

**CONTRACT STRATEGY**

<b>The provision of Date</b>	10-Jul-14	<b>Revision</b>	002
<b>Package No.</b>	CH0009	<b>RFP Issue Date</b>	31-Jul-14
<b>Package Title</b>	Construction of North and South Dams	<b>Award Date</b>	5-Dec-14
<b>Company (SPV)</b>	Muskrat Falls Corporation	<b>IBA Package</b>	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

<b>Scope of Work from Package Dictionary attached</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>If no, please include a brief description of the Scope of Work</b>	
<p>Package CH0009 includes construction of the South Dam and North dam, construction of the upstream, downstream and intake channel cofferdams, removal of Cofferdams 1, 2 and 3 and downstream section of the RCC riverside cofferdam as well as excavation of Tailrace Rock plug and temporary upstream bridge over the spillway approach channel.</p>	

<b>Key Considerations</b>
<p><b>Term &amp; Schedule</b></p> <ul style="list-style-type: none"> <li>• This Agreement will have an approximate term of three (3) years and will end upon successful execution of the scope of work in accordance with the package technical specifications and milestone schedule.</li> <li>• The original schedule was condensed into two (2) years; however, the schedule has since been extended over three (3) years (2015-2017) to mitigate the risk of the Contractor not being able to complete the work on time.</li> <li>• A three (3) year schedule will also mitigate risks associated with availability of resources and accommodations as the peak manpower for this work is approximately 300.</li> </ul> <p><b>Key Milestones</b></p> <ul style="list-style-type: none"> <li>• Start of construction is April 2015.</li> <li>• Contractor will need to start preparation and mobilization in January 2015.</li> <li>• Contract needs to be awarded in December 2014.</li> <li>• Bid Evaluation and Award Recommendation will need to be completed in November 2014.</li> </ul> <p><b>Bidder Selection Applicants &amp; Bidders List</b></p> <ul style="list-style-type: none"> <li>• Potential bidders have been identified with roller compacted concrete (RCC) experience through independent consultants. These bidders will be targeted; however, a prequalification will be open to all interested parties.</li> <li>• The formal prequalification will be completed to ensure that Contractors are financially healthy and have the organization and resources to complete the work.</li> <li>• Potential bidders must demonstrate their experience with river diversion in high water velocity, jet grouting installation and RCC dam construction in order to receive an RFP.</li> </ul> <p><b>Work Execution</b></p> <ul style="list-style-type: none"> <li>• This package interfaces with CH0007. The scope includes: <ul style="list-style-type: none"> <li>○ Removal of cofferdams No: 1, 2 and 3, the rock plug and the access ramp to the powerhouse used by CH0007.</li> <li>○ Laydown area J, currently used by CH0007, is designated for CH0009</li> <li>○ Construction of access road(s) to C1, C2, and laboratory services building. CH0009 will build an alternate South access road to C1/C2.</li> <li>○ Temporary Upstream Bridge and Intake Cofferdam depends on the Separation Wall</li> </ul> </li> </ul>

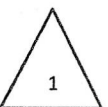
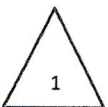
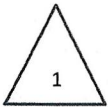
- completion.
  - South Dam depends on the South Transition Dam completion.
  - Drilling of the drainage holes in the South and North Transition dam galleries interferes with the grouting of the South and North Dams respectively.
  - Removal of the downstream part of the RCC Riverside Cofferdam.
- Communication and alignment with the CH0007 contractor will be integral to the success of the project.

Procurement Method
<input checked="" type="checkbox"/> Competitive Bidding <input type="checkbox"/> Use Nalcor Long Term Service Agreement (LTSA) <input type="checkbox"/> Single Source
If Single Source, why?
n/a

Type of Contract (Terms and Conditions)
<input type="checkbox"/> Supply & Install <input type="checkbox"/> Services <input checked="" type="checkbox"/> Civil Works <input type="checkbox"/> Equip. Purchase (Long) <input type="checkbox"/> Equip. Purchase (Short)

Compensation Basis
<input checked="" type="checkbox"/> Lump Sum <input checked="" type="checkbox"/> Unit Price <input type="checkbox"/> Time & Material <input type="checkbox"/> Reimbursable

Commercial Strategy
<ul style="list-style-type: none"> <li>● <b>Bidding Period</b> - The bidding period will be eight (8) weeks; however, the schedule will allow for a two (2) week extension.</li> <li>● <b>Bidder Validity</b> - Bid validity period will be six (6) months.</li> <li>● <b>Escalation</b> – Contractors will be asked to provide pricing that has escalation built in and is fixed for the duration of the contract.</li> <li>● <b>Performance Security</b> – The standard requirements is for a Letter of Credit equal to fifteen percent (15%) of the Contract Price while the work is in progress and a second Letter of Credit equal to five percent (5%) of the Contract Price during the warranty period. A credit worthiness review of all Contractors will be completed during the prequalification. Performance Security requirements will be determined in consultation with Nalcor’s Corporate Treasury prior to issuance of the RFP.</li> <li>● <b>Warranty</b> – The warranty period will be thirty-six (36) months from final completion.</li> <li>● <b>Liquidated Damages</b> - Contractors shall be responsible to achieve all Milestones that will be set forth and agreed upon in the schedule. If Contractor fails to achieve any of the Milestones to which liquidated damages apply, Contractor shall pay Company, as liquidated damages, an amount to be determined for the delay of each calendar day or part day until they achieve that Milestone or date. Company may agree to a cap on liquidated damages.</li> <li>● <b>Labour</b> - Bidders will be asked to provide pricing based on the Collective Agreement between Muskrat Falls Employers’ Association Inc. and Resource Development Trades Council of</li> </ul>



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Newfoundland and Labrador.

- Travel & Living Expenses** – The provision of travel arrangements; site accommodations and bussing from the airport to the accommodations complex for Contractor site staff and trades labour will be in accordance with Contract Exhibits 2 (Compensation) and 12 (SITE Conditions). Accommodations, ground and air transportation for craft personnel will be in accordance with the Collective Agreement. Contractor shall include all other travel cost of Contractor management and staff in the Contract Price.
- Pricing Structure & Payment** – The Schedule of Price Breakdown will include a combination of Lump Sum and Unit Prices. Lump Sum pricing will be primarily be used for indirects and Unit Prices will be used where progress can be measured (I.e. quantities, completion of specified activities, actual progress). Contractor will be paid monthly against verified executed quantities and/or percentage completion of lump sum items. A Milestone Payment may also be included (refer to Holdback below).
- Holdback** – In accordance with the Mechanic’s Lien Act, Company will plan to exercise the option to withhold an amount equal to ten (10%) percent of each Monthly Progress Payment. In addition, Contractors will be asked to provide optional pricing to provide release of a Holdback Release Bond which would alleviate the need for holdbacks. If the option for a release of holdback bond is used, a Payment Milestone will be tied to completion of the submission of all documents required under the SDRL; equal to 2% of the Contract Price.
- Currency** - Contractors will be asked to bid in Canadian Dollars; the currency risk will belong to the bidders.

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	Title	Name	Signature	Date
Prepared by:	Contract Administrator	Roy Lewis	<i>Roy Lewis</i>	10 July 2014
Reviewed by:	Package Engineer	Abdellah El Bensi	<i>Abdellah El Bensi</i>	11 JUL 2014
Reviewed by:	Package Leader	Mark Turpin	<i>Mark Turpin</i>	20 July 2014
Reviewed by:	Area Manager	n/a		
Reviewed by:	Project Manager	Scott O'Brien	<i>Scott O'Brien</i>	30 Jul 2014
Reviewed by:	Supply Chain Manager	Pat Hussey	<i>Pat Hussey</i>	30 Jul 2014
Reviewed by:	Deputy Project General Mgr	Jason Kean	<i>Jason Kean</i>	1-AUG-2014
Approved by:	Project General Manager	Ron Power	<i>Ron Power</i>	30-JUL-2014

Revision 001 & 002 summary:

1. Revised clarify Performance Security will be determined in consultation with Nalcor Treasury.
2. Revised first sentence of "Liquidated Damages" to refer to Milestones.
3. Revised first sentence of "Labour" to refer to pricing instead of labour rates
4. Revised "Travel & Living Expenses" to provide clarity around Company supplied ground transportation. Removed reference to Company provided air transportation.
5. Revised third sentence of "Holdback" to include reference to Substantial Completion.
6. Revised target date for RFP issue to 31 July 2014.