

Labrador-Island Link Limited Partnership**Corporate Office**

c/o General Partner - Labrador-Island Link General Partner Corporation
500 Columbus Drive
P.O. Box 13000, Stn A
St. John's, NL Canada A1B 0M1

Lower Churchill Project Operations Office

350 Torbay Road, Suite 2
St. John's, NL Canada A1A 4E1

23 October 2014

LTR CT0327-001-0009

Adam Budzinski
Valard Construction LP
#209 4209-99 Street
Edmonton, Alberta T6E 5V7

RE: CT0327-001 – Response to Letter LTR CT0327-001-0005 Road Access Constructed to-Date

Mr. Budzinski:

We acknowledge receipt of Mr. William's letter LTR CT0327-001-0005 – Road Access Constructed to-Date received by us on 21-October.

As indicated in my voicemail and email communications, Lower Churchill Management Corporation (LCMC) were extremely distraught by the messages exuded in this correspondence, which are in complete disregard of the basis upon which our relationship has been formed and cemented. Perhaps even more disheartening is the reality that you chose not to raise and openly discuss this apparently significant issue in person before sending us a formal notice of delay.

Equally to our surprise, during yesterday's Weekly Progress Meeting, was the lack of the acceptance of accountability with respect to ownership and resolution of these professed concerns. To the contrary, Valard purported no responsibility for the access works, including its functional requirements or the quality of work undertaken by Company's Other Contractors.

LCMC has made a conscious decision to expend the required effort to foster a strong working relationship with Valard and its parent Quanta Services; a relationship that is built upon trust, collaboration and transparency. Without this relationship, LCMC would not have been able to give confidence to its Shareholder and Board of Directors that the decision to pursue a negotiated agreement for the HVdc line construction with Quanta – Valard was the right decision for Labrador-Island Link Limited Partnership and in turn the people of our Province.

This sits at the core of Agreement CT0327-001. We have committed to work together to achieve something very unique, and to aid in such we mutually established guiding principles that would be adhered to during the execution of the work (reference Section 11.5.3, Exhibit 2). It is LCMC's intention to work in accordance to these principles, however the above referenced correspondence questions us at to whether Valard's intentions are the same

22 October 2014
Adam Budzinski
Page 2

In reference to the specific claim stated by Mr. Williams in the noted correspondence and reaffirmed by you during the Weekly Progress Meeting, LCMC wishes to remind Valard that their contractual obligations related to clearing and access works are clearly articulated within Section 2.5.3 – Contractor's Responsibilities, Exhibit 1 – Scope of Work, as provided below.

"The Work will be undertaken under the general management and direction of the Contractor in accordance with permit requirements, the Contractor supplied safety, environmental and quality plans, and best practices.

Contractor maintains overall management responsibility for fully completing the ROW clearing work and all access development as required to support the transmission line construction, and as Accepted by Engineer, in order to achieve the milestones set forth in Exhibit 9 – Schedule. This encompasses the items detailed in the subsequent Sections. Contractor, with Engineer's input, shall be responsible for the overall planning of the ROW clearing and access development work so as to avoid interruption of the linear progression of the transmission line build.

Contractor and Engineer shall work in a collaborative manner in order to balance the amount and quality of construction access created against the requirements to meet the intended construction techniques as agreed between Contractor and Engineer, as set out in Contractor's Execution Plan for Part A of the Work. This will include the construction of portions of the transmission line using winter access roads only, where it has been agreed as the more viable and prudent access technique (e.g. boggy sections on Northern Peninsula). Further, Contractor will analyze and recommend to Engineer if the transmission line construction techniques contained in its Accepted Execution Plan should be adjusted in order to achieve the objective of building the overall transmission line for the lowest possible construction cost.

In order to undertake the ROW Clearing and Access Work, Contractor shall perform the duties of a general contractor for Company's Other Contractors, synergizing against the planning infrastructure, services, capacity and capability required for the Contractor to perform Part A - Line Construction Works portion of the Work. Company will be financially liable for the portion of such sharing of resources wherein there is a direct cost transferable to the Work. In performing such duties, Contractor does not assume any liability resulting from the performance of Company's Other Contractors, except to the extent that such performance or non-performance results from Contractor's failure to manage, direct or supervise such contractors in accordance with the requirements of this Agreement

Services provided by Contractor under this Part B - ROW Clearing and Access Works include, but may not be limited to:

- *Planning and coordination of production and overall supervision of the Work;*
- *Accommodations and field offices;*
- *Fuel and services;*
- *Communications systems;*
- *Transportation of equipment along the ROW;*
- *Health, safety, emergency response plans for the Company's Other Contractors to comply with;*
- *Provision of adequate emergency response equipment and Personnel, including Mobile Treatment Centres and vehicles consistent with practice in other parts of Canada;*
- *Quality plans and Inspection and Test Plans for the Company's Other Contractors to comply with;*

23 October 2014
Adam Budzinski
Page 3

- *Environmental and Waste Management plans for the Company's Other Contractors to comply with;*
- *Field supervising and directing the work of Company's Other Contractors;*
- *Safety, Environmental and Quality Plans and related oversight resources;*
- *Responding to Site Queries etc. from Company's Other Contractors, except where input of Engineer is required;*
- *Maps, digital files and other documentation as required by Company's Other Contractors;*
- *Field marking and surveying (including boundaries, buffers, tower locations, road location etc.);*
- *Field level decision making and priority setting to ensure the work is kept moving in a continuous, uninterrupted pattern; and*
- *Field level contract management for Company's Other Contractors, including approval of time and material slips, progress claims, keeping appropriate level records, etc.*

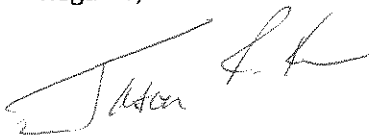
Company's Other Contractors will be required to work according to Contractor's plans and follow all permits, regulations and direction provided by Contractor. Notwithstanding these Contractor provided services, Company's Other Contractors shall provide general crew supervision as required to meet occupational health and safety requirements and shall follow general environmental, waste management and quality control best practices in its day to day activities.

Contractor shall account for any non-sequential Work, environmental restrictions, construction access, logistics, weather, winter construction, etc., for the successful completion of the Work."

As Valard is undoubtedly aware, Nalcor can adequately demonstrate wherein Sr. Valard personnel assigned to Part B of the Scope of Work have been working in accordance to the above, thus there should be no argument regarding clarity or assumption of accountability for where we are.

We trust that Valard will adhere to its commitments under Agreement CT0327-001 and work with LCMC to solve the current challenges and re-acquaint its team with the principles upon which we agreed to work. LCMC remains fully committed to work collaboratively with Valard and develop feasible, pragmatic solutions to the current access challenges that will ensure the success of the HVdc line construction program.

Regards,



Jason Kean, P. Eng., MBA, PMP
Company Representative

Cc: Richard Donica
Lance Clarke
Rosann Taylor