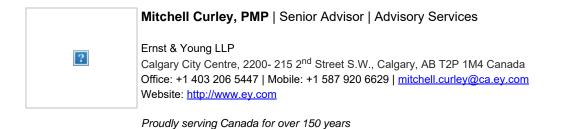
## CIMFP Exhibit P-03402

Page	1	
<b>U</b>		

From:	Mitchell Curley
To:	TanyaPower@lowerchurchillproject.ca
Subject:	RE: Latest AFE Reasons for Increases
Date:	Thursday, July 20, 2017 11:24:00 AM
Attachments:	image001.gif

Thanks very much for the clarifying comments Tanya. I'll make sure our report accurately reflects this information.

Cheers,



From: TanyaPower@lowerchurchillproject.ca [mailto:TanyaPower@lowerchurchillproject.ca] Sent: Wednesday, July 19, 2017 3:54 PM To: Mitchell Curley <Mitchell.Curley@ca.ey.com>

Subject: Re: Latest AFE Reasons for Increases

Hi Mitch,

Please see comments below in RED. Let me know if you'd like to discuss further.

Tanya Power Project Controls Manager PROJECT DELIVERY TEAM Lower Churchill Project t. (709)-778-6688 e. <u>TanyaPower@lowerchurchillproject.ca</u> w. <u>nalcorenergy.com</u>

You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

From: Mitchell Curley <<u>Mitchell.Curley@ca.ey.com</u>>

To: "TanyaPower@lowerchurchillproject.ca" <TanyaPower@lowerchurchillproject.ca>

Date: 07/19/2017 06:36 PM Subject: Latest AFE Reasons for Increases

Page 2

Hello Tanya,

In one section of our report, we are planning on making reference to the basis for the latest increase in baseline costs (Generation AFE5 / Transmission AFE4). I'd like to make sure that we've captured the reasons correctly. From interpreting the Board Presentation from June 21<sup>st</sup>, and from our conversations this week and last, can you confirm that the following accurately captures the basis for increase?

a. Settlement of issues with Astaldi resulting in the signing of the completion agreement in Feb 2017, as well as knock-on effects to other contractors due to delays in Astaldi work,

TP - Astaldi settlement of \$270M was actually captured in AFE Rev 4 (MFG) in Dec 2016; however, It is correct to indicate that knock on effects to other contractors due to Astaldi delays was a significant contributing factor to the increase in required budget for AFE Rev 5 (MFG).

b. Settlement of issues with General Electric (GE) Grid resulting in the signing of the completion agreement in April 2017, as well as knock-on effects to other contractors due to delays in GE Grid work,

TP - referring to both the Board and OC presentations the GE Grid settlement was not actually referenced. This amendment was agreed in principle in Feb/Mar so all required funding was taken from the existing Contingency from AFE Rev 3 (LIL/LTA). The primary purpose of this agreement was to get schedule certainty and reduce commerical risk; the resulting commercial impact was not significant in the big picture as sufficient budget was available pre-AFE update.

c. Impacts from protests and site shutdown during November (protests occurred in late Oct with staff remob in early Nov) 2016,

TP - correct this was a significant contributing factor to the required budget increase.

d. Revised estimate to the Balance of Plant contract, and

TP - correct this was a significant contributing factor to the required budget increase for.

e. Additional and unplanned work, including land clearing, camp expansion, work conducted on cofferdams, and transmission conductor issues.

TP - generally correct (significant contributing factors to the required budget increase); however, I don't know what you're referring to with 'land clearing'. Can you please clarify - if you're referring to clearing and access please reference item f. below?

f. TP - Settlement of claims related to Overland Transmission - primarily to account for geotechnical conditions in Labrador which were worse than anticipated as well as delay claims; funds were also included to address remaining execution risk related to completion of construction and maintenance of the access roads.

Thanks very much.

Cheers,

Mitchell Curley, PMP   Senior Advisor   Advisory Services
Ernst & Young LLP Calgary City Centre, 2200- 215 2 <sup>nd</sup> Street S.W., Calgary, AB T2P 1M4 Canada Office: +1 403 206 5447   Mobile: +1 587 920 6629   <u>mitchell.curley@ca.ey.com</u> Website: <u>http://www.ey.com</u>

Proudly serving Canada for over 150 years

## CIMFP Exhibit P-03402

Page 3

CONFIDENTIAL and/or PRIVILEGED. If received in error please notify the sender and permanently delete. CONFIDENTIEL et/ou PRIVILÉGIÉ. Si ce courriel est reçu par erreur, veuillez nous en aviser et en effacer toute trace. EY, 100 Adelaide Street West, PO Box 1 Toronto, ON M5H 0B3. <u>www.ey.com/ca</u> To unsubscribe from commercial electronic messages / Pour vous désabonner des messages électroniques commerciaux : <u>Unsubscribe@ca.ey.com</u>