

SUMMARY OF JUNE 2017 CT0327-001 CONTRACT VALUE (VALARD)

90%
Quantities & unit Rates

1. FINAL CONTRACT AWARD RECOMMENDATION - AUGUST 2014 (Ref. PCN-0094)

Contract Value (Only Part A)	\$	809,248,501
Quantity Variation Allowance (Part A)	\$	30,654,598
Part B Estimate (Reimbursable)	\$	40,589,500
General Contract Allowance (1% of Award)	\$	8,092,485
TOTAL CONTRACT VALUE ESTIMATE	\$	888,585,084

2. CONTRACT PRICE MAY 15, 2017 (PRIOR TO JUNE 30, 2017 SETTLEMENT - Ref. Change Order #28)

Original Contract Value	\$	809,248,501	
Part A Change Orders	\$	2,285,608	
Part A Reimbursables	\$	10,683,063	Paid to date for conductor removal/replacement (CHO-0023)
Part B Change Orders	\$	23,474,456	For clearing/access on CHO-003 and CHO-010
Part B Reimbursables	\$	37,630,089	Paid to date for clearing/access (beyond CHOs)
CONTRACT PRICE (CHO-0028)	\$	883,321,717	

3. LCP INTERNAL COMMITMENT JUNE 8, 2017 (PRIOR TO JUNE 30, 2017 SETTLEMENT - Ref. QCC #5)

Original Contract Value	\$	809,248,501	
Part A Change Orders	\$	2,285,608	
Part A Reimbursables	\$	28,997,307	LCP Estimate of conductor removal/replacement
Backcharges - Part A	\$	(2,026,838)	
Quantity Commitment Changes (QCCs)	\$	(1,565,761)	
Part B Change Orders	\$	23,474,456	
Part B Reimbursables	\$	43,921,793	LCP additional commitment for clearing/access scope
Backcharges - Part B	\$	(39,000)	
COMMITMENT PM+ (June 2017)*	\$	904,296,066	

925.3 (LCP)

* Excludes \$11M from Internal Commitment Authorization #1 for stringing suspension and \$10M from Internal Commitment Authorization #6 for labour escalation, both formed part of June 2017 settlement below.

4. RECONCILIATION OF PART A QUANTITIES AND PART B REIMBURSABLES (Spring 2017)

Part A - Reconciliation of Contract Quantities (June 2017)	\$	58,103,340
Additional H-Pile and Micropile (~42% of total)		
Field LEM Collection (~18% of total)		
Guy Anchor Installation (~12% of total)		
Geotech/design changes (~10% of total)		
Part B - Reconciliation of Short-paid invoices	\$	5,600,594

5. TOTAL CONTRACT VALUE PRIOR TO JUNE 2017 SETTLEMENT

Total Value Part A (Incl. Item Paid and Closed)	\$	895,042,156
Total Value Part B	\$	72,957,843
CONTRACT VALUE PRIOR TO SETTLEMENT	\$	968,000,000

total per Agreement

6. JUNE 30, 2017 SETTLEMENT

Disputed items plus delay claim & C.O.s

	Valard Assessment (M)	Settlement Value (M)
Settlement of Disputed Items*	\$ 220	\$ 75
Access Road Maintenance through Completion (Risk Transfer)	\$ 50	\$ 25
Transfer Contract to Lump Sum (Risk Transfer)	\$	\$ 10
Extension of Time/Delay Claim**	\$ 140	\$ -
SUB-TOTAL JUNE 2017 SETTLEMENT	\$ 410	\$ 110

Bud 65M
Ex 65
Spring 40M

* Stringing Suspension, Labour Escalation, Geotechnical Engineering, Rock Removal, Borrow Material

**Settled by LCP agreement on relief of Liquidated Damages owed by Valard

JUNE 2017 CONTRACT VALUE (5+6)	\$	1,078,000,000
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REQUISITION

PRO-000842

- Labrador-Island Link Limited Partnership
- Labrador Transmission Corporation
- Muskrat Falls Corporation
- Lower Churchill Management Corporation

- Gull Island
- Maritime Link
- _____

- Purchasing/Contracts
- Change Order
- Release

Revision #: 0

Contractor/Supplier: Valard Construction LP
 Ship To: Lower Churchill Project
 Special Shipping Instructions:

Blanket/Original Order #: T0327-001
 Originator (Package Leader): Rosann Taylor
 Date Prepared: 7-Aug-14
 Date Required: 7-Aug-14

ITEM	COMMODITY CODE / TAG NUMBER	DESCRIPTION	Work Breakdown Structure (WBS)	Cost Element	QUAN	UOM	UNIT PRICE	EXTENDED AMOUNT
1		Construction of 350 kV HVdc Transmission Line	5.4.500.6224.1030.15.01	70	1	LS	\$ 809,248,501.00	\$ 809,248,501.00
2		Specified Growth - Construction (see RFA for details)	5.4.500.6224.1030.15.01	70	1	LS	\$ 30,654,598.00	\$ 30,654,598.00
3		Non-Specified Growth - Construction (see RFA for details)	5.4.500.6224.1030.15.01	70	1	LS	\$ 8,092,485.00	\$ 8,092,485.00
4		Specified Growth - Right of Way Clearing and Access Works	5.4.521.6224.1030.15.01	70	1	LS	\$ 40,589,500.00	\$ 40,589,500.00
5								
6								

TOTAL (This Request) \$ 888,585,084.00

PREVIOUSLY APPROVED \$ -

TOTAL \$ 888,585,084.00

COMMENTS:

Description	Name	Signature	Date	Description	Name	Signature	Date
Originator	Jason Kean/Rosann Taylor	<i>[Signature]</i>	07 Aug 2014	Project Director	Paul Harrington	<i>[Signature]</i>	7 Aug 2014
Cost Control	Nick Ternasky/T D Reid	<i>[Signature]</i>	07 AUG 2014	LCP VP	Gilbert Bennett	<i>[Signature]</i>	3 Aug 2014
Area Manager	Keenan Healey	<i>[Signature]</i>	07 AUG 2014	VP Finance & CFO	Derrick Sturge	<i>[Signature]</i>	
Project Manager	Richard Donica	<i>[Signature]</i>	07 Aug 2014	CEO	E.J. Martin	<i>[Signature]</i>	8 Aug 2014
Deputy Project Gen Mgr	Jason Kean	<i>[Signature]</i>	7 Aug 2014	Supply Chain Manager	Pat Hussey	<i>[Signature]</i>	8 Aug 2014
Senior Project Mgr	Ron Power	<i>[Signature]</i>	07 Aug 2014				

CM PROCESSING: REQUIRED N/R P-Card

Contract Administrator: Rosann Taylor

Quality sign-off required for materials and equipment being purchased for permanent work or for site infrastructure.

Package CT0327 - Construction of HVac TL

Rev 0

07-Aug-2014

Estimated Contract Value and Comparison to Budget

Table 1-Contract Value and Comparison to Budget

Description (all amount in CAD)		Amount
Total Contract Value (Including Powerhouse Interconnect)	a	\$ 809,248,501
Escalation (Note 1)	b	\$ -
Potential Specified Growth Allowance (Note 2)	c	\$ 71,244,098
Potential Non-specified Growth Allowance (Note 4)	d	\$ 8,092,485
Potential Total Contract Cost	e=a+b+c+d	\$ 888,585,084
Right of Way Clearing and Access Works by Others (Note 3)	f	\$ 159,410,500
Total Value for this Commitment Package	g=e+f	\$ 1,047,995,584
Original Control Budget	h	\$ 742,096,679
Rebaseline Adjustments	i	\$ 232,464,349
Current Control Budget	j=h+i	\$ 974,561,028
Budget Transfers and Scope Changes (Note 5)	k	-\$ 6,750,000
Control Budget (after Budget Transfers)	l=j+k	\$ 967,811,028
Variance (Note 6)	l=k-g	\$ 80,184,556

Note 1: Escalation \$ -

Escalation included in Specific Growth below \$ -

Note 2: Specified Growth \$ 71,244,098

Scope of Work - Part A \$ 30,654,598

Subsurface Risk on Foundations leading to Quantity Changes on a Unit Rate contract

- Assume 5% of total foundation cost \$ 14,000,000
- Importation of Non-Native Material for Bog Foundations
- Assume additional 20,000 m3 @ Contract Price of \$146/m3 \$ 2,923,000
- Installation of Dampers on Guy Wires \$ 1,731,598
- Fuel Escalation - Provisional Allowance \$ 2,000,000
- Trade Labor Escalation \$ 10,000,000

Scope of Work - Part B \$ 40,589,500

- Access Road Construction - Labrador km 140 to 285 \$ 10,000,000
- Access Road Construction - Island (Provisional Allowance) \$ 5,000,000
- Accommodations for ROW and Access Works Contractors (50,000 nights @\$221.79/night) \$ 11,089,500
- Management Resources - Part B Works (Provisional Sum) - Personnel and Equipment \$ 10,000,000
- ROW Flagging (Provisional Allowance) (\$2500 day X 400 days) \$ 1,000,000
- Shared Services with Part A Line Construction Works (Provisional Allowance) \$ 1,000,000
- Access Road Maintenance \$ 2,500,000

