



September 20<sup>th</sup>, 2017

AH-Letter-PM-496

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:** Milestones I7 and I8

**Ref:**

- A) Company's letter LTR-CH0032001-0926 dated 11 September 2017
- B) Company letter LTR-CH0032001-933 dated 19 September 2017
- C) Company's letter LTR-CH0032001-0919 dated 1 September 2017
- D) Contractor's letter AH-Letter-PM-487 Rev. 01 dated 29 August 2017 (resubmitted with attachment on 8 September 2017)
- E) Contractor's letter AH-Letter-PM-482 dated 8 August 2017
- F) Company's letter LTR-CH0032001-0871 dated 15 June 2017
- G) Change Request CHR-2045 dated 2 May 2017
- H) Company's letter LTR-CH0032001-0830 dated 24 April 2017

Dear Mr. O'Brien,

Contractor acknowledges receipt of Reference (A) and disagrees with statements contained therein.

Company's statements that Contractor has not yet communicated any intent to begin Work on unit 1 are inaccurate – the recent exchange of letters certainly indicates otherwise. First, Company changed the Exhibit-9 dates, Reference (H), in response to which Contractor submitted a proposal, Reference (G). The Milestone I7 and I8 dates in the revised Exhibit 9 are 1 August 2017, however, Company did not fulfill its obligations set forth under Article 11.8 of the Agreement, which obligates the Engineer to notify Contractor of Site availability. Article 11.8 also stipulates that Contractor cannot commence Work until such notification is received. On August 8<sup>th</sup>, Contractor advised Company via Reference (E), that Company failed to issue notice of Site availability, and also that Company failed to achieve Milestone I7 & I8, which Company refuted via Reference (C).

In reality, Company had no grounds to refute Contractor's position as stated in Reference (E), given the walk down performed on 18 August 2017. The deficiencies



captured in the transfer of possession form entitled "Punchlist Form" (attached to Reference (D)), duly signed by representatives of Company, Company's Other Contractor, and Contractor on the day of the walk down, include seven (7) punch list items classified as "A" items which confirms that the site was not ready for the transfer of possession. Possession of the Site cannot be transferred to Contractor - as of the date of this letter, given the Site is still not ready, as none of the 7 "outstanding "A" punch list items have been remedied, as noted in the Punchlist form marked-up by Contractor in Attachment B, In addition, Company is failing to initiate the construction interface transfer of the Work zone, through the established site process documented in the SIMOPS minutes of meeting, which further evidences that Company has not yet achieved Milestones I7 and I8. This failure is also preventing Contractor from responding to Company's request made in Reference (B) that Contractor submit a detailed schedule for mobilization and completion of the Draft Tube work according to M22 by 29-Sep-2017. The Exhibit 9 dates in Reference (H) are no longer valid. Contractor will communicate the project schedule revised dates as soon as Company issues a new Exhibit 9 schedule at which time Contractor will assess the overall associated impacts and prepare a new EoT proposal.

The finalization of documents and procedures is an iterative process, and Company's statements regarding Contractor's effort relating to "Methods of Work and procedures" are not supported. Contractor is diligently working to facilitate closure of these tasks as evidenced by the submittal of the procedures documents in July and August of 2017, (see Attachment A) and as evidenced by the most recent submittal of the Draft Tube installation procedures in September 2017.

Contractor rejects Company's statement that Contractor is failing to meet its obligations to continue the Work. Company itself modified the dates in Exhibit-9 however, as we have previously pointed out such modification is not contractually valid without a proper, agreed-upon Change Order. In such circumstances, Article 26.2 of the Agreement expressly prohibits any Work from being performed in absence of a Change Order issued by Company.

As such, the changes to Exhibit 9, together with the effect of the changed Site conditions and the failure by Company to achieve Milestone I7 & I8, require that a valid and proper Change Order be agreed and issued, before Contractor can proceed. Company cited in Reference (B), that the M22 date was in jeopardy. In fact, the M22 date along with every other remaining Powerhouse related Milestone dates are in jeopardy for no other reason than Company's failure to meet its Contractual obligations. Contractor reminds Company that all cost and schedule impacts arising out of any changes to Exhibit 9, the changed Site conditions and / or failure by Company to achieve I7 & I8 will be to Company's sole account.



Yours Truly,

A handwritten signature in black ink that reads "Bill Mavromatis".

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

**Attachment A: Procedures Submittal, July and August 2017**

**Attachment B: Punchlist form dated 18 August 2017, as marked-up by Contractor**

**CC:** Frank Gillespie - Company Deputy Company Representative/Area Manager  
Bruce Drover - Company Package Leader - Hydro Mechanical Equipment  
David Burton - Company Senior Contract Administrator  
Jean Lapointe – Contractor Contract Management Director



