



**Lower Churchill Management Corporation**  
Lower Churchill Project Operations Office  
350 Torbay Road, Suite 2  
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LTR-CD0502001-0293

LTR-CD0501-LILLP-AG-0201

LTR-CD0502-LTCLILLP-AG-0170

3-Feb-2016

Mr. Thierry Martin  
Project Director  
ALSTOM GRID CANADA ULC  
1400 Industrielle, Suite 100  
La Prairie, Quebec  
J5R 2E5

**Subject: Contractor Performance and Summary of Meeting held on 27-Jan-2016**

**Ref: LTR-CD0502-LTCLILLP-AG-0165 and LTR-CD0501-LILLP-AG-0197**

Dear Mr. Martin,

Further to our letter (LTR-CD0502-LTCLILLP-AG-0165 and LTR-CD0501-LILLP-AG-0197) sent on 22-Jan-2016, Company has serious concerns regarding Contractor's ability to deliver the Project.

A summary of the subsequent meeting is attached.

Company requires immediate action by Contractor to address the issues and improve performance. Contractor shall promptly demonstrate improvement in all noted areas. Improvement will be closely monitored by Company through such means as, but not limited to, the following:

- Contractor's project management performance
- Contractor's progress for engineering, procurement, construction and overall performance
- Correction of specific problems and issues identified in the meeting summary attached
- The quality of Contractor's response to specific requests and the quality of presentations and workshops as outlined in the meeting summary attached

The timeliness of Contractor's corrective actions and Contractor's demonstrated improvements is critical for project success.

It should be noted that, during the meeting held on 27-Jan-2016, Company expressed some of its concerns and provided some supporting examples. While the concerns and examples discussed during the meeting are listed in the attachment, it should be noted that the list is not a comprehensive list of all of Company's concerns. Other concerns have been communicated verbally, through letters, via e-mail correspondence, and documented in minutes of meeting.

The seriousness of this situation must be acknowledged by Contractor's Sr. Management and immediate action taken to address Contractor's performance deficiencies.

**a Nalcor Energy company**

Please contact the undersigned should you require any further clarification.

Regards,



Darren DeBourke, P.Eng.  
Project Manager, HVdc Specialties

c.c.  Trina Troke (LCMC)

Mark Ellis (LCMC)

Anthony Jackman (LCMC)

Ken Almon (LCMC)

Pierre Sasseville (LCMC)

Tanya Power (LCMC)

Ray Butler (LCMC)

Cyrille Boussuge (AG)

Olivier Ruiz (AG)

Daniel De Blois (AG)

Kenza Arab (AG)

Antoine Tabet (AG)

Claude Mandeville (AG)

Encl.

Attachment:

**Meeting at Alstom-GE's La Prairie, QC office on Wednesday, 27-Jan-2016**

**Participants**

Company: Darren DeBourke and Trina Troke

Alstom-GE: Olivier Ruiz and Thierry Martin

**1. Safety Moment / Values Moment**

Safety: H1N1 flu – Take necessary precautions

Values: Discussed teamwork, working together to achieve project success. It is out of respect that we have the discussion at this level, before issues are tabled at the Steering Committee level, or above. Leadership and accountability are critical to ensure the project is delivered in accordance with all requirements such as safety, quality, and schedule.

**2. Introduction & purpose / context for meeting**

Company continues to have serious concerns with Contractor's ability to manage and execute the Work. There are significant and disturbing issues across all aspects of project management, engineering, quality, safety, procurement, construction, and completions.

Company demands swift and immediate changes to restore Company's confidence that Contractor can and will deliver the Work in accordance with the Agreements.

**3. Planning / Scheduling / Overall Management**

Company sent letter (LTR-CD0502-LTCLILLP-AG-0167 and LTR-CD0501-LILLP-AG-0198) on Monday, 25-Jan-2016, outlining extremely serious and significant schedule problems.

Company is concerned that Alstom-GE has not reinforced management accountability for the schedule. It is apparent that the schedule is not being used or referenced or deemed important. Team members do not appear to be held accountable to meet the dates in the schedule.

It is not only the manipulated schedule itself, as officially submitted to Company, that is concerning. The fact that the schedule outputs were approved by Alstom-GE management and incorporated into the current monthly reports to Company, without any explanation or justification, is equally concerning.