Note 3: Unawarded Scope \$ 159,410,500

Right-of-Way Clearing and Access Works by Others \$ 159,410,500

Note 4: Non-Specified Growth \$ 8,092,485

Provisional Allowance (1% of award value) \$ 8,092,485

Package CT0327 - Construction of HVac TL

Rev 0

07-Aug-2014

Estimated Contract Value and Comparison to Budget

Note 5 : Budget Transfers and Scope Changes	- \$ 6,750,000
<u>Budget Transfers</u>	
Transfer to SH0018 for Provisions of Accommodations at Muskrat Falls for first portion of line construction (17,500 nights @ \$100/night)	-\$ 1,750,000
Transfer to Freight Forwarder Package cost provision for hauling material from Marshalling Yard to Contractors Camps	-\$ 5,000,000
 Note 6 : Variance Explanation	 \$ 80,184,556
Line Route Increased by 13 km	\$ 8,000,000
Changes in Tower Qty and mix resulting in increased number of foundations - Value not quantified	not quantified
Changes in Tower Weights - Value not quantified	not quantified
Change in Foundation excavation volumes to accommodate 1:2 slope to meet OHS requirements	\$ 14,000,000
Productivity assumptions for Tower Assembly & Erection - value not quantified, but considered significant (>\$20M)	not quantified
Accommodations and Meals for Company personnel - missed from DG3	\$ 15,000,000
Board and Lodging day rate - estimate assumed \$125/day, while cost is \$250/day for smaller remote camps	\$ 13,421,059
EMT Response capacity on Right-of-Way	\$ 10,000,000
Other indirects and overhead were originally underestimated - \$20M to \$40M	not quantified
Construction access challenges in the Long Range Mountains	not quantified
Burdens and Add-Ons on Trade Labor Cost (e.g. Apprenticeship program, training, IT, etc.)	not quantified

Conclusion:

CT0327 - The Current Forecast of ~\$1,048 million represents an over-run of ~\$80.2 million compared to the Current Control Budget. This Requisition/commitment will not exceed the CCB for this package and a PCN will be developed in the future to secure the funds that may be required to support the balance of the scope associated with this CP. A PCN will be developed to affect the required budget transfers listed in Note 5 above. The associated actions with PCN-0094 and PCN-0317 provide the means to track foundation usage as well as ROW clearing changes.

LOWER CHURCHILL PROJECT	CHANGE ORDER Between Company and Contractor	CHO-CT0327001-0028
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Agreement No: <u>CT0327-001</u>	CHO No. <u>CT0327001-0028</u>	
Agreement Title: <u>Construction of 350kV HVdc Transmission Line</u>	Rev. No: <u>0</u>	<i>Issued</i>
Company: <u>Labrador-Island Link Limited Partnership</u>		<i>May 15</i>
Contractor/Supplier: <u>Valard Construction LP</u>	Date: <u>15 May 2017</u>	<i>2017</i>

Description of Change:
 All-inclusive Unit Rate cost of \$149.67 for cutting corners on both members GA-301 and GA-302 on all A3 towers to facilitate assembly. This rate is for the change to both members, not for each member.

Supporting information that forms part of this Change Order:

Change Includes: <input checked="" type="checkbox"/> Price <input type="checkbox"/> Schedule Adjustment Type: <input type="checkbox"/> Lump Sum <input checked="" type="checkbox"/> Unit Prices <input type="checkbox"/> Fixed Amount <input type="checkbox"/> Estimate <input type="checkbox"/> Reimbursable <input type="checkbox"/> Other	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black;">Original Contract Price</td> <td style="text-align: right;">\$809,248,501.18</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Part A Change Orders</td> <td style="text-align: right;">2,285,608.15</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Part B Change Orders</td> <td style="text-align: right;">23,474,455.76</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Part A Reimbursable</td> <td style="text-align: right;">10,683,062.70</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Part B Reimbursable</td> <td style="text-align: right;">37,630,089.10</td> </tr> <tr> <td style="border-bottom: 1px solid black;">This Change Order Price</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Total Contract Price to Date</td> <td style="text-align: right;">\$883,321,716.89</td> </tr> </table>	Original Contract Price	\$809,248,501.18	Part A Change Orders	2,285,608.15	Part B Change Orders	23,474,455.76	Part A Reimbursable	10,683,062.70	Part B Reimbursable	37,630,089.10	This Change Order Price	0.00	Total Contract Price to Date	\$883,321,716.89
Original Contract Price	\$809,248,501.18														
Part A Change Orders	2,285,608.15														
Part B Change Orders	23,474,455.76														
Part A Reimbursable	10,683,062.70														
Part B Reimbursable	37,630,089.10														
This Change Order Price	0.00														
Total Contract Price to Date	\$883,321,716.89														

Impact on Control Schedule: No impact on Control Schedule
Revised Finish Date: No impact on Finish Date

This Change Order shall form and be read and construed as an integral part of the above-noted Agreement.

Issued by Company: Supply Chain Manager or Delegate Name: Pat Hussey Signature: <i>[Signature]</i> Date: <u>16-May-2017</u> Company Representative Name: Peter Whelan Signature: <i>[Signature]</i> Date: <u>16-MAY-2017</u>	Acknowledgement of Contractor/Supplier Receipt: Signature: <i>[Signature]</i> Name: <u>Adam Borowiecki</u> Date: <u>14-Jun-2017</u>
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	<h2 style="margin: 0;">QUANTITY COMMITMENT CHANGE FORM (QCC)</h2>
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DATE:	08 JUNE 2017	DATE SUBMITTED:	08 JUNE 2017
AGREEMENT #:	CT0327-001	ORIGINATOR:	ROSANN TAYLOR
AGREEMENT TITLE:	CONSTRUCTION OF 350KV HVDC TRANSMISSION LINE	URCC Doc. #	QCC-CT0327001-005
CONTRACTOR:	VALARD CONSTRUCTION LP		

PAY LINE ITEM REF. #	PAY LINE ITEM DESCRIPTION	ORIGINAL COMMITMENT	PREVIOUSLY APPROVED QCC	CURRENT QCC	REVISED COMMITMENT
WF1 Foundations	See attached detailed summary			+17,894,817.25	
Total				+17,894,817.25	
ORIGINAL COMMITMENT				A	\$809,248,501.18
PREVIOUS APPROVED CHANGE ORDERS				B	\$25,760,063.91
PART A REIMBURSABLE				C	\$10,683,062.70
PART B REIMBURSABLE				D	\$37,630,089.10
LESS BACKCHARGES				E	\$-2,065,837.75
TOTAL COMMITMENT COMMUNICATED TO CONTRACTOR				F (A+B+C+D)	\$883,321,716.89
PREVIOUS APPROVED QCCs				G	\$-19,460,578.63
VALUE OF THIS QCC				H	+\$17,894,817.25
Part A Reimbursables				I	+50,005,126.84
Part B Commitment				J	+43,921,793.41
TOTAL COMMITMENT				F(A+B+E+G+H+I+J)	\$925,303,886.21

Includes Labour Escation (\$10M) and Stringing Suspension (\$11M). Both part of 2017 (June)

	<p>QUANTITY COMMITMENT CHANGE FORM (QCC)</p>
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VALIDATION			
	NAME	SIGNATURE	DATE
CONTRACT ADMINISTRATOR	<i>Rosanne Taylor</i>	<i>R Taylor</i>	<i>08 Jun 2017</i>
SEE COST CONTROL	<i>Lisci Powers</i>	<i>Lisci Powers</i>	<i>08 JUN 2017</i>
AREA MANAGER	<i>Snehal Parmar</i>	<i>S Parmar</i>	<i>08-JUN-2017</i>
COMMITMENT AUTHORITY APPROVAL			
BUDGET HOLDER (or delegate)	<i>P. WHELAN</i>	<i>P. Whelan</i>	<i>8-JUN-2017</i>
SUPPLY CHAIN MANAGER (or delegate)	<i>P. Hussey</i>	<i>P. Hussey</i>	<i>8 June 2017</i>


LCP Transmission Link Project CT0327 Agreement Proposal		Confidential - In Contemplation of Litigation June 6, 2017				
Pay Item	Company Assessment		Notes			
	Target	Max				
INCENTIVES						
Part A Payment - Lump Sum	\$882,042,190	\$926,241,173	Range of expected costs based on unit rates of the contract			
Part B Payment - Lump Sum	\$72,996,843	\$72,996,843	Based on \$63,000,000 in compensation, plus an additional \$10M owed as a Part B short payment (\$18MM claimed)			
Other Payment - Lump Sum	\$13,393,727	\$13,393,727	Items paid and closed out			
Payment Items	\$75,000,000	\$83,300,000	No flexibility; this is the range of validated quantities			
Clearing & Access Lump Sum	\$25,000,000	\$30,000,000	\$64M budgeted for remainder of work, A settlement would be a budget 'win'			
Bonus Payment for Nov 1	\$0	\$20,000,000	This offsets against execution risk; currently, there is ~\$60M in additional execution risk, so settlement at this price would be a win	Conversion to L.S. for 10M completed		
SUB-TOTAL	\$1,068,432,759.8	\$1,101,732,759.8				
Extension of Time Claim	\$41,000,000	\$139,000,000	Strategy here is to negotiate LD timing to offset the delay claim;			
SUMMARY OF OFFERING	LCP team prepared to negotiate within the variance of the Payment Items and the Clearing and Access, this would mean the offering is 100-130 in cash with the condition that Valard take over clearing, access and maintenance, and the EOT claim is dropped if the LDs are moved to an achievable date that is in-line with the Phased Approach schedule (15 Nov to 15-Dec). UPDATE (23-JUN-2017): Valard preferred to settle on a Lump Sum, and offered to assume the risk to the remainder of the project in exchange for the cost certainty of a Lump Sum. The final settlement cost is 1,078 (\$10MM above the target price for risk acceptance) and LDs were moved to 15-Dec, accruing at 2MM per day to a max of \$60MM. It should be noted that the Lump Sum arrangement has been analyzed in the cost risk model and improves the cost risk profile considerably.			CASH	\$100.0	\$110.0
				BONUS	\$0.0	\$20.0
				TOTAL	\$100.0	\$130.0
				OUTCOME:	\$110	

