was entered into during the current period, and the remaining major construction contract for MF (CH0031) pending award.

The Cost to Complete for “Commercial & Legal” has increased as a result of the transfer described in Schedule “A”.

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

The Cost to Complete for all other categories has decreased from last month by the incurred cost this period as the Final Forecast Cost remains unchanged from the last reporting 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 31-August-2015**

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$99,973	\$87,365	\$99,936	\$12,571
Feasibility Engineering	\$256	\$220	\$220	\$220	\$0
Environmental & Regulatory Compliance	\$710	\$710	\$813	\$1,019	\$205
Aboriginal Affairs	\$188	\$188	\$1	\$188	\$188
Procurement & Construction	\$626,869	\$696,322	\$397,676	\$706,173	\$308,497
Commercial & Legal	\$2,030	\$3,141	\$2,202	\$3,141	\$940
Contingency	\$14,030	\$31,391	\$0	\$21,268	\$21,268
Total	\$720,322	\$831,945	\$488,277	\$831,945	\$343,668

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Cost to Complete for “Owners Team, Admin and EPCM Services” has decreased from last month due to the decrease in Final Forecast Cost for this category.

The Cost to Complete for “Feasibility Engineering”, and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the incurred cost this period notwithstanding the increase in Final Forecast Cost for this category, and continues to remain significant as construction activities for work in progress are ongoing.

The Cost to Complete for “Commercial & Legal” has increased as a result of the transfer described in Schedule “A”.

The Cost to Complete for “Contingency” has decreased as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for the remaining category has decreased from last month by the incurred cost this period as the Final Forecast Cost 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 31-August-2015**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$382,811	\$387,723	\$4,912
Feasibility Engineering	\$18,345	\$17,949	\$17,949	\$0
Environmental & Regulatory Compliance	\$20,312	\$24,312	\$24,742	\$430
Aboriginal Affairs	\$13,314	\$13,314	\$13,314	\$0
Procurement & Construction	\$2,719,626	\$2,786,766	\$2,806,567	\$19,801
Commercial & Legal	\$20,457	\$25,989	\$25,239	-\$750
Contingency	\$94,255	\$120,847	\$96,454	-\$24,393
Total	\$3,265,278	\$3,371,989	\$3,371,989	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Final Forecast Cost for “Procurement and Construction” has decreased during the current reporting period by \$381 as a result of a forecast re-evaluation to accommodate ongoing changes associated with CH0007 for Construction of the Intake, Powerhouse, Spillway and Transition Dams. As a result of the above, the variance has decreased from \$20,182 as reported last period.

The Final Forecast Cost for “Contingency” has increased by a net amount of \$381 as a result of the change described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for Muskrat Falls Generation.

Part II - Labrador Transco Cost Variances

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Labrador Transmission Asset (LTA)
Period Ending 31-August-2015**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$99,973	\$99,936	-\$38
Feasibility Engineering	\$256	\$220	\$220	\$0
Environmental & Regulatory Compliance	\$710	\$710	\$1,019	\$309
Aboriginal Affairs	\$188	\$188	\$188	\$0
Procurement & Construction	\$626,869	\$696,322	\$706,173	\$9,852
Commercial & Legal	\$2,030	\$3,141	\$3,141	\$0
Contingency	\$14,030	\$31,391	\$21,268	-\$10,123
Total	\$720,322	\$831,945	\$831,945	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in June 2014

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Final Forecast Cost for “Owners Team, Admin and EPCM Services” has decreased during the current reporting period by \$22 as a result of the transfer of costs for site office supplies for C3 (HVdc Specialties) from this category to the category of “Procurement & Construction” under SD0568. As a result of the above, the variance has decreased from (\$16) as reported last period.

The Final Forecast Cost for “Procurement & Construction” has increased during the current reporting period by \$3,636 mainly as a result of additional import backfill requirements for the HVac Transmission Line under CT0327-020, the transportation of concrete from batch plant to the Muskrat Falls Switchyard under CH0007, costs associated with additional trailers required at the Muskrat Falls and Churchill Falls Switchyards, as well as bedrock removal, under Contracts CD0502 and CD0504, the additional cost of services at Muskrat Falls for Catering, Housekeeping and Janitorial under SH0018, Garbage Removal and Disposal under SH0040, and Fuel Supply under SH0022 to accommodate the work being carried out under C3 at the switchyard, as well as the transfer noted above. As a result of the above, the variance has increased from \$6,215 as reported last period.

The Final Forecast Cost for “Contingency” has decreased by a net amount of \$3,614 as a result of the changes described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for LTA.

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

The planned Commissioning Date of 01-June-2018 set forth in the MF Project Schedule is under review; however it is anticipated not to extend past the Date Certain.

Part II - Labrador Transco Estimated Commissioning Date

Due to the schedule review under Muskrat Falls, the Commissioning Date of 01-June-2018 set forth in the LTA Project Schedule is under review; however it is anticipated not to extend past 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 \$31million. 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 well below \$10 million. A forensic audit of the Contractor's costs was completed May 2014 and discussions with the Contractor are ongoing. A revised REA was submitted by the Contractor and is currently under review by Devco.

