

# Muskrat Falls Project

## Independent Engineer Overview

June 24, 2014

Boundless Energy



# Outline

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4. IE Requirements – Project Finance Agreements

# Purpose

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- To provide the Government of NL Lower Churchill Project Oversight Committee with an overview of the role of Independent Engineer that has been engaged as part of the Federal Loan Guarantee / Muskrat Falls Project financing arrangements

# Background

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- MWH Canada was selected as independent engineer (IE) in Aug'12 through a competitive RFP process
- MWH was engaged to represent Government of Canada in its capacity as guarantor
  - Relationship formally transferred to Canada through Jun'13 IE Reliance Agreement

# Background

- MWH Global, Inc:
  - headquartered in Colorado, 8,000 employees, 180 offices in 35 countries
  - involved in: hydropower, dams, oil and gas, power delivery, and clean energy and sustainability
- This role is standard practice for lenders when financing projects of this nature

# Scope of Work



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- A three-phase approach was established for the IE's scope of work:
  - Phase 1 - pre-financial close
  - Phase 2 - financial close (Dec 2013) through project construction until commissioning
  - Phase 3 - operations, maintenance and monitoring following commissioning until the guaranteed debt is fully repaid

# IE Scope of Work – Phase 1

- Review focused on:
  1. Project design and projected performance
  2. Construction plan and schedule
  3. Capital budget
  4. Project agreements, permits and licenses
  5. Financial pro forma
- Muskrat Falls site visit
- Culminated in issuance of Nov'13 IE report to satisfy FLG condition precedent for financial close

# IE Scope of Work - Phase 2

- MWH will:
  1. Monitor engineering & procurement, quality control, cost and schedule
  2. Conduct site visits and attend project review meetings
  3. Issue monthly and annual certifications in accordance with project finance agreements
  4. Prepare periodic and final reports
  5. Verify project completion

# IE Scope of Work - Phase 3

- MWH to provide ongoing monitoring following commissioning to ensure the assets are being operated and maintained in accordance with good utility practice

# IE Requirements – Project Finance Agreements (PFA's)

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- Monthly review to facilitate draw requests
  - Construction reports
  - Contractor monthly progress reports
  - Funding requests
  - Real estate & liens report
  - IE draw confirmation certificate
- Annual certification relating to cost overrun escrow account (if required)
- Review of material project contracts executed after financial close and change orders (if required)
- Commissioning confirmation and certifications