LCP Transmission Link Project
CT0327 Part 'A' Estimate

Confidential - In Contemplation of Litigation
June 6, 2017



Pay Item	Company Assessment		Notes
	Forecast	As of	
PAYMENT ITEMS			
Base Commitment	\$825,698,305	\$825,698,305	
Foundation Installation Impacts	\$24,504,340	\$30,000,000	Foundations installation impacts relating to extra H-pile and micropile
Guy Anchor Installation	\$7,000,000	\$10,000,000	Additional Guy Anchor Bottom Bars, Couplers and Centralizers for HVdc Line (DAN-1319/PCN-0452)
Foundation Design Changes	\$2,800,000	\$4,000,000	Increase in foundation costs due to design changes (DAN-1137) - weight changes, unit rates included in contract.
Integration (slack spans etc.)	\$2,500,000	\$3,500,000	Integration - Impact on C4 Scope (Slack spans, gantry connections etc...)
Miscellaneous (small re-work)	\$3,000,000	\$5,000,000	Value of small re-work items that have accumulated throughout the project
Conductor Re-work	\$813,513	\$813,513	Minor re-work of the conductor
Geotechnical Field Investigation - Labrador	\$1,000,000	\$1,500,000	Geotechnical Field Investigation for HVdc Line (DAN-1595/PCN-0531rev1) - Labrador
DC line steel towers punching, clipping, spot re-galvanizing	\$1,500,000	\$2,000,000	DC line steel towers punching, clipping, spot re-galvanizing (DAN-1445) (PCN-0606) covers cost up to October 2016, LEM process will take over from there
Stream Diversions	\$500,000	\$750,000	Stream diversions during foundation installation (out-of-scope), covers cost up to October 2016; LEM process will take over from there
BCHG - Outstanding	\$388,223	\$388,223	BCHG - Outstanding
Slack Span to Gantries	\$40,000	\$40,000	Second OHSW Required on HVdc Slack Span to Gantries (DAN-1577/PCN-0547)
Micropile Design Change Order	\$200,000	\$200,000	Micropile Design Changes
Backcharge turnbuckles	-\$264,733	-\$264,733	Backcharge turnbuckles (DAN-1610)
Winter Work on Northern Peninsula	\$500,000	\$1,000,000	Work on structures S3-1-93 can only be performed in winter conditions due to access constraints.
Access road for Northern Pen.	\$4,000,000	\$6,000,000	Issued \$4M LS change order to Valard to execute work. Valard would not sign change order.
Extra Stringing Provisions	\$6,000,000	\$12,000,000	Agreed to support Valard in provisions for additional stringing equipment and resourcing
Non-Conformance Reports	-\$1,384,135	-\$1,384,135	Non-conformances accepted and work removed from Valard scope (backcharged), NCR adjustments to date (Jan 2017) Not much more expected
Cribbing	-\$11,965,800	\$0	contract has \$23,800,480 (forecast for WF1 dropped from \$8,705,200 to \$870,520 so previous AFE took that into consideration)
Field LEM Collection	\$10,212,477	\$16,000,000	includes budget for all field level changes; this is offset by the savings on cribbing (above)
Unsuccessful foundation installation	\$2,000,000	\$5,000,000	Reworked foundations by Valard
Snowclearing Costs for 2017	\$3,000,000	\$4,000,000	Valard will claim snow clearing costs for 2017 season
SUB-TOTAL	\$882,042,189.8	\$926,241,172.8	

LCP Transmission Link Project CT0327 Agreement Proposal		Confidential - In Contemplation of Litigation June 6, 2017			
Pay Item	Valard Assessment		Company Assessment		Notes
	Original	Final	Original	Final	
PAYMENT ITEMS					
Stringing Suspension	\$14.0	\$9.0	\$11.0		Overtime and profit margin removed, as agreed upon prior to stand by. Valard missed a few items, such as cost for wash cans etc. so \$11.0 is likely more equitable.
Labour Escalation	\$25.0	\$10.0	\$12.0		Escalation has been affected by delay, shifting work to the back end of the schedule increased our exposure. Our equitable pay out of this item represents absorption of some of the 'pain'.
Part B Payment	\$17.0				These are items registered in the payment certificate, Rotann has combed back through and feels they could justify another \$66MM with proper information. (Offer to cover off with Part B budget - final estimate)
ECNs 5 & 8	\$25.0	\$9.5	\$12.5		ECNs 1-20 = \$5.5, ECNs 21-53 have no change request nor data submitted. \$25 is potentially based on T&M proposed rates.
Rock Removal	\$17.0	\$4.0	\$6.2		\$14.7 is based on 9791 m3 of rock that was removed, it was not all blasted, some was removed with an excavator. 3321 m3 is blasted, 1416 m3 have no rock, 1782 m3 are outside of the near. Blasting rate wasn't agreed early, and is 15% greater than a high rock excavation rate. Not Basing for fencing.
Geotechnical Engineering	\$10.0	\$10.0	\$10.0		Legal issue, optional pricing in contract that was never priced. Contractor proposed a rate of 9%, which is commercially reasonable.
Anchor Lengths	\$2.1	\$1.0	\$2.1		Keep to unit rate and efficient short anchors in best interest of project. Split the value.
Borrow & Processed Material	\$92.0	\$9.0	\$9.0		Rates are as interpreted in the contract. This is the most that can be justified based on site-by-site analysis of the technical team.
Dewatering	\$10.0	\$0.0	\$0.0		Should be included in estimated unit price. Contractor was aware of the conditions prior to contract. Some provisions included in E&M estimate in Part A.
Survey Re Staking	\$1.0	\$1.0	\$1.0		Agreed.
Missing Materials	\$2.0	\$2.0	\$2.0		Agreed.
Abandonment of Foundations	\$0.5	\$0.5	\$0.5		Foundations started early without final design. No Nalcop oversight.
Steel Weight Changes	\$3.1	\$4.5	\$4.5		settled.
SUB-TOTAL	\$218.7	\$82.5	\$90.0		
CLAIMS					
Travel MOU	\$0.0	\$14.0	\$7.0		Assumed claim 50%
Fuel Backcharge	\$0.0	\$0.3	\$0.2		Assumed claim 50%
MP Camp Rights	\$0.0	\$1.4	\$0.0		Assumed claim 50%
Missing Material	\$0.0	\$1.0	\$0.3		Assumed claim 50%
SUB-TOTAL	\$0.0	\$16.7	\$7.5		
TOTAL NET VALUE OF PAY ITEMS	\$218.7	\$75.0	\$82.5		

