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11 September 2015

LTR-CH0032001- 0053

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
Acceleration of Spillway Installation Schedule Andritz Proposal - Preliminary

References:

- Company Letter — LTR-CH0032001-0028 dated 26 May 2015 — Exhibit 9 — Interfaces I1A and I1B
- Company Letter — LTR-CH0032001-0032 dated 26 May 2015 — Mobilization Deliverables Requirement
- Company Letter — LTR-CH0032001-0035 dated 13 July 2015 — Company Reply to Andritz Letter — AH-Letter-PM-022 dated 18 June 2015 — Andritz Preliminary Cost Estimate — Delayed Milestones I1A and I18
- Company Letter — LTR-CH0032001-0041 dated 23 July 2015 — Mobilization Deliverables Requirement
- Andritz Letter: AH-Letter-PM-0031 dated 19 August 2015 – Acceleration of Spillway Installation Schedule Proposal - Preliminary
- Company Letter — LTR-CH0032001-0050 dated 20 August 2015 — Contractor Site Mobilization

Dear Mr. Mavromatis:

We acknowledge receipt of Contractor's letter: AH-Letter-PM-0031 dated 19 August 2015 - Acceleration of Spillway Installation Schedule Proposal – Preliminary.

To facilitate its review of Andritz's draft proposal, Company requires the following information:

1. A detailed execution plan explaining how CANMEC, CRT, Grimard, and any other subcontractors Andritz intends to perform the work, including but not limited to:
 - a. the assumptions used to develop the execution plan and the work schedule;
 - b. the sequence of the work;
 - c. explanation of the work tasks for a typical bay, upstream and downstream, including the erection of the gate and stoplog embedments, the gates, hoist towers, hoist bridge, hoist house, stoplogs, secondary concrete, and commissioning.
 - d. explain the work tasks and basis for the assumed duration for rectification of CPV, CPPS1, CPPS2 and CPPS4 embedded parts;
 - e. the number of bays to be worked concurrently;
 - f. planned work schedule including shift daily work hours, shift schedule non-work periods shall be clearly indicated and a narrative shall be supplied indicating the period of non-work and the rationale for the non-work period;
 - g. progress curve and table with planned completion percentages, and manpower histogram for craft and staff clearly delineating direct work and indirect work;
 - h. equipment utilization plan;
 - i. material receiving and handling; and,
 - j. explain the shelter erection, protection and operating conditions, heating, and snow removal.
2. A detailed schedule resource loaded including lifting equipment utilization. Indicate the schedule calendars used to develop the schedule including daily work hours, shift schedule, scheduled facility shutdowns (if any) and holidays.
3. A copy of the CANMEC, CRT and Grimard contracts; the contract amounts can be redacted.
4. Identify the source of the CANMEC planned labour hours used to prepare the draft proposal, and the planned labour hours for CRT and Grimard.
5. Provide the detailed installation manpower requirements, both staff and crafts that were used to develop the July 2015 schedule for the CANMEC, CRT and Grimard scopes of work.
6. Copies of all presentations Andritz has shown and agreed to provide to Company regarding its work and the installation of the spillway mechanical equipment over the past two months.

Over that past four months, Company has made repeated requests to Andritz to provide the contractually required documentation to support mobilization, including details of its mobilization plans, execution plans and schedules. In the subject change proposal, Andritz has included extensive calculations for the impacts Andritz perceives will result from the schedule acceleration. However, the change proposal provides very few details on how Andritz and its subcontractors plan to perform the work. Section 8.3 of Exhibit 3 to Agreement defines the supporting documentation required for a contractor requested change, as follows:

- "a) A detailed explanation of why Contractor considers that a Change has occurred along with detailed support to enable Company to easily evaluate and assess the merits of the Change Request. Contractor shall specify the relevant provision(s) of the Agreement which it interprets as the basis for the Change Request;"
- "b) A detailed schedule for the execution of the Change and the impact on the Control Schedule;"
- "c) A lump sum price for the Change (if Contractor proposes any other method of compensation it shall provide its rationale for that method); and"
- "d) Details of the impact on the Execution Plan, the Quality Plan, the health and safety plan referenced in Article 15.2 of the Agreement and the environmental protection plan referenced in Article 15.3 of the Agreement."

For example, in Appendix 3 of the change proposal, Andritz includes 47,320 hours for CANMEC which are identified as the direct labour for the "Contractual Schedule." However, the July 2015 Schedule identifies only 40,011 hours for the upstream portion of CANMEC's work and this includes dry commissioning. Andritz has not provided CANMEC's planned manpower and work schedules which will enable Company to assess the claimed impacts. Company has already advised Andritz that its "accelerated schedule" is unacceptable. Company understands that Andritz will submit a revised schedule in Primavera.

Andritz is requested to provide this information by Tuesday, 15 September 2015. A meeting between the Parties is scheduled on 17 September 2015 in St. John's to review Andritz's proposal and submitted data. The attendance of CANMEC's project manager and planner is required at this meeting.

Company is prepared to issue a Change Order on 18 September 2015 for the impacts of the accelerated schedule, however, Company will not issue the Change Order until Andritz has provided the requisite documentation.

Yours truly,



Scott O'Brien
Project Manager – Muskrat Falls Generation
Project Delivery Team
Lower Churchill Project