This was further reinforced by today's discussion and clear evidence of the lack of awareness of the issues by senior Alstom-GE management.

As a result, Company is concerned that:

- Contractual requirements for approved engineering deliverables prior to procurement, fabrication and construction are not met

- Critical path and subcritical paths are unknown
- Priorities are unknown
- Progress reporting is inaccurate
- Forecast dates are unrealistic

Agreed to hold workshop in St. John's during the week of 9-Feb-2016. Key team members from Contractor will all actively participate. It will be held at an off-site location.

#### **4. Completions / commissioning**

Company sent Letters to Contractor on 26-Nov-2015 (LTR-CD0502-LTCLILLP-AG-0130 and LTR-CD0501-LILLP-AG-0167) and on 14-Dec-2015 (LTR-CD0502-LTCLILLP-AG-0144 and LTR-CD0501-LILLP-AG-0177), yet has still not received any response.

Completions Manager position in CD0502 Agreement was to be filled Q1 2015.

Absolutely no completions planning is being done by Alstom-GE, pending the filling of Completions Manager position, even though this has repeatedly been identified as a key risk to the project.

Completions Manager still not mobilized by Alstom-GE and, as a result, no Commissioning Plan and no completions documentation whatsoever has been contemplated.

Company is opposed to the most recently, yet still unofficially proposed, Completions Manager. Company is very upset that it had not been consulted prior to the candidate being hired by Alstom-GE.

Agreed to hold workshop in St. John's late during the week of 9-Feb-2016, following schedule workshop. Contractor will be prepared to present a plan for completions at this time.

#### **5. Construction**

Discussed poor construction progress overall to date on CD0501 and CD0502 relative to plan and concerns about the amount of work remaining to be done.

Company is very concerned about the overall quality of the Work completed to date. Just one recent example of poor quality is the Muskrat Falls GIS building concrete. Alstom-GE needs to take full ownership of the issues and initiate necessary corrective actions to ensure the long term integrity of the assets. Alstom-GE must promptly determine and confirm the root cause and provide a report and plan to Company to ensure such issues are not repeated.

Construction / Site management teams and support from home office remain inadequate. There is also a need for more competent QA/QC and experienced Engineering personnel on all sites.

Alstom-GE's poor relationship with each of the CW Contractors is very concerning to Company and requires immediate improvement. For example, currently there are numerous letters, change requests, site queries, etc. from the CW Contractors that have not yet been responded to by

Alstom-GE. Notices of Dispute have been filed by these CW Contractors, because issues have been left unresolved by Alstom-GE. This is not acceptable.

Agreed there is a need to have bi-weekly or weekly meetings with Alstom-GE Management, CW Contractor Management, and Company Management. Thierry will organize, chair, and document these meetings.

Company expressed concern about the current state of Alstom-GE's construction management plans. Alstom-GE agreed to update the plans to confirm details of plans to manage multiple subcontractors, of different disciplines at the sites. Company pointed out that special consideration is needed at Soldiers Pond, to manage and coordinate the work with Alstom Power. This is not a new requirement.

The Churchill Falls Extension work, particularly the work inside the existing, energized CF(L)Co. 735kV yard requires special attention, planning, and coordination. Also, any outages of existing infrastructure need to be promptly identified and scheduled. This requirement has repeatedly been highlighted to Alstom-GE, but no action has been taken.

In summary and based on performance to date, Company does not have the confidence in Alstom-GE that they can successfully deliver the Project in accordance with the Agreements.

## 6. Engineering

Documents required for RFPs, awarding POs, commencing manufacturing, to perform testing and FATs, etc. are not being issued for Company approval in a timely manner by Alstom-GE to meet schedule and contractual requirements.

Deliverable status for some of the current key activities, as of 15-Jan-2016:

- 131 of 190 Building Fit Out (Package 3) deliverables are Code 1
- 1 of 9 AC Filter PO deliverable are Code 1
- 24 of 42 Transition Compound documents are Code 1 (this work was originally supposed to be constructed summer of 2015) Commitment had been made by Alstom-GE on 01-Oct-2015 that these would be 100% complete, IFC, and free of Holds, by 31-Oct-2015. These are long overdue!
- 62 of 75 Structural Steel PO deliverables are Code 1
- 8 of 30 P&C FAT #1 deliverables are Code 1

This demonstrates a clear lack of organization and management oversight by Alstom-GE. This must not continue.