CT0327-001 Contract Commitment Reconciliation

	Part A - Change Orders	Part B - Change Orders	Backcharges	Part B - Reimbursables	Part A - Reimbursables	Change Order Authorizations	QCCs	Memos & Internal Commitments	Revised Contract Value TTD: CHO + BCHG	Contract Value (TTD CHOs)	Commitment Value (TTD CHAs)	Description
Original Contract									809,248,501.18	809,248,501.18	809,248,501.18	
Change Order 0001									809,248,501.18	809,248,501.18	809,248,501.18	Revised Start and Finish Dates, no cost impact
Change Order 0002	1,000,000.00					1,000,000.00			810,248,501.18	810,248,501.18	810,248,501.18	Allowance for Fuel Escalation Costs
Change Order 0003		21,657,249.17				21,657,249.17			831,905,750.35	831,905,750.35	831,905,750.35	Self Performing by Valard to assist JCL - Part B
Change Order 0004									831,905,750.35	831,905,750.35	831,905,750.35	Rooms at Muskrat Falls (17,500 nights); no cost impact, in Contract
Change Order 0005	997,650.00					997,650.00			832,903,400.35	832,903,400.35	832,903,400.35	Increase Transportation of Native Backfill (Line S1-C69 - 15,000m3 @ \$66 S1/m3)
Backcharge 0001			(3,750.00)						832,899,650.35	832,899,650.35	832,899,650.35	Permits
Backcharge 0002			(16,640.00)						832,883,010.35	832,883,010.35	832,883,010.35	License to Occupy St. Augustine River Camp + Daniel's Hr
Change Order 0006	276,386.00					276,386.00			833,159,396.35	833,159,396.35	833,159,396.35	Increase in S1-C52 (Intall/testing of rock anchors) (739LM @ \$374/LM)
Change Order 0007	210,500.00					210,500.00			833,369,896.35	833,369,896.35	833,369,896.35	Micropile deep foundation type design for all tower types
Change Order 0008	253,485.32					253,485.32			833,623,381.67	833,623,381.67	833,623,381.67	Geotech Investigation for advancement of boreholes
Change Order 0009									833,623,381.67	833,623,381.67	833,623,381.67	Winter Road Construction (\$4,088,334), offset by reduction in camp nights
Backcharge 0003			(322,600.63)						833,300,781.04	833,300,781.04	833,300,781.04	Fuel Infrastructure Costs
Backcharge 0004			(3,677.57)						833,297,103.47	833,297,103.47	833,297,103.47	Permits for Camp Near Plum Point
Change Order 0010		1,817,206.59				1,817,206.59			835,114,310.06	835,114,310.06	835,114,310.06	DC-2 Temp Camp + ROW Office (Gander) - Part B
Backcharge 0005			(1,461,250.00)						833,653,060.06	833,653,060.06	833,653,060.06	Room Nights at MF Camp
Backcharge 0006			(39,000.00)						833,614,060.06	833,614,060.06	833,614,060.06	Room Nights at JCL Camp
Change Order 0011	150,000.00					150,000.00			833,764,060.06	833,764,060.06	833,764,060.06	Micropile redesign
Change Order 0012	142,743.59					142,743.59			833,906,803.65	833,906,803.65	833,906,803.65	Driven Steel H-piles redesign
Change Order 0013	32,325.00					32,325.00			833,939,128.65	833,939,128.65	833,939,128.65	Micropile redesign
Change Order 0014	142,506.00					142,506.00			834,081,634.65	834,081,634.65	834,081,634.65	H-Pile Unit Pricing Changes
Backcharge 0007			(71,730.42)						834,009,904.23	834,009,904.23	834,009,904.23	Anchor Bars/Nuts- Company supplied additional material
Memo 001								5,000,000.00	834,009,904.23	834,009,904.23	839,009,904.23	
Memo 002								5,000,000.00	834,009,904.23	834,009,904.23	844,009,904.23	
Memo 003								26,000,000.00	834,009,904.23	834,009,904.23	870,009,904.23	
Change Order 0015	47,154.58			25,751,893.04		47,154.58			834,057,058.81	859,808,951.85	870,057,058.81	Abandoned Foundation Sites
Change Order 0016	23,648.98			2,975,435.00		23,648.98			834,080,707.79	862,808,035.83	870,080,707.79	Stringing Works at various locations
Backcharge 0008			(3,506.73)						834,077,201.06	862,804,529.10	870,077,201.06	PAL Flights charged in Error
Backcharge 0009			(2,687.00)						834,074,514.06	862,801,842.10	870,074,514.06	Work Camp at Birchy Narrows - Permit
Backcharge 0010			(12,040.00)						834,062,474.06	862,789,802.10	870,062,474.06	Rental Fee for St. Augustine River Camp
QCC 001							(5,016,222.00)		834,062,474.06	862,789,802.10	865,046,252.06	Quantity Commitment Change
Change Order 0017	12,298.41			1,753,374.18		12,298.41			834,074,772.47	864,555,474.69	865,058,550.47	Structure 440 Anchor struck by Other Contractor
Change Order 0018	37,700.11					37,700.11			834,112,472.58	864,593,174.80	865,096,250.58	Excessive Dewatering at S2-S29
QCC 002							(12,500,873.79)		834,112,472.58	864,593,174.80	852,595,376.79	Quantity Commitment Change
Change Order 0019	221,310.00			3,070,050.69		221,310.00			834,333,782.58	867,884,535.49	852,816,686.79	Procurement of Double Sheave Travellers - Conductor Proud Stranc
Change Order 0020	(2,860,146.11)			247,442.53		(2,860,146.11)			831,473,636.47	865,271,831.91	849,956,540.68	Labrador Electrode Wood Pole Descope
Backcharge 0011			(22,863.00)						831,450,773.47	865,248,968.91	849,933,677.68	Socket Clevises provided by Company
QCC 003							(4,154,660.98)		831,450,773.47	865,248,968.91	845,779,016.70	Quantity Commitment Change
Backcharge 0012			(1,385.00)						831,449,388.47	865,247,583.91	845,777,631.70	Permit for Temp Camp
Change Order 0021				421,559.67					831,449,388.47	865,669,143.58	845,777,631.70	Unit Prices for Micropile for Tangent and Self Supporting Tower:
ICA 001								11,007,820.00	831,449,388.47	865,669,143.58	856,785,451.70	Conductor Stringing Suspension - Conductor Proud Stranc
Backcharge 0013			(98,982.40)						831,350,406.07	865,570,161.18	856,686,469.30	Costs incurred to replace lost conductor (3 reels
Change Order 0022						220,659.60			831,350,406.07	867,630,273.93	856,907,128.90	Macropile Installations (backcharges removed from Contract and reimbursable increase not included in CHO); CHA was for mob/demot
Change Order 0023				2,581,297.12		27,928,505.00			831,350,406.07	870,211,571.05	884,835,633.90	Replacement of Pole Conductor - Conductor Proud Stranc
Change Order 0024						275,000.00			831,350,406.07	870,211,571.05	885,110,633.90	Advanced Test Pitting Program; allowance for 1,100 test holes @\$250/hole
ICA 005								2,921,793.41	831,350,406.07	870,211,571.05	888,032,427.31	Part B
Backcharge 0014			(5,725.00)						831,344,681.07	870,211,571.05	888,026,702.31	Permits at Mint Brook
Change Order 0025	28,851.70			522,239.50		28,851.70			831,373,532.77	870,762,662.25	888,055,554.01	Conductor Hauling/Relocation
Change Order 0026	72,336.81			48,049.65		72,336.81			831,445,869.58	870,883,048.71	888,127,890.82	Mismanufactured Steel
QCC 004							2,211,178.14		831,445,869.58	870,883,048.71	890,339,068.96	Quantity Commitment Change
ICA 006								10,000,000.00	831,445,869.58	870,883,048.71	900,339,068.96	Labour Escalation - Part A
Change Order 0027	1,496,857.76			258,747.72	10,683,062.70	2,000,000.00			832,942,727.34	883,321,716.89	902,339,068.96	Procurement of Stringing Equipment for 4th crew
Change Order 0028						70,000.00			832,942,727.34	883,321,716.89	902,409,068.96	Unit Rate Cost of \$149.67 for cutting corners on members GA301 and 302
ICA 007								5,000,000.00	832,942,727.34	883,321,716.89	907,409,068.96	Part B
QCC 005							17,894,817.25		832,942,727.34	883,321,716.89	925,303,886.21	Quantity Commitment Change
	2,285,608.15	23,474,455.76	(2,065,837.75)	37,630,089.10	10,683,062.70	54,757,370.75	(1,565,761.38)	64,929,613.41				

- 21,000,000
\$904.3M

Supplemental Information – CT0327-001 Contract Value and June 2017 Settlement

Ref: Grant Thornton Forensic Audit Report for the Commission of Inquiry Respecting the Muskrat Falls Project, Section 4 CT0327 – Construction of the HVdc Transmission Line

Purpose: Clarification on the CT0327-001 Contract Value prior to the June 30, 2017 Settlement Agreement and the value of the June 30, 2017 Settlement Agreement. The reconciliation of Contract Value included in the Grant Thornton Report only considers the numeric addition of Change Orders as listed in NAL0439917 - "CT0327-001 Construction of 350kV HvdC Transmission Line Change Order Reconciliation"; however, the Contract Value prior to the June 30, 2017 Settlement Agreement included a number of other commitments not captured as Change Orders.

CT0327-001 Original Contract Value

- The Contract Value at Award for CT0327-001 was \$809.2M. The Contract value included only the costs associated with the lump sum/unit price portion of the work for the Construction of the HVdc Transmission Line (will be referenced as Part A below).
- The Contract Value at Award did not include costs associated with the reimbursable portion of the work (will be referenced as Part B below) for access road construction, accommodations for ROW and access works Contractors, management resources for Part B works, ROW flagging, shared services with Part A line construction works and access road maintenance.
- As per PCN-0094 "Cost Overrun on 350 kV HVdc Lines Construction", the final Estimated Contract Value and Comparison to Budget (Attachment 1 to PCN-0094), the estimated value of the Part B scope at the time of Award was \$40.6M
- In addition, the final Estimated Contract Value and Comparison to Budget included an allowance of \$30.7M for quantity variation, as well as other provisional allowances, for the Part A scope of work. There was an additional general allowance for cost growth of 1% of the Contract Value – an additional \$8M.
- Note that the original approved Requisition for CT0327-001 was for \$888.6M, aligned with the total summarized in the table below.

Award Recommendation and Requisition:

SCOPE	AWARD RECOMMENDATION / REQUISITION VALUE (AUG 2014)
Award Value (Part A Only)	\$809.2M
Quantity Variation Allowance (and other provisional allowances)	\$30.7M
Part B Allowance	\$40.6M
General Contract Allowance	\$8.0M
TOTAL ESTIMATED CONTRACT VALUE	\$888.6M

CT0327-001 Contract Value Prior to the June 30, 2017 Settlement Agreement

The last Change Order issued prior to the June 30, 2017 Settlement Agreement was CHO-0028 dated May 15, 2017. The Contract Value, communicated to Valard in that Change Order was \$883.3M. The following breakdown is noted on the Change Order:

Original Contract Price	\$809,248,501.18
Part A Change Orders	\$2,285,608.15
Part B Change Orders	\$23,474,455.76
Part A Reimbursables*	\$10,683,062.70
Part B Reimbursables	\$37,630,089.10
This Change Order Price	\$0
TOTAL CONTRACT PRICE TO DATE (MAY 15, 2017)	\$883,321,716.89

*Part A Reimbursables includes paid to date with respect to CHO-0023 for removal and replacement of conductor – CHO value reflected \$0.

Part A and B Change Orders total the value noted in the Grant Thornton report of ~\$25M. Reimbursable work was only included in the Contract Value communicated to the Contractor as it was paid. It is acknowledged that the Part B Change Orders were also for reimbursable work; however, a decision was made at the beginning of 2016 to no longer include estimates for reimbursable work in the Contract Value communicated to the Contractor through a Change Order.

In order to continue to correctly reflect the current scope of work that was committed to the CT0327-001 Contractor within LCP cost reporting, the Change Order Authorization, which is the internal approval document for each Change Order, included all commitments under CT0327-001 and was aligned with PM+ (cost) reporting. All commitments were documented either through the Change Order Authorizations (CHAs), Internal Commitment Authorizations (ICAs) and Quantity Commitment Changes (QCCs), with the exception of the initial internal commitments with respect to Part B which were documented in Internal Memos (2015/2016).

