



**April 22nd, 2016**

**AH-Letter-PM-159**

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:** SRG Concrete Pour Bay No. 1 – Night Shift 6 April 2016

**Ref:** Company's letter LTR-CH0032001-0322 dated April 8, 2016

Dear Mr. O'Brien,

We refer to (a) the major incident relating to the concrete pour to Bay 1 SRG during the nightshift of 6 April 2016 (the "Incident") and (b) Company's letter referenced above pursuant to which Company, among other things, asserts that Andritz Hydro ("Contractor") shall be held fully accountable for all Critical Path delays and costs as a consequence of the Incident.

Contrary to Company's position, Company shall bear all liability in connection with, arising under, or relating to, the Incident.

As maintained by Contractor since Company issued CHO 010, and as more recently reiterated in Contractor's Notice of Dispute in letter AH-Letter-PM-163, the acceleration directive is a Time and Material ("T&M") Change Order for which Contractor is entitled to be paid on a cost reimbursable basis.

When Contractor performs work pursuant to a T&M change order carried out on a reimbursable basis, Contractor is entitled to compensation for the value for the scope of the extra work based on the actual direct expenses for supervision, labor, materials, equipment, etc., and Contractor's overhead and profit are covered by the 15% allowance.

In addition, when Contractor performs work pursuant to a T&M change order, the associated risks and liabilities arising out of the change order work become the Company's responsibility. Contractor cannot be forced to assume responsibilities beyond those Contractor accepted in exchange for the fixed price in the Agreement unless agreement exists between the Parties. By refusing Contractor's offer to accelerate the Work on a firm price basis and for the price proposed by Contractor, Company assumed all of the risks and liabilities arising out of the extra work.



All contingencies, delays, standby time and lost time, and other non-billable activities resulting from any action or omission of any Party are therefore the sole and exclusive liability of Company.

In accordance with CHO 010, Contractor continues to exercise due diligence in accelerating the Work towards Company's target river diversion date of June 15, 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

