

Date : 8/2/2016 5:02:25 PM

From : "Bown, Charles W."

To : "Mullaley, Julia" , "Quinlan, Krista"

Subject : Fw: Key Messages and Q&As re: Astaldi bridge document

Attachment : Key Messages and QAs Interim Agreement with Astaldi Aug 2016\_draft 4.docx;ATT00002.jpg;

Nalcor advises below that astaldi is having an investors call tomorrow where the agreement with Nalcor will be discussed. Astaldi's KMs are below and nalcor's draft is attached. I've asked for Erin at NR to prepared KM's and QA's for P and Min. Waiting to hear if Nalcor will be making an announcement or a statement.

Charles

Sent from my BlackBerry 10 smartphone on the Bell network.

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**From:** English, Tracy <TEnglish@gov.nl.ca>

**Sent:** Tuesday, August 2, 2016 4:52 PM

**To:** Bown, Charles W.

**Cc:** Shea, Erin

**Subject:** FW: Key Messages and Q&As re: Astaldi bridge document

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Charles

See below. Astaldi is doing an investors call tomorrow at 1:30 pm. Karen has prepared the draft messages noted below. Stan has not approved yet, so Karen asked us to treat as draft until she receives approval.

Tracy

**From:** KONEill@nlh.nl.ca [mailto:KONEill@nlh.nl.ca]

**Sent:** Tuesday, August 02, 2016 4:46 PM

**To:** English, Tracy; Shea, Erin

**Cc:** Quinton, Diana

**Subject:** Fw: Key Messages and Q&As re: Astaldi bridge document

FYI. Here's the draft messaging prepared regarding the recent agreement reached with Astaldi.

I will forward the final copy once approved by Nalcor.

Thanks

Karen



Karen O'Neill

Communications Manager

Lower Churchill Management Corporation

Nalcor Energy - Lower Churchill Project

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1.888.576.5454

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— Forwarded by Karen O'Neill/NLHydro on 08/02/2016 04:36 PM —

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From: Karen O'Neill/NLHydro

To: Stan Marshall/NLHydro@NLHYDRO, Deanne Fisher/NLHydro@NLHYDRO

Cc: Gilbert Bennett/NLHydro

Date: 08/02/2016 04:35 PM

Subject: Key Messages and Q&As re: Astaldi bridge document

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Hi Stan and Deanne,

Around 1:30 pm tomorrow (NST), Astaldi will have their first half results investor call. Here's the link to the investor call information: [http://www.astaldi.com/media\\_center/press\\_release/invitation\\_conference\\_call\\_2016\\_first\\_half\\_results\\_presentation/](http://www.astaldi.com/media_center/press_release/invitation_conference_call_2016_first_half_results_presentation/)

Here are the messages they will use for their call:

◆ In June 2016 Nalcor publically presented a cost and schedule update for all components of the Muskrat Falls Project;

◆ In July 2016 Astaldi and Nalcor signed a bridge agreement for the Muskrat Falls Civil works which represents a first positive step to allow project execution to continue while the parties pursue negotiations in good faith to achieve a commercially reasonable solution for a comprehensive settlement agreement by the end of 2016.

◆ Main items of the bridge agreement:

- ◆ A first increase of the contract value to allow, during the negotiation phase, works to continue on a performance based contract. Further funds are available to be allocated to the project within the above mentioned comprehensive settlement.
- ◆ Astaldi is continuing to execute the contract pursuant to the new extended works programme.

I've prepared our speaking points and Q&As for our response to the media/public when questions come up on the agreement.

Here they are for your review and comment.

Thanks  
Karen



Karen O'Neill  
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**Interim Agreement with Astaldi  
Speaking Points/Questions & Answers  
DRAFT August 2, 2016**

*Media/public statement in response to questions:*

Since 2014, Nalcor has been working closely with Astaldi to help them succeed in the execution of their contract for the powerhouse, intake and spillway.

Nalcor has been engaged in negotiations with Astaldi for some time, resulting in improved production since 2015.

In the interest of the Muskrat Falls Project, timelines and cost, and the province's investment in this development, Nalcor has negotiated an agreement with Astaldi. This agreement lays out firm production targets, expectations of the contractor, and financial incentives over the next several months to continue construction progress on the powerhouse and intake at Muskrat Falls.

We will continue to hold discussions with Astaldi in an effort to negotiate a final commercial agreement later this year.

*Questions & Answers:*

**1. If this was a lump sum contract, why are you giving Astaldi more money? Why don't you let them go/remove them?**

Astaldi had a slow start when their work started in 2013. Since 2014, Nalcor has been working closely with Astaldi to help them succeed in the execution of their contract for the powerhouse, intake and spillway. Over this time, we've seen their production improve. As long as the contractor meets our performance expectations, we are willing to work with Astaldi and continue negotiations.

**2. How much more money are you giving them?**

Nalcor will not be releasing the commercial terms of the contract as this is still an ongoing negotiation. To obtain the best possible outcome for the project, and therefore, the province, Nalcor must be able to maintain its best negotiating position with all contractors on the project.

**3. What is the length of this contract?**

This current agreement is until the end of October 2016. Over the coming months we will continue to hold discussions with Astaldi in an attempt to reach a final commercial agreement.

**4. What are the productivity targets and how much is the incentive they will receive?**

This agreement lays out firm production targets, expectations of the contractor, and financial incentives over the next several months to continue construction progress of the powerhouse and intake at Muskrat Falls. Between July and October 2016, production milestones/targets have been

set for concrete and steel placement. Astaldi will be compensated for reaching these targets over the four-month period.

**5. What happens in a few months when this agreement expires? Will you give them more money or will you replace them?**

We will continue to hold discussions with Astaldi in an effort to negotiate a final commercial agreement later this year. However, if we cannot resolve the commercial issues we will keep all our options open and this could include replacing the contractor.

**6. Is the cost for this agreement accounted for in the recent budget or is this going to make the project more expensive?**

The June 2016 project forecast includes the financial incentives for Astaldi meeting the production in this agreement.

**7. How much of the work has Astaldi completed?**

Cumulative progress to 23-Jul-2016 (m3 of concrete complete) is 47% (as per Astaldi's report).

**8. Negotiations have been ongoing with Astaldi for a long time. How much time and money has been wasted negotiating with Astaldi, instead of cutting your losses and giving the contract to someone else?**

Negotiations of this nature are a necessary part of any commercial dispute to arrive at a resolution. Our negotiations with Astaldi have led to the execution of a successful agreement based on the contractor receiving a financial incentive for reaching production milestones/targets.

To date we have been paying them under the contract for what we are required to pay. Switch out of a contractor of this size needs to be carefully considered. As long as the contractor is performing we will continue to negotiate with Astaldi toward a final commercial agreement.

**9. Do you believe it was a mistake to award this contract to Astaldi?**

The technical and commercial bid assessment process that was followed to arrive at awarding the contract for the powerhouse, intake and spillway to Astaldi was carried out using best practices and we believe that decision to award was the right decision at that time and based on the information that was available at that time.