

**From:** dawndalley@nalcoreenergy.com  
**To:** [Mullaley, Julia](#)  
**Subject:** RE: Report with our comments  
**Date:** Sunday, September 27, 2015 7:56:20 PM

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See responses below.

Dawn S. Dalley  
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"Mullaley, Julia" ---09/27/2015 05:31:16 PM---Dawn, Please see the attached from the report. The pages are referenced. Need further input on the

From: "Mullaley, Julia" <JMullaley@gov.nl.ca>

To: "'DawnDalley@nalcoreenergy.com'" <DawnDalley@nalcoreenergy.com>

Date: 09/27/2015 05:31 PM

Subject: RE: Report with our comments

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Dawn,

Please see the attached from the report. The pages are referenced. Need further input on these statements.

1. Page #7 "The Project Management costs increase is a combination of a correction in cost allocation between LIL and LTA and additional Project management personnel to ensure adequate oversight of the field work." Why the additional Project Management personnel? Understand the allocation is only \$5M of the \$45M.

*The re-allocation was more than \$5M - we do not understand how you arrive at only \$5M as relocation. in any case the reallocation and requirement to provide additional safety, quality, project management personnel to cover the multiple work faces and sites has resulted in this increase. The contractors cannot simply be left alone to execute the project we are required to cover all work fronts and sites and that takes extra personnel and costs*

2. Page #10 "The slippage in the latter two sub-projects is primarily due to more challenging geotechnical conditions being encountered than anticipated, a Quebec Innu protest and blockade and harsh winter weather followed by the Spring thaw which made

travelling on the right of way and via the access roads impossible. Valard laid off most of the workforce during a two to three week period which further impacted planned progress". But Slippage is occurring from March through June and continuing from June to August.

*We have spoken at length about the geotechnical issues of road access - the report is now encompassing unto June which is new to me. The central labrador soil conditions are extremely challenging as are the churchill falls and Muskrat falls soil/geotechnical conditions. following the hard winter and , challenging spring there were then back to the geotech/soild conditions trying to gain access, build roads, bridges and dig foundations in extremely tough and unusual solid and ground conditions.*

**3. Page # 11** "A summary of progress on these manufacturing activities as of June 2015 [NTD: Why are reports only available to June 2015?- This is a Q2 report" This report is intended to end of August. Question is why aren't these reports beyond June in the dataroom.

We don't have reports filed simply because the reports from the contractors are not accepted by Nalcor and will not be accepted by Nalcor until they are acceptable in content and quality. Nalcor will not accept Reports which have commercially damaging reports that will support future claims by the contractor. We know exactly where we stand wrt cost and schedule with all of our contractors and the fact that we don't accept the reports does not detract from that fact.

**4. Page #11**"The contractor's report for the Powerhouse Hydro-Mechanical Equipment for the month of June 2015 indicates the project progress is at 24.67 per cent complete as compared to a planned progress of 39.12 per cent. [NTD: Grown from 13.38% vs 22.71% in March] Nalcor advises that this is within the contract schedule variance tolerances and the equipment remains on track to meet the planned delivery." Seeking to confirm that it is in tolerance levels and on track to meet planned delivery dates.

The TG sets contract was executed well in advance of sanction and as such, and as recognized by the IE, there are many months of schedule float between what we contracted for and what we now need from a site need date - hence Nalcor is not concerned on the tg sets and gates delivery schedule

**5. Page #11** "The contractor's report for the HVdc Convertors and Transition Compounds for the month of March 2015 [NTD: NEED JUNE 2015!] indicates that the cumulative progress is 10.1 per cent complete as compared to a planned progress of 13.8 per cent. Nalcor advises that this is within the contract schedule variance tolerances and the equipment remains on track to meet the planned delivery [NTD: Confirm status of contractor report for CH0501, is June report now available?]. It will not be available in time for report release. WHY NOT -

same as #3

**6. Page # 12** The contractor's report for the AC Substations for June 2015 indicates that overall progress is ahead of the base line schedule by 1.7 percent with actual progress of 10.9 per cent complete compared to a planned progress of 9.2 per cent. [NTD: Confirm status of contractor report for CH0502, is this report available?] As above, it will not be available for report release. WHY NOT -

same as #3

7. Page #21 LTA: “Nalcor has advise that severe winter weather conditions , followed by the Spring thaw have contributed to the progress being less than planned. The geotechnical conditions being experienced further impact on cost and progress.” OUR REVIEW OF THE IPS SHOWS CHURCHILL FALLS SWITCHAYRD BEHIND 11% AND MF SWITCHYARD BEHIND 16.8% NOT SURE THE ABOVE EXPLANATION ADDRESSES UNLESS IT IS GEOTCH CONDITIONS AND IF SO, WHAT CONDITIONS AT CF SITE?

*the soil conditions at both Churchill falls and Muskrat falls are such that there are unsuitable soils which require deep piling to compensate for - nalcor prudently decided to avoid certain locations which led to layout changes which impacted the start date on these two areas. the overall schedule for LTA will will be re-baseleind to reflect the change in start date of the civil contractor without changing the end date*

8. Page #25 Cost escalation Risk. “. The latest Contract awards have been the primary reason (70%) for the \$663 capital cost increase.” This is not accurate. The cost for the three contracts was \$237M of the \$663 which is approx. 35%.

*We believe the 70% is accurate. The contract awards I am referring to include the latest awards and existing contracts in Lil wrt to the access and right of way clearing - the MF impact of contract awards is actually 80% of the MF increase whilst the market conditions and market pressures of newly awarded and existing time and material contracts is 69% of the LIL cost increase.*

Please see our comments/questions bolded at end of each. Please review and advise.

**From:** DawnDalley@nalcorenergy.com [mailto:DawnDalley@nalcorenergy.com]  
**Sent:** Sunday, September 27, 2015 4:18 PM  
**To:** Mullaley, Julia  
**Subject:** Report with our comments

As noted, I am checking on a few more items.

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