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

Milestone Description	Planned	Actual/Forecast	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
North Spur Works Ready for Diversion	30-Nov-2015	28-Sep-2016	
River Diversion Complete (to 25m)	09-Nov-2016	09-Nov-2016	
Reservoir Impoundment Complete (to 39m)	19-Nov-2017	19-Nov-2017	Under Review
Powerhouse Unit 1 Commissioned - Ready for Operation	30-Dec-2017	30-Dec-2017	Under Review
First Power from Muskrat Falls	30-Dec-2017	30-Dec-2017	Under Review
Powerhouse Unit 2 Commissioned - Ready for Operation	18-Feb-2018	18-Feb-2018	Under Review
Powerhouse Unit 3 Commissioned - Ready for Operation	12-April-2018	12-April-2018	Under Review
Powerhouse Unit 4 Commissioned - Ready for Operation	22-May-2018	22-May-2018	Under Review
Full Power from Muskrat Falls	22-May-2018	22-May-2018	Under Review
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	Under Review
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

During the period, the CH0007 contractor responsible for the Intake, Powerhouse, Spillway, and Transition Dams made progress in the following areas:

- Continuation of concrete placement – 16 spillway pier placements; 8 placements at the center transition dam; 5 separation wall placements; 3 North Transition Dam placements; 16 intake placements; 10 south service bay placements; and 13 draft tube placements.
- Ongoing maintenance of curing, hoarding and heating of the placed concrete.
- Commencement of spillway concrete surface repairs.
- Commissioning of downstream powerhouse tower crane.

Overall, CH0007 production, while making significant improvements, continues to trend behind plan, however, Devco continue to collaborate with the Contractor in the implementation of organizational and production changes at the construction management level, and plans to improve production are being realized since re-start of 2015 operations. A review of the C1 (Muskrat Falls Generation) work plan is underway, and implementation of an updated C1 schedule will remain on hold pending acceptance of agreed actions and mitigations plan.

Manufacturing of the Turbines and Generators under CH0030 is proceeding on schedule and is now at 50% complete. Majority of second shipment of components has been delivered to the site laydown area; and packaging and preservation activities are ongoing in preparation for the next shipment of components scheduled for transport from China in September 2015.

Manufacturing of the primary anchor materials for the intake, powerhouse and spillway is continuing under contract CH0032 for the Supply and Installation of Hydro-Mechanical Equipment. Fabrication of the spillway second stage embedded parts was completed during the period, with intake and draft tube embedded parts fabrication, draft tube crane fabrication, and primary anchor installation ongoing.

The CH0008 Contractor for Construction of North Spur Stabilization Works continued with activities during the period. Installation of the upstream cement bentonite cut-off wall panels commenced, and upstream embankment excavation and backfilling activities continued; installation of the temporary road (from the South End access) was completed on the downstream embankment, along with continuation of excavation activities and the commencement of rock placement on the downstream shoreline. Full operations commenced at the onsite laboratory. The schedule for stabilization works has been updated, and is forecast to be completed prior to the planned Winter Headpond (elev. 25 m) milestone date.

A Limited Notice to Proceed (LNTP) was issued for Construction of the North and South Dams under CH0009, with the preparation of management, technical and commercial deliverables underway.

Part II - LTA Construction Progress

Milestone Description	Planned	Actual/Forecast	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
HVac Transmission Line Construction Complete	08-Jun-2016	28-Sept-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	Under Review (as a result of noted MF schedule review)
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Work is continuing on the preparation of management, technical, and commercial deliverables under Contract CD0502 for Construction of AC Substations, and the Contractor is mobilizing at both Muskrat Falls and Churchill Falls. Civil works and building services' activities commenced at the Muskrat Falls switchyard during the period, and continued at the Churchill Falls switchyard. Activities include civil excavation, rebar and forming for gantries and transformer pads.

Fabrication and Factory Acceptance Testing of the final transformer for Muskrat Falls has been successfully completed under PD0537 for Supply of Power Transformers, AC Substations at facilities in St. Louis, and all units from the St. Louis plant are scheduled for shipment to site in September.

The Labrador marshalling yard operation is ongoing and supporting the HVac transmission line construction activities. Receipt of materials is continuing for the HVac transmission line, along with the ongoing issuance of towers, hardware and foundation materials to the CT0319 contractor.

Construction activities for the HVac Transmission Line in Labrador under CT0319 continued to progress during the period with ongoing tower assembly, tower erection, guy anchor installation and testing, foundation installation, and conductor stringing.

By the end of August, 1172 foundations have been installed, 957 towers were assembled and 799 erected, out of a total of 1263 (total quantity adjusted from 1260 based on field changes); 893 of the 990 guy anchors installed have been tested, out of a grand total of 1100 (total quantity adjusted from 1088 based on field changes); and 172,012 metres of conductor stringing out of a total of 490,481 metres, was completed. Work continues on the development of access routes and distribution of materials along the transmission line ROW.

The forecasted completion date for HVac Transmission line construction has been adjusted, but line construction activities continue to be forecasted to complete in advance of the AC switchyards. Resources and work priorities are being managed across both the LTA and the LIL to optimize progress on both.

SCHEDULE "G"**Part I - Muskrat Additional Material Project Documents**

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

A Limited Notice to Proceed was entered into for the following:

- CH0009 - Construction of North and South Dams
with Barnard-Pennecon JV Ltd. - 14-August-2015

Part II - Labrador Transco Additional Material Project Documents

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