

From: [Bechard, Normand](#)
To: [Salim, Joseph](#); [Lamarre, Patrick](#); [Dumas, Marie-Claude](#); [Murray, Paul](#); [Gillis, Nick](#)
Subject: FW: Estimate for EPCM Services Rec. No. L010-S011-200-170331-00149
Date: Monday, January 16, 2012 2:56:00 PM
Attachments: [ATT7549612.jpg](#)
[L010-S011-200-170331-00149 -Estimate for EPCM Services.pdf](#)

For your info

From: RonPower@nalcoreenergy.com [mailto:RonPower@nalcoreenergy.com]
Sent: January 16, 2012 1:37 PM
To: Bechard, Normand
Cc: PHarrington@nalcoreenergy.com; GBennett@nalcoreenergy.com; LCP_LCG002@nalcoreenergy.com; Berjaoui, Mahmoud; Gillis, Nick; Gillis, Jose; Couturier, Francois; Hussain, Afzal; Chausse, Luc; Raydugin, Yuri; Lee, Sean; Colbourne, Brian; Over, Ed
Subject: Estimate for EPCM Services Rec. No. L010-S011-200-170331-00149

Estimate for EPCM Services
Rec. No. L010-S011-200-170331-00149

Normand,

Please refer to attached letter regarding Estimate for EPCM Services.

Regards

Ron



Ron Power, P. Eng.
Project Manager - Generation & Island Link (Consultant)
Nalcor Energy - Lower Churchill Project
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Rec. No.: L010-S011-200-170331-00149

January 16, 2012

SNC-Lavalin Inc.
 272 Torbay Road
 St. John's, NL A1A 4E1

Attention: Mr. Normand Bechard

**Subject: Lower Churchill Phase 1 Development
 Agreement LC-G-002
 Engineering, Procurement and Construction Management (EPCM) Services**

Estimate for EPCM Services

Dear Normand:

We refer to SLI submittal "Lower Churchill Project - Gate 3 Deliverables – EPCM Services – Stage 3 – December 2011" issued to Nalcor via transmittal 0000-CL-0417 dated 21 December 2011.

The information contained in the noted submission contains the estimated Reimbursable Labour Cost Hours for Stage 3 and the associated Milestone Payment Schedule for Stage 3. These deliverables are being provided in accordance with Agreement Exhibit 4, paragraph 4.2.3.

Notwithstanding that several Gate 3 - Key Deliverables have not been fully completed to date and are in the process of being completed, approval of which is a prerequisite to transitioning to Stage 3, we offer the following commentary:

The table below provides the EPCM reimbursable hours contained in SLI's "Proposal for EPCM Services for the Lower Churchill Project" compared with SLI's current estimate for the Services per the referenced submittal.

EPCM Services Person-Hours		
	NEW ESTIMATE	PROPOSAL
EPCM Hrs. expended to 31 Dec. 2011 (approx.)	215,800	
STAGE 3 Estimate		
Office St. John's	2,221,281	
Site (All Locations)	3,021,865	
Total	5,458,946	2,486,940
Increase	2,972,006	

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Mr. Normand Bechard
SNC-Lavalin Inc.
January 16, 2012

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It is very evident that SLI's current estimate of person-hours versus the SLI Proposal is clearly misaligned. While we recognize that the current estimate considers some additional scope, the estimate as provided is not acceptable to Nalcor. We do not agree with the underlying assumptions used to create the estimate, and advise that the December 21, 2011 submission is not approved.

Our earlier letter L010-S011-200-170331-00127 "Project Staffing" dated November 17, 2011 documented our concerns with the anticipated proposed numbers of SLI personnel in the home office and at the construction sites. The information submitted on December 21, 2011 solidifies that concern and further accentuates the need to obtain Nalcor and SLI alignment going forward.

Sincerely,



Ron Power
Project Manager – Generation / Island Link
RP/rp

cc: Paul Harrington
Gilbert Bennett