			Returned date and Returned Transmittal #					Aconex Reference #	Date of Transmittal
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-ME-K24-0001-01	Installation of Draft Tube Gate - Embedded Guide	NE-LCP-TRANSMIT-099701 (14-Aug-2017)	C1 - code 2	8/31/2017	HAL - CNM		1 AndritzH-TRANSMIT-005278	14-Jul-17
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-ME-K24-0002-01	Installation of Draft Tube Crane	NE-LCP-TRANSMIT-099391 (08-Aug-2017)	A2 - code 2	8/25/2017	HAL - CNM		1 AndritzH-TRANSMIT-005277	14-Jul-17
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-ME-K24-0003-01	Draft Tube Water Stop Gate - Installation Procedure - Embedded	NE-LCP-TRANSMIT-101003 (07-Sept-2017)	A1 - code 2	TBA	HCM - CNM		1 AndritzH-TRANSMIT-005369	23-Aug-17
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-ME-K24-0005-01	Installation Procedure of Hoarding & Scaffolding for Draft Tube En	<a href="#">NE-LCP-TRANSMIT-101028 (07-Sept-2017)</a>	A1 - code 2	TBA	HAL - CNM		1 AndritzH-TRANSMIT-005350	23-Aug-17
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-ME-K24-0008-01	Installation of Draft Tube Stoplog	NE-LCP-TRANSMIT-099033 (31-July-2017)	C1 - code 1	N/A	HAL - CNM		1 AndritzH-TRANSMIT-005281	17-Jul-17
3330 Draft Tube Gates & Hoist	MFA-AH-SD-3330-EL-K24-0001-01	Draft Tube Crane - Electrical Parts - Installation Procedure	NE-LCP-TRANSMIT-099355 (08-Aug-2017)	A1 - code 2	9/15/2017	HAL		1 AndritzH-TRANSMIT-005299	24-Jul-17

**PUNCHLIST FORM**

The Lower Churchill Project

Contractor and Package # : Andritz / Astaldi / LCP

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Construction Interface # : CI

Construction Interface Description: Transfer of Possession for CI – Unit #1 Tailrace from CH0007 to CH0032

ITEM	DEFICIENCY DESCRIPTION	PL CAT (A or B)	RAISED BY	DATE RAISED	CONTRACTOR CLEARED		COMPANY AGREED	
					Initial	Date	Initial	Date
1	Clear area for "Crane mat" 200' for D/S access to GSB	A	Not done					
2	Material "C-CAMP"	A	Other material in the way					
3	Housekeeping	B						
4	scuffold in maintenance Gallery to be removed	A	Not done					
5	Scuffold in Unit #1 tailrace	A	Not done					
6	Water mitigation in maintenance Gallery	B	c					
7	Finish concrete repair and grounding South Side 1	A	Not done					

Notes: 1 - Unused lines to be struck through. 2 - Use additional continuation sheet as required, each sheet to be signed. 3 - Signing below indicates acceptance of the deficiencies noted above and their categorization (A or B) as being valid.

**Definitions:**

**PUNCH LIST "A" ITEM** – means that the deficiency noted is significant and is preventing the Mechanically Completion, Handover or Turnover process.

**PUNCH LIST "B" ITEM** – means that the deficiency is minor in nature and is not preventing the Mechanically Completion, Handover or Turnover process.

	RECEIVING CONTRACTOR	DELIVERING CONTRACTOR	LCP INTERFACE LEAD
Company			
Name (Print):			
Signature:			
Date:			

**PUNCHLIST FORM**

**The Lower Churchill Project**

Contractor and Package # : Andritz / Astaldi / LCP

Page 2 of 2

Construction Interface # : CI

Construction Interface Description: Transfer of Possession for CI – Unit #1 Tailrace from CH0007 to CH0032

ITEM	DEFICIENCY DESCRIPTION	PL CAT (A or B)	RAISED BY	DATE RAISED	CONTRACTOR CLEARED		COMPANY AGREED	
					Initial	Date	Initial	Date
8	tailrace "dock stairs" to be removed	A	Not done					
9	modify scaffold "N" & IS to be outside Unit #1	B						
10	Pedestal for super structure interfering with staging area / retaining wall tailrace of Mch	A	Not done					
			C					

Notes: 1 - Unused lines to be struck through. 2 - Use additional continuation sheet as required, each sheet to be signed. 3 - Signing below indicates acceptance of the deficiencies noted above and their categorization (A or B) as being valid.

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	RECEIVING CONTRACTOR	DELIVERING CONTRACTOR	LCP INTERFACE LEAD
Company	Andritz Hydro		LCP
Name (Print):	BRIAN KEATING		Philipp Lagau
Signature:	<i>Brian Keating</i>		<i>[Signature]</i>
Date:	Aug 18 / 2017		Aug 28 / 2017

*MICHELE CASTELLI*  
*M. Castelli*



### MEETING ATTENDANCE SIGN-IN SHEET

**Project:** Lower Churchill Project **Package No.:** Powerhouse (CH0007/30/31/32/33)  
**Convened by:** Philippe Lagace / Shane White **Package Title:** N/A  
**Meeting Date:** **Time:** 8:15 am  
**Location:** "The Room" Conference Room **Length:** 30 mins  
**Subject:** Construction Interface SIMOPS

Participants:

Name (please print)	Company (please print)	Signature
Philippe Lagace	LCP	<i>[Signature]</i>
Brian Kenting	AH	<i>[Signature]</i>
Keltie Land	LCP	<i>[Signature]</i>
Maam Abou Hamad	Astaldi	<i>[Signature]</i>
MICHELE CASTELLI	ANDRITZ	<i>[Signature]</i>
Gary Walsh	LCP	<i>[Signature]</i>

TELECONFERENCE PARTICIPANTS

Meeting Convened and Recorded by: