

January 31st, 2017

AH-Letter-PM-291

LTR-CH0032001-0762

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: Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment;

Re: Extension of Time - Change Order No CHO-006

Ref:

- (A) Contractor's letter AH-Letter-PM-003 – dated 18-Dec-2014
- (B) Contractor's Change Request CHR-2011 – dated 16-Jan-2015
- (C) Company's Change Order No. CHO-CH0032001-006 - dated 18-Mar-2015
- (D) Contractor's letter AH-Letter-PM-022 – dated 18-June-2015
- (E) Company's letter LTR-CH0032001-0036 – dated 10-July-2015
- (F) Contractor's letter AH-Letter-PM-029 – dated 5-Aug-2015
- (G) Contractor's letter AH-Letter-PM-277 - dated 01-Sep-2016
- (H) Company's letter LTR-CH0032001-0559 - dated 07-Sep-2016
- (I) Contractor's letter AH-Letter-PM-287 - dated 16-Sep-2016
- (J) Company's letter LTR-CH0032001-0604 - dated 07-Oct-2016

Dear Mr. O'Brien,

Contractor acknowledges receipt of letter under Reference (J) and submits this in kind response.

Company's response, while lengthy, fails to take into consideration that Company is taking a retrospective view to argue concurrent delay, a view that would otherwise not have been available at the time CHO-06 was issued, given that the events Company cited as contributing to concurrent delay would not have yet occurred.

In addition, any prudent contractor understands that risk planning is an essential component in any project scheduling exercise. The manner in which the delays unfolded after CHO-06 was issued is evidence in itself that the project risk was in this case was both real and unpredictable, given in this case, there was no way Contractor could have anticipated that Company would have missed its key milestones (I1A and I1B) by more than 8 months, nor the extent of productivity loss associated with having to perform a greater percentage of work under winter conditions.

What is abundantly clear is that Company's delays in delivering Milestones I1A and I1B were absolutely critical path delays that had an immediate and significant impact on all work at site, as site work could not start unless and until these Milestones were delivered. Furthermore, Company's partial delivery of these Milestones contrary to the project schedule on which

Contractor's schedule was based greatly increased project complexity, and introduced new and greater risk to project execution.

Company's (1) denial of Contractor's EOT claim on the basis of Article 26.8, notwithstanding Contractor's initial notice Reference (A), (2) decision to take a simplistic and retrospective view to argue concurrent delay, (3) decision to ignore Company's failure to fully and timely deliver its Milestones per the project schedule in order to argue Contractor's EOT claim as invalid, is disingenuous, and extremely self-serving.

Contractor is pleased to note that Company does acknowledge in Reference (J) that there was a delay on this project, and this delay is excusable for Contractor's benefit. However, the question that remains is the amount of and compensation for such delay. It is Contractor's continued view that delaying work start by 258 days, together with the shifting of more work to winter periods, together with the other project risks, all justify an extension of time equal to 100 days greater than the day-for-day extension offered by Company.

Contractor remains ready to meet with Company to discuss and agree on an amount of and compensation for EOT days which would be fair and reasonable given the circumstances.

Yours Truly,



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
Mathieu Bertrand – AH Installation Engineer
Daniel Carrier – AH President
Jean Lapointe – AH Contract Management Director
Luc Bourbeau - AH Project Director
Nicole Hu – AH Commercial Manager