In summary, CHA-0028 which was internally approved with CHO-0028 referenced above (May 15, 2017):

Original Contract Price	\$809,248,501.18
Part A Change Orders	\$2,285,608.15
Part B Change Orders	\$23,474,455.76
Part A Reimbursables* (Variance to above due to previously approved ICAs)	\$49,935,126.84
Part B Reimbursables (Variance to above due to previously approved ICAs, CHAs and Memos)	\$38,921,793.41
Part A Backcharges (Not included in CHO-0028; total as per BCHs issued)	-\$2,026,837.75
Part B Backcharges (Not included in CHO-0028; total as per BCHs issued)	-\$39,000.00
Quantity Commitment Authorizations (Not included in CHO-0028, as per approved QCCs)	-\$19,460,578.63
This Change Order Authorization (\$0 included in CHO-0028)	\$70,000.00
REQUESTED CONTRACT COMMITMENTS TO DATE (May 15, 2017)	\$902,409,068.96

*Part A Reimbursables includes estimated values for CHO-0022, CHO-0023, CHO-0024, CHO-0027, CHO-0028 as well as ICA-001 (stringing suspension estimate) and ICA-006 (labour escalation allowance)

Subsequent to CHA-0028 but prior to signing of the June 30, 2017 Settlement Agreement, ICA-007 was approved on June 1, 2017 for Part B scope increase of \$5,000,000 and QCC-005 was approved on June 8, 2017 for Part A quantity increase of \$17,894,817.25. This brought the total approved contract commitment to \$925,303,886.21 prior to the June 2017 Settlement Agreement as summarized in the table below.

Original Contract Price	\$809,248,501.18
Part A Change Orders	\$2,285,608.15
Part B Change Orders	\$23,474,455.76
Part A Reimbursables	\$50,005,126.84
Part B Reimbursables	\$43,921,793.41
Part A Backcharges	-\$2,026,837.75
Part B Backcharges	-\$39,000.00
Quantity Commitment Authorizations	-\$1,565,761.38
REQUESTED CONTRACT COMMITMENTS TO DATE (June 8, 2017)	\$925,303,886.21

In order to ensure clarity with the tables that will be presented below, the above information will be summarized as follows:

Total Value Part A	\$857,946,637.04
Total Value Part B	\$67,357,249.17
REQUESTED CONTRACT COMMITMENTS TO DATE (June 8, 2017)	\$925,303,886.21

Included in the commitment above for Part A is ICA-001 which was the internal estimate value for conductor stringing suspension of \$11,007,820 and ICA-006 which was the internal estimate value for labour escalation of \$10,000,000. As both of these items formed part of the June 30, 2017 settlement value, they will be removed from the Requested Contract Commitments to Date value.

Total Value Part A	\$836,938,817.04
Total Value Part B	\$67,357,249.17
REVISED CONTRACT COMMITMENT (June 8, 2017)	\$904,296,066.21

During the Spring of 2017, in preparation of the disputed items discussions, the LCP and Valard package teams were reconciling all quantity variations in Part A of the agreement as well as reconciling all invoices received with respect to reimbursable Part B of the agreement. The results of these reconciliations are documented within Attachment #1 of PCN-0740 "Global Settlement of HVdc Commitment Issues (Valard)" but are not considered part of the settlement itself.

The below table summarizes the results of the reconciliation documents in the attachment referenced above:

Part A Final Value (including items paid and closed out)	\$895,435,917
Part B Final Value	\$72,996,843
REQUESTED CONTRACT COMMITMENTS TO DATE (June 29, 2017)	\$968,432,760

As noted in the Attachment #1 to PCN-0740, the final value of quantity reconciliation for Part A was approximately \$30M less than the potential maximum exposure. The final value of the reconciliation of Part B invoices was approximately \$8M less than total invoiced to date.

June 30, 2017 Settlement Agreement

The content of the June 30, 2017 settlement agreement included an agreed settlement value of \$110M for the following items:

1. Disputed items including Valard claimed additional costs associated with stringing suspension, labour escalation, geotechnical engineering, rock removal, engineering change notices, etc. and LCP claimed credits due for fuel backcharges, MF camp nights, missing material and travel memorandum of understanding. The total compensation estimated by Valard was ~\$220M with final settlement of \$75M.
2. Transfer of remaining access road maintenance to Valard for a lump sum of \$25M. As noted in the PCN, the budget was transferred from existing unallocated budget within the rest of the CT0327 commitment package. Valard had estimated this as \$50M.
3. Additional lump sum amount of \$10M to convert the entire remaining contract to Lump Sum rather than unit price/reimbursable.
4. Extension of Time/Delay claim was estimated by Valard as ~\$140M; this item was settled for \$0M with the negotiation of relief on Liquidated Damages.

	Valard Assessment (M)	June 2017 Settlement (M)
Disputed Items (1)	\$220	\$75
Remaining Access Road Maintenance (2)	\$50	\$25
Convert Contract to Lump Sum (3)		\$10
Extension of Time/Delay Claim (4)	\$140	\$0
TOTAL	\$410	\$110

Converting \$50 bud.

Summary of Variance from Original Contract to June 30, 2017 Settlement Value

	ESTIMATED CONTRACT VALUE AT AWARD (M)	JUNE 30, 2017 CONTRACT VALUE (M)
Part A	\$840M	\$895M
Part B	\$40M	\$73M
Growth	\$8M	
Disputed Items Settlement		\$110M
TOTAL	\$888M	\$1,078M

LABRADOR ISLAND LINK LIMITED PARTNERSHIP

CI0327-001

Construction of 350 kV HVdc Transmission Line
Change Order Reconciliation - Post Amending Agreement #2

Contract Value	Change Orders	Backcharges	Revised Contract Value	Description
			1,078,000,000.00	As at Amending Agreement #2
Change Order 22	\$463,359.93		1,078,463,359.93	50/50 cost share for foundations issues re settlement and backfill
Change Order 30	\$31,530.03		1,078,494,839.96	Anchor investigation on two sites - Segment 5 - 165 and 169
Change Order 31	\$177,336.55		1,078,672,226.41	Gantries mob/demob
Change Order 32	\$53,448.41		1,078,725,674.82	Vibration Recorder Installation
Change Order 33	\$118,646.40		1,078,844,321.22	Bank Stabilization per SH 247 Rev C2
Change Order 34	\$3,000.00		1,078,847,321.22	50/50 cost share for foundations issues re settlement and backfill
Change Order 35	\$192,492.34		1,079,039,813.56	50/50 cost share for foundations issues re settlement and backfill
Change Order 36	\$92,549.61		1,079,132,363.17	Repair damage to Seg 4, Str 420 (vandals)
Change Order 37	\$14,830.00		1,079,147,193.17	Bank Stabilization per SH 243 (Str 55-596)
Change Order 38	\$98,934.82		1,079,246,128.00	Bank Stabilization per SH 230
Change Order 39	\$45,687.89		1,079,291,865.89	Additional Slope Remediation at Seg 1 - Str 1-1 and 1-7(a)
Final Contract Value			0.00	

Total Change Orders \$1,231,865.83
Total Back Charges \$0.00
Total Contract Value 1,079,281,865.83

	Contract Price	Commitment Value
Original Contract Value	\$1,078,000,000.00	\$1,078,000,000.00
Change Orders	\$1,231,865.83	\$1,231,865.83
Less Backcharges	\$0.00	\$0.00
Total QCCs	\$0.00	\$0.00
	\$1,079,281,865.83	1,079,281,865.83

CT0327-001
Construction of 350 KV Hvdrc Transmission Line
Change Order Reconciliation

	Change Orders	Backcharges	Revised Contract Value	Description
Original Contract	\$809,248,501.18			
Change Order C001	\$0.00		\$809,248,501.18	Revised Start and finish Dates
Change Order C002	\$1,000,000.00		\$910,248,501.18	Fuel Excavation Costs
Change Order C003	\$21,657,249.17		\$931,905,750.35	Self Performing by Valard to assist JCL
Change Order C004	\$0.00		\$931,905,750.35	Rooms at Muskrat Falls (17,500)
Change Order C005	\$997,650.00		\$932,903,400.35	Increase Transportation of Native Backfill (Line S1 C69)
Backcharge C001		\$3,750.00	\$932,899,650.35	Permits
Backcharge C002		-\$16,640.00	\$932,883,010.35	License to Occupy St. Augustine River Camp + Danell's Hill
Change Order C005	\$276,396.00		\$933,159,396.35	Increase in S1-C52 (Intall/testing of rock anchors)
Change Order C007	\$210,500.00		\$933,369,896.35	Macropile deep foundation type design for all tower types
Change Order C008	\$253,465.32		\$933,623,381.67	Geotech investigation for advancement of boreholes
Change Order C009	\$0.00		\$933,623,381.67	Decrease in Camp Nights + Winter Road Construction
Backcharge C003		-\$322,600.63	\$833,300,781.04	Fuel Infrastructure Costs
Backcharge C004		\$3,677.57	\$833,297,103.47	Permits for Camp Near Plum Point
Change Order C010	\$1,817,206.59		\$835,114,310.06	CC-2 Temp Camp + ROW Office (Gander)
Backcharge C005		-\$1,461,250.00	\$833,653,060.06	Room Nights at MF Camp
Backcharge C006		\$39,000.00	\$833,614,060.06	Room Nights at JCL Camp
Change Order C011	\$150,030.00		\$833,764,060.06	Macropile redesign
Change Order C012	\$142,743.59		\$833,906,803.65	Driven Steel H piles redesign
Change Order C013	\$32,325.00		\$833,939,128.65	Macropile redesign
Change Order C014	\$142,506.00		\$834,051,634.65	H-Pile Pricing Changes
Backcharge C007		\$71,730.42	\$834,009,904.23	Anchor Bars/Piles
Change Order C015	\$47,154.53		\$834,057,058.76	Abandoned Sites
Change Order C016	\$23,648.93		\$834,080,707.79	Stringing Works at various locations
Backcharge C008		\$3,306.73	\$834,077,201.06	PAE Flights charged in Error
Backcharge C009		\$2,637.00	\$834,074,514.06	Work Camp at Birchy Narrows
Backcharge C010		\$12,040.00	\$834,062,474.06	Rental Fee for St. Augustine River Camp
Change Order C017	\$12,298.41		\$834,074,772.47	Structure 410 Anchor struck by Other Contractor
Change Order C018	\$37,700.11		\$834,112,472.58	Excessive Dewatering at S2-S29
Change Order C019	\$221,310.00		\$834,333,782.58	Procurement of Double Sheave Travellers
Change Order C020	-\$2,860,146.11		\$831,473,636.47	Electrode Wood Pole Desclope
Backcharge C011		\$22,860.00	\$831,450,773.47	Socket Clevises
Backcharge C012		\$1,395.00	\$831,449,388.47	Permit for Temp Camp
Change Order C021	\$0.00		\$831,449,388.47	Macropile for Tangent and Self Supporting Towers
Change Order C022	\$0.00		\$831,449,388.47	Macropile Installations
Change Order C023	\$0.00		\$831,449,388.47	Replacement of Pole Conductor
Backcharge C013		\$38,982.40	\$831,350,406.07	Costs incurred to replace lost conductor (3 reels)
Change Order C024	\$0.00		\$831,350,406.07	Advanced Test Fitting Program
Backcharge C014		\$1,725.00	\$831,344,681.07	Permits at Mint Brook
Change Order C025	\$28,851.70		\$831,373,532.77	Conductor Hauling
Change Order C026	\$72,336.81		\$831,445,869.58	Mismanufactured Steel
Change Order C027	\$1,496,857.76		\$832,942,727.34	Procurement of Stringing Equipment
Change Order C028	\$0.00		\$832,942,727.34	Unit Rate Cost of \$149.67 for cutting corners on members GA301 and 302
Final Contract Value			\$832,942,727.34	

