

**Muskrat Falls Corporation**

Corporate Office  
500 Columbus Drive  
P. O. Box 15000, Stn. A  
St. John's, NL Canada A1B 0M4

**Lower Churchill Project Operations Office**

350 Torbay Road, Suite 2  
St. John's, NL Canada A1A 4E1

LTR-CH0007001-0252

**28-Aug-2014**

ASTALDI Canada Inc.  
358 Hamilton River Road  
Happy Valley-Goose Bay, NL  
AOP 1CO Canada

**Attention:** Jose Alves, Project Manager  
Roger Hopkins, Contract Administrator

**Subject:** **Agreement No.:** CH0007- 001  
**Title:** Construction of Intake and Powerhouse, Spillway and Transition Dams  
**RE:** Baseline Control Schedule and Schedule Development Control Plan

Dear Sirs,

On 12-Aug-2014 Astaldi submitted the latest iteration of its Baseline Control Schedule, MFA-AT-SD-0000-PM-A02-0001-01 revision A03, for Company's review and acceptance. On 27-Aug-2014, following the Company's analysis of the schedule, review comments were provided to your Project Controls Group. At the same time the Baseline Control Schedule was formally returned with the review designation Code 5, "Not reviewed." This was done with the full understanding of your Project Controls Group to close out the work flow. It is our understanding with your Project Controls Group they will revise the Control Schedule, incorporating all the Priority 1 comments, and resubmit it to the Company for our final review and acceptance.

Subject to the foregoing, it is our intention to issue acceptance of the schedule on Tuesday, 02-Sep-2014. This acceptance will be conditional as the baseline schedule still reflects delays to Milestones M4A, M4B, M18, M26, M28, M34, M36, M42, M50, and M53. We fully expect Astaldi to monitor its performance against these milestones and advise the Company of any reasonably acceptable means to mitigate the impact these milestone delays may have on the Project.

On 27-Aug-2014 the Company also returned the Schedule Development Control Plan, MFA-AT-SD-0000-PC-A42-0001-01, to Astaldi with the review designation Code 2, "Revise and Resubmit. The return of this document was likewise with the full agreement of your Project Controls Group as they had requested we return this document so they could revise and resubmit it to conform to the baseline schedule and to fully address the requirements of Exhibit 3 of the Agreement. This document had first been issued, informally, on 21-May- 2014 and then formally on 28-Jul- 2014.

As you may be aware, the Company's planners have worked very closely with Astaldi's planners since 18-Feb-2014 to develop an acceptable Baseline Control Schedule. Astaldi's initial schedule addressed only the

spillway and then on 17-Mar-2014 we received revision A01 of the Baseline Control Schedule which addressed the full scope of work. During April 2014 we held several workshops with Astaldi to address a number of deficiencies in the schedule. An updated schedule was informally submitted on 29-Apr-2014 and following several more weeks of jointly working to incorporate review comments, Astaldi issued another informal baseline schedule on 26-May-2014. On 03-Jun-2014 a new schedule revision was received. The Company reviewed this latest version of the baseline schedule and returned our review comments to Astaldi on 26-Jun-2014. On 10-Jul-2014 Astaldi submitted formally revision A02 of the Baseline Control Schedule to which the Company responded with review comments on 21-Jul-2014.

We have also requested the Project Controls Group to resubmit the Basis of Planning document that was submitted with their Control Schedule as a separate document, the "Control Schedule Baseline Document," Item A44 as per Exhibit 3, Coordination Procedure, to the Agreement.

With these last two schedule submissions Astaldi has closed all but a few of the Priority 1 comments and a number of the Priority 2 and 3 comments. With this next submission the last of the Priority 1 comments will have been addressed. Going forward as you update the schedule to reflect actual progress the Priority 2 and 3 comments can be addressed.

We are approaching a significant milestone which reflects a great deal of effort in producing an acceptable Baseline Control Schedule. We believe this effort has been mutually beneficial and forged a real sense of teamwork between our mutual Project Controls Groups.

Regards,

**Muskrat Falls Corporation**



**Desmond Tranquilla**  
**Deputy Company Representative and Site Manager**

CC: S. O'Brien, R. Woolgar, M. Collins, N. Fergusson, A. Kelly, B. Knox, H. Geres, M. Melhem  
E. Bush, P. Aucoin