



March 6, 2015

Ed Over
 Sr. Advisor – Commercial Strategies
 Muskrat Falls Corporation
 350 Torbay Road Plaza, Suite 2
 St. John's, NL, Canada
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Subject: RFP No. CH0009 – Value/Engineering & Cost Savings

Dear Mr. Over:

In follow-up to our phone conversation on February 27, 2015, Barnard-Pennecon J.V. (BPJV) is pleased to offer the following cost savings for the project.

Cost Savings identified:

1. The optimization of RCC per the revised RCC specifications, including the elimination of the CVC batch plant, minimized cooling requirements, battered DS slope vs. stepped, drive-on/-off the lift, one mixer vs. two mixers, and elimination of saw-cutting of the test section will reduce the overall cost of the project by \$1,200,000.
2. By combining gradations and screening in lieu of crushing, we can reduce the project cost by \$1,000,000. Attached is the breakdown of our combined gradations and quantities. Based on our revised plant design, we still provide for 90 percent of the crushed materials to flow through an impact crusher. This credit covers the cost of raking material from the GD8 pit in lieu of crushing.
3. The elimination of Jet Grouting price items 49 through 57 will reduce the overall contract by \$1,000,000. The remaining difference needs to remain to cover project indirect items.
4. Apprentice time in our estimate was valued at \$1,000,000. We would credit this provided a "no shadow" clause is included in our contract.
5. We offered a sketch of a revised upstream cofferdam for your review. Should we receive a revised design that matches the quantities of our sketch, we see an order of magnitude savings of \$1,000,000.

In addition to the above, BPJV would like to further expand on a few items that have been discussed in previous conversations regarding contractual obligations.

Contractual Items:

1. The upfront payment provision can be relaxed, provided Nalcor and BPJV mutually negotiate an acceptable payment schedule. Since there is a significant cost associated with upfront infrastructure needs, it is important to BPJV to remain cash neutral on the project.
2. BPJV is willing to provide a three-year warranty; however, the warranty language must be written to match our proposed Labour Target Price structure.
3. Labour Target Model – BPJV and Nalcor have discussed proposals to agree on a labour target price model for this project. Below is a breakdown of that model. G&A is paid on actual labour dollars. BP JV would cap the project liability on G&A at 135%. Fee would grow or erode at \$0.50 per dollar over or under the labour target. Once the fee is eroded, there is no further liability of BPJV.

The added incentive to gain 50 cents for every dollar of savings will drive the BPJV Team to optimize the work planning and project execution. With the recent experience by Pennecon Heavy Civil Ltd on the various projects and SPO agreements, coupled with the change in the labour market, we are confident we can work with the respective unions and procure a productive workforce for this project.

Further adjustment of the model and Initial Proposed Cost will come from final negotiations of the contract and design details. Based on our original proposal and cost savings adjustments included herein, our revised proposal is valued at

Labour Target Price with Fixed Equipment, Materials & Subcontractors			
Labour Target Price	\$		
10.6% G&A Fee	\$	G&A capped at 35% of Labour Target	\$
8.3% At Risk Fee	\$	Reward/Risk = \$0.50 per dollar	
Equipment, Materials, Subs, Other	\$		
Initial Proposed Cost	\$		

With regard to our proposal, BPJV would like to reiterate the quality benefits it is providing with these suggested changes.

Quality Advantages:

1. BPJV is offering a battered downstream face on the North Dam. We will utilize facing concrete (guaranteed to have air entrainment) on the face, and will provide a structure that will stand the tests of freeze-thaw and ice flows better than the current design.
2. BPJV's ideas are driven in a way to reduce labour costs and jurisdiction boundaries to provide for cost and schedule certainty. We intend to utilize slope placement method and eliminate the grout-enriched facing. This reduces the size of crews needed and downtime between lifts.

In closing, we will provide an experienced North American staff that has the expertise necessary to properly execute the project. We have excellent cost control and project management systems that even the world's largest competitors cannot match. Nalcor will know exactly where the project is at all times, without surprise.

We look forward to continued discussions.

Kind Regards,



Kevin Ellerton

Barnard-Pennecon J.V.