P&C FAT #1 is currently scheduled for 15-Feb-2016, and this requires that these deliverables be approved. The date for the FAT had already slipped once (from Dec-2015) and Alstom-GE must not allow it to slip again.

Discussed Package 5, including AC Yard and DC Yard for CD0501. The DC yard is part of the currently ongoing design review in Stafford. The AC Yard had been dependent on the AC filter

design. Alstom-GE is hoping to be ready to Tender this work in March and award contract in mid-May, to start construction in mid-June.

With respect to Alstom-GE's Engineering and Quality issues, Company continues to observe the following:

- Additional revision cycles are required to achieve Code 1.
- Rework is required to meet project specifications.
- Rework is required to meet conditional approval requirements of Concession Requests.
- Cost and schedule impacts on procurement and construction.
- Inadequate resources (based on schedule and progress) and inefficient use of existing resources.
- Contractor is not meeting the requirements of the Contract for Company approval prior to award, manufacturing and construction.
- There is a disconnect between Alstom-GE's La Prairie office team and other Alstom-GE entities (such as PES) performing engineering work for the project

Company has had to initiate, organize, and push Alstom-GE to have design review sessions to get deliverables to Code 1, to mitigate impacts of Alstom-GE's poor engineering progress. Alstom-GE has not been prompt with follow up afterwards and in submitting next revision for Company approval.

## 7. Procurement

Company has concerns that the quality requirements outlined in the Agreement are not being implemented and followed by Alstom-GE.

Discussed the CARE process to ensure that all quality requirements are met during all stages of procurement and manufacturing. This must be followed.

Issues surrounding the manufacture and FAT of the CD0502 GIS equipment, without Company notification and approvals, illustrate the concern.

*< Post meeting note: On 2-Feb-2016, Company learned that yet another violation of the Agreement occurred with the manufacture of the CD0501 valve modules without Company approved ITPs, as documented in letter to Alstom-GE LTR-CD0501-LILLP-AG-0203. >*

Alstom-GE confirmed the new role of expeditor and introduced Cedric Mesnard. He will be responsible to coordinate between engineering, procurement, and quality. Alstom-GE to demonstrate to Company the immediate benefits of this action.

Alstom-GE indicated that manufacturing of substation equipment at La Prairie facility is expected to start in February or March. Company expects formal notification and timely submission of relevant documentation.

Alstom-GE indicated that RFP for the electromechanical scope for CD0502 at Soldiers Pond, with option for some of CD501 at Soldiers Pond, was issued to bidders 2 months ago. There have been some clarifications back and forth. Bids close this coming Friday, 29-Jan-2016.

Company stated that it needs to better understand Alstom-GE's overall plans for all packages. Agreed that Alstom-GE would deliver a presentation to summarize their strategy (and demonstrate to Company that they have a realistic strategy) as part of the workshops in St. John's during the week of 9-Feb-2016.

#### **8. Organization / people**

Based on Company's observations, and as substantiated by overall project progress and execution, Alstom-GE's team is not properly managed, empowered, sized, or responsible and accountable to deliver a project of this magnitude. Alstom-GE shall review and confirm that it has assigned an adequate number of team members who are qualified and competent for their roles. Also, that the right people are in the right roles. Alstom-GE needs to ensure that team members have a sense of urgency, are giving 100%, are working towards common goals, and that communication among the team is effective.

Alstom-GE's organizational effectiveness has been a concern of Company since the Agreement was signed. This has been repeated to Alstom-GE many times.

Company will continue to monitor the situation and if immediate improvement is not clearly demonstrated, Company will insist on a replacement of Key Personnel from Alstom-GE's project management team.

#### **9. Other / Next Steps**

Key issues as outlined above will be escalated to the Project Steering Committee in the coming weeks or escalated further as Company deems necessary.

Agreed that the four of us (Oliver, Thierry, Trina and Darren) would meet again in a month to re-confirm that actions have been implemented and significant improvements and results have been realized.

*< Post meeting note: Olivier and Thierry to plan for meeting, de-brief on all these topics, with Company's senior management following the workshops during the week of 9-Feb-2016. >*

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