Total Change Orders \$25,760,063.91

Total Back Charges \$2,065,837.75 \$832,942,727.34

CT0327-001 - Valard Contract: DG3 vs Estimate at Award vs June 2017 Settlement

Item	DG3 Budget (\$M)*	Estimated Value @ Award (\$M)**	Value @ June 2017 Settlement (\$M)
Contract Award Value	575	\$ 809.2	\$ 809.2
Growth Allowance - Quantity Variation		\$ 30.7	\$ 85.8
Part B - Reimbursable (Mngt of ROW and Access Contractors)		\$ 40.6	\$ 73.0
General Contract Growth		\$ 8.0	\$ -
Settlement of Disputed Items			\$ 75.0
Access Road Maintenance through Completion (Risk Transfer)			\$ 25.0
Transfer Contract to Lump Sum (Risk Transfer)			\$ 10.0
TOTAL	\$ 575.0	\$ 888.5	1078

*DG3 Budget - Original Budget for CT0327 scope (incl. Clearing and Access) was \$735M; \$160M is outside of Valard scope.

**Estimate Value @ Award (Ref. PCN-0094 - attachment) - "Contract Value and Budget Comparison"

Settlement Summary

LCP Transmission Link Project
CT0327 Agreement Proposal

Confidential - In Contemplation of Litigation
June 6, 2017



Part B

Pay Item	Company Assessment		Notes		
	Open	Max			
Part A Payment - Lump Sum	\$882,042,190	\$926,241,173	Range of expected costs based on unit rates of the contract		
Part B Payment - Lump Sum	\$72,996,843	\$72,996,843	Based on \$63,000,000 in compensation, plus an additional \$10M owed as a Part B short payment (\$18MM claimed)		
Other Payment - Lump Sum	\$13,393,722	\$13,393,722	Items paid and closed out		
Payment Items	\$75,000,000	\$83,300,000	No flexibility, this is the range of validated quantities		
Clearing & Access Lump Sum	\$25,000,000	\$30,000,000	\$64M budgeted for remainder of work. A settlement would be a budget 'win'		
Bonus Payment for Nov 1	50	\$20,000,000	This offsets against execution risk; currently, there is ~\$60M in additional execution risk, so settlement at this price would be a win		
SUB-TOTAL	\$1,068,432,759.8	\$1,101,732,759.8	+ \$10M to convert lump sum		
Extension of Time Claim	\$41,000,000	\$139,000,000	Strategy here is to negotiate LD timing to offset the delay claim. \$0		
SUMMARY OF OFFERING	LCP team prepared to negotiate within the variance of the Payment Items and the Clearing and Access; this would mean the offering is 100-130 in cash with the condition that Valard take over clearing, access and maintenance, and the EOT claim is dropped if the LDs are moved to an achievable date that is in line with the Phased Approach schedule (15-Nov to 15-Dec). UPDATE (23-JUN-2017): Valard preferred to settle on a Lump Sum, and offered to assume the risk to the remainder of the project in exchange for the cost certainty of a Lump Sum. The final settlement cost is 1,078 (\$10MM above the target price for risk acceptance) and LDs were moved to 15-Dec, accruing at 2MM per day to a max of \$60MM. It should be noted that the Lump Sum arrangement has been analyzed in the cost risk model and improves the cost risk profile considerably.		CASH	\$100.0	\$110.0
			BONUS	\$0.0	\$20.0
			TOTAL	\$100.0	\$130.0
			OUTCOME:	\$110	

Quantity Reconciliation - PART A , pre Agreement.

LCP Transmission Link Project CT0327 Part 'A' Estimate		Confidential - In Contemplation of Litigation June 6, 2017		nalcor
Pay Item	Company Assessment		Notes	
	Forecast	Final		
Base Commitment	\$825,698,305	\$825,698,305		
Foundation Installation Impacts	\$24,504,340	\$30,000,000	Foundations installation impacts relating to extra H-pile and micropile	
Guy Anchor Installation	\$7,000,000	\$10,000,000	Additional Guy Anchor Bottom Bars, Couplers and Centralizers for HVdc Line (DAN-1319/PCN-0452)	
Foundation Design Changes	\$2,800,000	\$4,000,000	Increase in foundation costs due to design changes (DAN-1137) - weight changes, unit rates included in contract	
Integration (slack spans etc.)	\$2,500,000	\$3,500,000	Integration - impact on C4 Scope (Slack spans, gantry connections etc.)	
Miscellaneous (small re-work)	\$3,000,000	\$5,000,000	Value of small re-work items that have accumulated throughout the project	
Conductor Re-work	\$813,513	\$813,513	Minor re-work of the conductor	
Geotechnical Field Investigation - Labrador	\$1,000,000	\$1,500,000	Geotechnical Field investigation for HVdc Line (DAN-1595/PCN-0531rev1) - Labrador	
DC line steel towers punching, clipping, spot re-galvanizing	\$1,500,000	\$2,000,000	DC line steel towers punching, clipping, spot re-galvanizing (DAN-1445) (PCN-0606) covers cost up to October 2016; LEM process will take over from there	
Stream Diversions	\$500,000	\$750,000	Stream diversions during foundation installation (out-of-scope), covers cost up to October 2016; LEM process will take over from there	
BCHG - Outstanding	\$388,223	\$388,223	BCHG - Outstanding	
Slack Span to Gantries	\$40,000	\$40,000	Second OHSW Required on HVdc Slack Span to Gantries (DAN-1577/PCN-0547)	
Micropile Design Change Order	\$200,000	\$200,000	Micropile Design Changes	
Backcharge - turnbuckles	-\$264,733	-\$264,733	Backcharge - turnbuckles (DAN-1610)	
Winter Work on Northern Peninsula	\$500,000	\$1,000,000	Work on structures 53-1-93 can only be performed in winter conditions due to access constraints.	
Access road for Northern Pen	\$4,000,000	\$6,000,000	Issued \$4M LS change order to Valard to execute work Valard would not sign change order	
Extra Stringing Provisions	\$6,000,000	\$12,000,000	Agreed to support Valard in provisions for additional stringing equipment and resourcing	
Non-Conformance Reports	-\$1,384,135	-\$1,384,135	Non-conformances accepted and work removed from Valard scope (backcharged). NCR adjustments to date (Jan 2017) Not much more expected	
Cribbing	-\$11,965,800	\$0	contract has \$23,800,480 (forecast for WF1 dropped from \$8,705,200 to \$870,520 so previous AFE took that into consideration	
Field LEM Collection	\$10,212,477	\$16,000,000	includes budget for all field level changes, this is offset by the savings on cribbing (above)	
Unsuccessful foundation installation	\$2,000,000	\$5,000,000	Reworked foundations by Valard	
Snowclearing Costs for 2017	\$3,000,000	\$4,000,000	Valard will claim snow clearing costs for 2017 season	
SUB-TOTAL	\$882,042,189.8	\$926,241,172.8		

