

LTR-CH0032001-0230

Muskat Falls Corporation

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8 January 2015

ANDRITZ HYDRO CANADA INC.
6100 Trans-Canada Hwy.
Pointe-Claire, Quebec
H9R 1B9

Attention: Mr. William Mavromatis

Subject: Agreement CH0032-001
Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment
Re: AH Acceleration Proposal – December 18, 2015
Ref: LTR: 0188

Dear Mr. Mavromatis,

Please be advised Company is still reviewing the content and basis of Contractor's proposal for the acceleration of the Spillway works pursuant to Change Order # 10. In this regard Company is pleased to note that Contractor has finally acknowledged the required schedule date for river closure of June 15, 2016, a date that was expressly specified by Company from July 2015 when change order negotiations for this work were commenced between the parties.

Company is committed with Contractor to finalize the commercial terms of Change Order # 10 as soon as possible, however and notwithstanding Contractor is further reminded of its express obligations pursuant to Article 26.6 to fully implement all required activities to achieve and complete the scope of work on the required date as cited in Change Order # 10.

One of the primary Company items of concern that forms part of the basis of disagreement between the structure of Change Order # 10 and Contractor's acceleration proposal is regarding payment of direct man-hours based on possible inefficiency calculations and reasons that may never be incurred during the actual execution of the work. In this respect, and with regard to the river closure, during a joint meeting on Tuesday January 6, 2016, the parties tabled the following proposal that provides both parties with a level of oversight, basis of record and a positive way forward in the absence of a joint commercial agreement for acceleration.

a Nalcor Energy company

1. Contractor is to issue daily time sheets covering direct man-hours and equipment hours incurred for the Spillway works to achieve river closure only. This will include supervisor and foreman hours that are part of Contractor's acceleration proposal listed under indirect costs
2. Company representatives will review and sign off on the time sheets on a daily basis. The Company representatives that have the designated authority to sign the daily time sheets are as follows:
 - a. Peter Tsekouras
 - b. Adam Kavanagh
3. In the event of any disagreement each party can record the basis of its position on the time sheet which will stand as a matter of record.
4. Company is willing to sign each time sheet but only with the express understanding and agreement by Contractor that by doing so, Company signature is simply an acknowledgement of the man-hours and equipment hours incurred and is not an acceptance of or agreement to pay for such hours over and above Company's contract obligations pursuant to the base scope of hours and procedures.
5. As a matter of record and pursuant to item 4 above, the implementation of time sheets in this regard is not in any way a change to the contract and does not change any portion of the contract to a reimbursable one in part or whole.
6. The time sheet process will cease immediately upon completion of the Spillway scope for river closure or joint agreement on commercial terms for the acceleration works, whichever comes first.
7. Company requires Contractor's written acceptance of this proposal by return correspondence by no later than Friday, 15 January 2016.

Regards,



Scott O'Brien
Company Representative
Project Manager – Muskrat Falls Generation
Project Delivery Team

