



**March 31<sup>st</sup>, 2016**

**AH-Letter-PM-140**

Muskrat Falls Corporation  
Lower Churchill Project Muskrat Falls Corporation  
350 Torbay Road Plaza, Suite No. 2  
St. John's, NL, A1A 4E1

**Attention:** Scott O'Brien – Project Manager, Muskrat Falls Generation

**Subject:** CH0032-001: Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment

**Re:** Spillway Schedule and Acceleration

**Ref:**

- 1) Company's letter LTR-CH0032001-0298 – Spillway Schedule and Acceleration - March 22<sup>nd</sup>, 2016
- 2) Contractor's Letter AH-Letter PM-133 – Notice of Dispute - March 21<sup>st</sup>, 2016
- 3) Contractor's Letter AH-Letter PM-132 – Contractor's Spillway Installation Plan - March 18<sup>th</sup>, 2016
- 4) Company's Letter LTR-CH0032001-0286 – Confirmation of Performance Default – March 17<sup>th</sup>, 2016
- 5) Contractor's Letter AH-Letter PM-123 – Follow-up to March 9<sup>th</sup> and 11<sup>th</sup>, 2016 Meeting – March 12<sup>th</sup>, 2016
- 6) Contractor's Letter AH Letter PM-121 – Performance Default Notice – March 8<sup>th</sup>, 2016
- 7) Company's Letter LTR-CH0032001-0260 – Performance Default Notice – March 4<sup>th</sup>, 2016

Dear Mr. O'Brien,

Contractor acknowledges receipt of Company letter dated March 22, 2016. Contractor categorically disagrees with the statements of the Company in the above-referenced letter. Contractor specifically requested an additional 2 weeks to present a revised plan during the meetings of March 9 & 11, 2016, but still delivered a preliminary plan on March 12, 2016 at Company's request. It was stated by Contractor that the preliminary plan submittal of March 12, 2016 was a "work in progress". The revised plan showed a path to achieve the date of June 15, 2016 for river diversion. Contractor delivered to Company a new, more comprehensive plan on March 18, 2016, which is well within the 2 week period



initially requested by Contractor. Below are Contractor's corresponding responses to the specific items raised in Company's March 22, 2016 letter:

1. Contractor has diligently worked to improve its schedule toward achieving the June 15, 2016 target date as stated in Company's directive, and continues to do so.
2. The plan of March 12, 2016 submitted by Contractor was preliminary and a work-in-progress. It was submitted to Company only at the request of the Company. A new and revised plan was submitted by Contractor on March 18, 2016.
3. Placing Gate 5 in Bay 3 is in Contractor's plan.
4. See item 2 above.
5. The secondary concrete acceleration is part of Contractor's plan and can be easily explained to Company at Company's convenience.
6. The May 1, 2016 date referenced is not a contractual date, nor a target milestone otherwise captured in acceleration discussions. Contractor understands that the May 1, 2016 milestones relates to Company's scope under Exhibit Milestone I1B "Completion of Spillway concrete Discharge Channel" that has yet to be completed. Contractor will address cost and schedule impacts of this issue under separate cover.
7. Contractor is working diligently to try to achieve the river diversion date of June 15, 2016. As stated previously, the schedule to achieve the June 15, 2016 date contains no float, and cannot support unforeseen events. To date, Contractor has incurred more than 30 days of unforeseen delay events, such as late access to work site, additional repairs to anchors, poor weather conditions, lower manpower productivity, replacement of site manager, etc. In order to maintain the June 15, 2016 date reflected in the current schedule, Contractor is taking additional measures to recover these lost days due to unforeseen events and expects full compensation for these acceleration costs.
8. See item 7 above.

As stated numerous times, Contractor continues to strive to achieve the Company's directed target date of June 15, 2016 for river diversion and expects Company to reimburse Contractor for all of its related efforts. After further review,



the additional costs related to the concrete acceleration in the last 3 bays is estimated at 4M\$.

Contractor has complied with Company's request by submitting a new plan to Company on March 18, 2016.

Yours Truly,

A handwritten signature in blue ink, appearing to read "Bill Mavromatis".

**Bill Mavromatis**  
**Project Manager**  
**Andritz Hydro Canada Inc.**

**CC:** Frank Gillespie, LCP Deputy Company Representative/Area Manager  
Bruce Drover, LCP Package Leader - Hydro Mechanical Equipment  
Line Tremblay, LCP Senior Contract Administrator  
Nicole Hu – AH Commercial Manager  
Jean Rochon – AH Large Hydro Manager Operations  
Daniel Carrier – AH Vice President  
Tim Ryan – AH President  
Veronica O'Brien – AH Regional General Counsel - North America