DISPUTED ITEMS

LCP Transmission Link Project
CT0327 Agreement Proposal

Confidential - In Contemplation of Litigation
June 6, 2017



Pay Items	Valard Assessment	Company Assessment		Notes
		Project	Delay	
Stringing Suspension	\$14.0	\$9.0	\$11.0	Overtime and profit margin removed, as agreed upon prior to stand-by. Valard missed a few items, such as cost for washcars etc, so \$11M is likely more equitable
Labour Escalation	\$25.0	\$30.0	\$32.0	Escalation has been affected by delay; shifting work to the back-end of the schedule increased our exposure. Our equitable pay out of this item represents absorption of some of the 'pain'
Part B Payment	\$17.0			These are items rejected in the payment certificate; Rosann has combed back through and feels they could justify another \$6MM with proper information. (Offer to cover off with Part B budget - final estimate)
ECNs 1 53	\$25.0	\$9.5	\$12.5	ECNs 1 20 = \$5.5, ECNs 21 53 have no change request nor data submitted. \$25 is potentially based on T&M proposed rates.
Rock Removal	\$17.0	\$6.0	\$6.2	\$14.7 is based on 9791 m3 of rock that was removed, it was not all blasted, some was removed with an excavator. 3321 m3 is blasted, 1476 m3 have no rock, 1782 m3 are outside of the neat. Blasting rate wasn't agreed early, and is 15% greater than a high rock excavation rate. Not paying for leveling.
Geotechnical Engineering	\$10.0	\$10.0	\$10.0	Legacy issue; optional pricing in contract that was never priced. Contractor proposed a rate+9%, which is commercially reasonable.
Anchor Lengths	\$2.1	\$1.0	\$2.1	Keep to unit rate and efficient short anchors in best interest of project. Split the value.
Borrow & Processed Material	\$92.0	\$9.0	\$9.0	Rates are misinterpreted in the contract. This is the most that can be justified based on site-by-site analysis of the technical team
Dewatering	\$10.0	\$0.0	\$0.0	Should be included in estimated unit price. Contractor was aware of the conditions prior to contract. Some provisions included in LFM's estimate in Part A
Survey Re Staking	\$1.0	\$1.0	\$1.0	Agreed.
Missing Materials	\$2.0	\$2.0	\$2.0	Agreed.
Abandonment of Foundations	\$0.5	\$0.5	\$0.5	Foundations started early without final design. No Nalcor oversight
Steel Weight Changes	\$3.1	\$4.5	\$4.5	Settled
SUB-TOTAL	\$218.2	\$82.5	\$90.8	
Travel MOU	\$0.0	\$14.0	\$7.0	Assumed claim 50%
Fuel Backcharge	\$0.0	\$0.1	\$0.2	Assumed claim 50%
MF Camp Nights	\$0.0	\$1.4	\$0.0	Assumed claim 50%
Missing Material	\$0.0	\$1.0	\$0.1	Assumed claim 50%
SUB-TOTAL	\$0.0	\$16.7	\$7.5	
TOTAL NET VALUE OF PAY ITEMS	\$218.7	\$75.0	\$83.3	

Package CT0327 - Construction of HVac TL

Rev 0

07-Aug-2014

Estimated Contract Value and Comparison to Budget

Table 1-Contract Value and Comparison to Budget

Description (all amount in CAD)		Amount
Total Contract Value (Including Powerhouse Interconnect)	a	\$ 809,248,501
Escalation (Note 1)	b	\$ -
Potential Specified Growth Allowance (Note 2)	c	\$ 71,244,098
Potential Non-specified Growth Allowance (Note 4)	d	\$ 8,092,485
Potential Total Contract Cost	e=a+b+c+d	\$ 888,585,084
Right of Way Clearing and Access Works by Others (Note 3)	f	\$ 159,410,500
Total Value for this Commitment Package	g=e+f	\$ 1,047,995,584
Original Control Budget	h	\$ 742,096,679
Rebaseline Adjustments	i	\$ 232,464,349
Current Control Budget	j=h+i	\$ 974,561,028
Budget Transfers and Scope Changes (Note 5)	k	-\$ 6,750,000
Control Budget (after Budget Transfers)	l=j+k	\$ 967,811,028
Variance (Note 6)	l=k-g	\$ 80,184,556

Note 1: Escalation \$ -
 Escalation included in Specific Growth below \$ -

Note 2: Specified Growth \$ 71,244,098

Scope of Work - Part A \$ 30,654,598

Subsurface Risk on Foundations leading to Quantity Changes on a Unit Rate contract \$ -

- Assume 5% of total foundation cost \$ 14,000,000

Importation of Non-Native Material for Bog Foundations \$ -

- Assume additional 20,000 m3 @ Contract Price of \$146/m3 \$ 2,923,000

Installation of Dampers on Guy Wires \$ 1,731,598

Fuel Escalation - Provisional Allowance \$ 2,000,000

Trade Labor Escalation \$ 10,000,000

Scope of Work - Part B \$ 40,589,500

Access Road Construction - Labrador km 140 to 285 \$ 10,000,000

Access Road Construction - Island (Provisional Allowance) \$ 5,000,000

Accommodations for ROW and Access Works Contractors (50,000 nights @ \$221.79/night) \$ 11,089,500

Management Resources - Part B Works (Provisional Sum) - Personnel and Equipment \$ 10,000,000

ROW Flagging (Provisional Allowance) (\$2500 day X 400 days) \$ 1,000,000

Shared Services with Part A Line Construction Works (Provisional Allowance) \$ 1,000,000

Access Road Maintenance \$ 2,500,000

Note 3: Unawarded Scope \$ 159,410,500
 Right-of-Way Clearing and Access Works by Others \$ 159,410,500

Note 4: Non-Specified Growth \$ 8,092,485
 Provisional Allowance (1% of award value) \$ 8,092,485

Package CT0327 - Construction of HVac TL

Rev 0

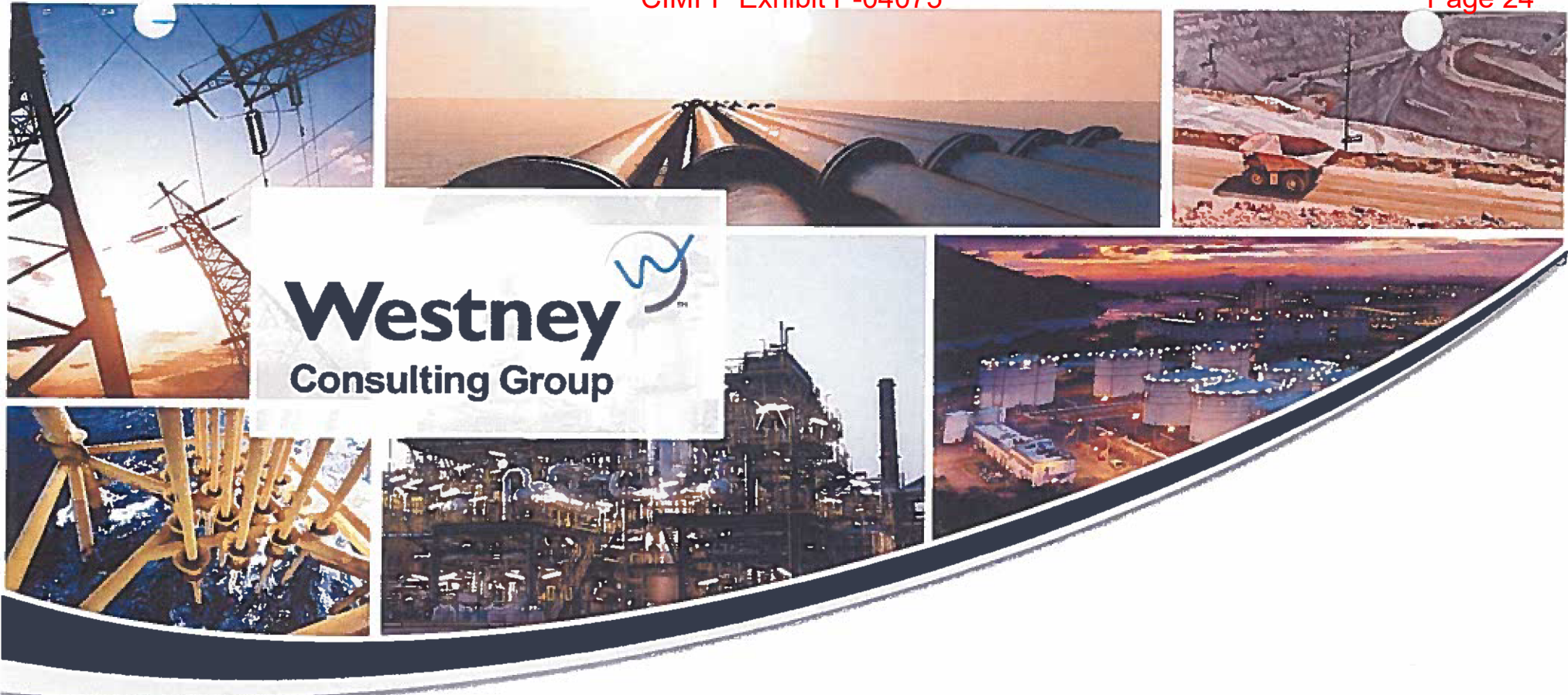
07-Aug-2014

Estimated Contract Value and Comparison to Budget

Note 5 : Budget Transfers and Scope Changes	- \$ 6,750,000
<u>Budget Transfers</u>	
Transfer to SH0018 for Provisions of Accommodations at Muskrat Falls for first portion of line construction (17,500 nights @ \$100/night)	-\$ 1,750,000
Transfer to Freight Forwarder Package cost provision for hauling material from Marshalling Yard to Contractors Camps	-\$ 5,000,000
Note 6 : Variance Explanation	\$ 80,184,556
Line Route Increased by 13 km	\$ 8,000,000
Changes in Tower Qty and mix resulting in increased number of foundations - Value not quantified	not quantified
Changes in Tower Weights - Value not quantified	not quantified
Change in Foundation excavation volumes to accommodate 1:2 slope to meet OHS requirements	\$ 14,000,000
Productivity assumptions for Tower Assembly & Erection - value not quantified, but considered significant (>\$20M)	not quantified
Accommodations and Meals for Company personnel - missed from DG3	\$ 15,000,000
Board and Lodging day rate - estimate assumed \$125/day, while cost is \$250/day for smaller remote camps	\$ 13,421,059
EMT Response capacity on Right-of-Way	\$ 10,000,000
Other indirects and overhead were originally underestimated - \$20M to \$40M	not quantified
Construction access challenges in the Long Range Mountains	not quantified
Burdens and Add-Ons on Trade Labor Cost (e.g. Apprenticeship program, training, IT, etc.)	not quantified

Conclusion:

CT0327 - The Current Forecast of ~\$1,048 million represents an over-run of ~\$80.2 million compared to the Current Control Budget. This Requisition/commitment will not exceed the CCB for this package and a PCN will be developed in the future to secure the funds that may be required to support the balance of the scope associated with this CP. A PCN will be developed to affect the required budget transfers listed in Note 5 above. The associated actions with PCN-0094 and PCN-0317 provide the means to track foundation usage as well as ROW clearing changes.



LTA-LITL Cost-risk Update - Updated Valard Scenario

Discussion document

June 16, 2017

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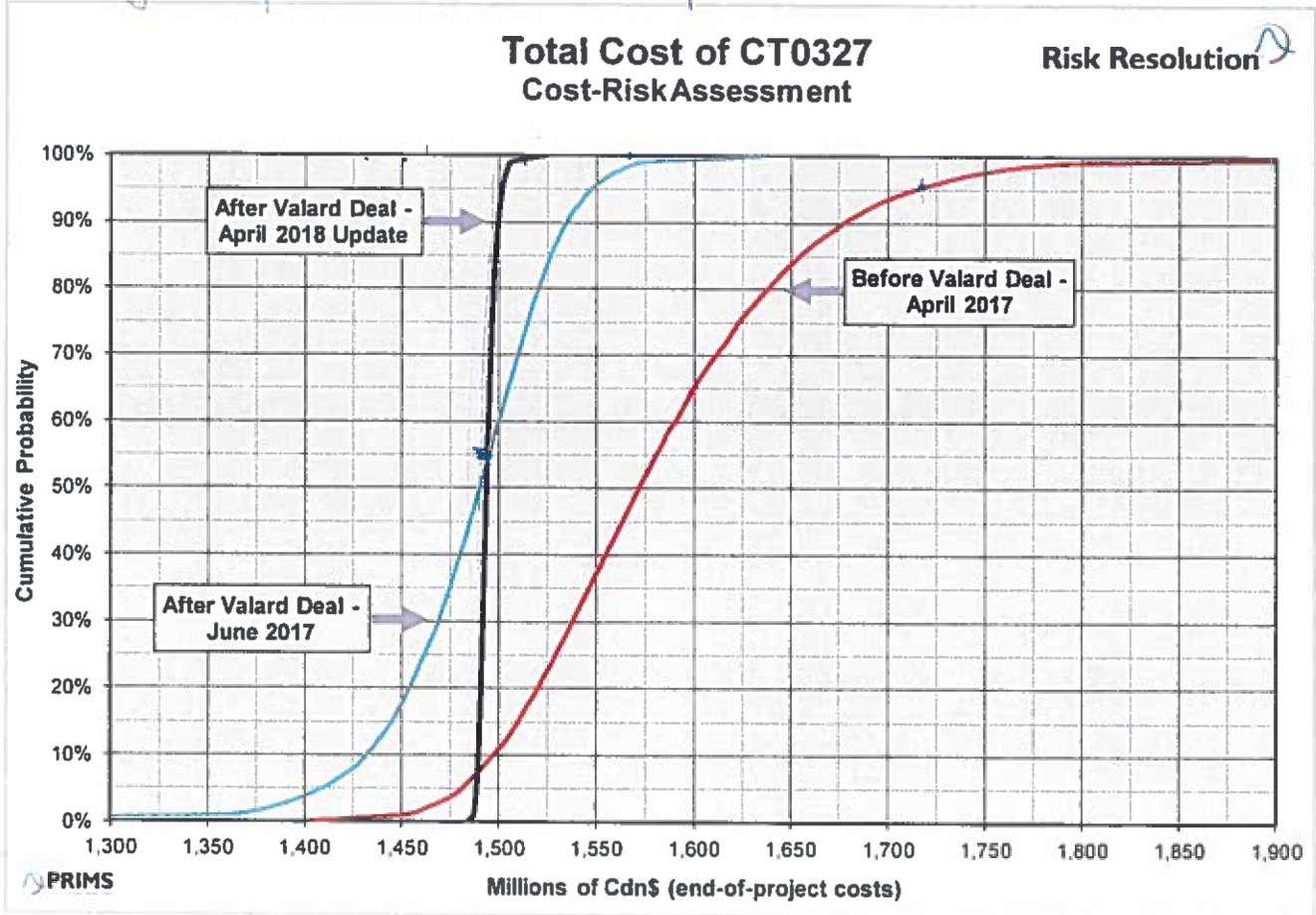
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LITL predictive ranges including recent deal with Valard

● Current AFE Rev. 3 ● Bottom of Predictive Range (P25) ● Top of Predictive Range (P75)

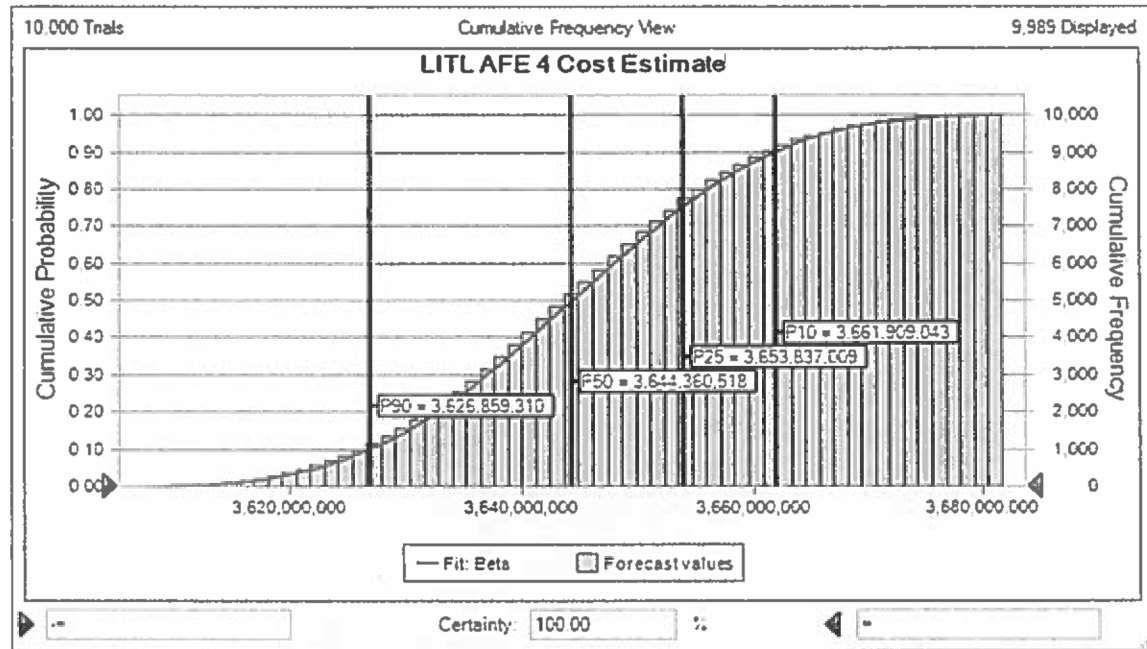
Current View	Range of outcomes C\$, Billions		Details
Basis + Known Contingencies	Pre-Valard deal	3.45 (Current AFE Rev. 3) 3.58 (P25) 3.64 (P75)	<ul style="list-style-type: none"> Basis changed for CTO327(1), CTO327(2), CTO327(3), CTO327(4) and several known contingencies removed
	Post-Valard deal	3.45 (Current AFE Rev. 3) 3.56 (Current AFE Rev. 3) 3.58 (P25/P75)	
Above + External Risks	Pre-Valard deal	3.45 (Current AFE Rev. 3) 3.66 (P25) 3.84 (P75)	<ul style="list-style-type: none"> External risks significantly reduced
	Post-Valard deal	3.45 (Current AFE Rev. 3) 3.60 (P25) 3.65 (P75)	
Above + Opportunities	Pre-Valard deal	3.45 (Current AFE Rev. 3) 3.61 (P25) 3.73 (P75)	<ul style="list-style-type: none"> Only remaining opportunity in base case for LITL is on CD0501 If range of LD's for Valard are included (C\$0 - C\$60 million), P25-P75 values are reduced to \$C3.55 - \$C3.61 billion
	Post-Valard deal	3.45 (Current AFE Rev. 3) 3.59 (Current AFE Rev. 3) 3.63 (P25/P75)	

Analysis of Valard Deal April 2018



Quantitative Risk Assessment
LITL Asset: Summary

In Contemplation of Litigation:
Completed in April 2017



General Commentary on LITL

A considerable amount of construction remains to-be-completed for the LITL, however, the 2017 season should see the majority of the construction completed. The majority of the cost growth items from AFE Rev 3 to present is comprised of:

- Unit rate/cost items in the CT0327 - high number of unit rates in the contract lead to higher cost variation and exposure; Legacy cost from project onset
- Conductor Proud Stranding
- Muskrat Falls camp/accomodations Cost Sharing
- Settlement with GE Grid (outstanding CO's, transformer delay cost, Phased Approach engineering and hardware);

Key Risks

There is a highly significant amount of cost risk within the CT0327 package. There are many legacy issues with Valard that tie back to disagreement of rates and arguments surrounding delays to work progress. While the Company has a robust position on many of these items, the cost risk will present itself until resolution.

LITL Asset - Cost Estimate Summary	
Percentile	Value (\$)
P10	3,628,859,310
P50	3,646,360,518
P75	3,655,837,009
P90	3,663,909,043
Contingency Estimate	63,522,601
Total (AFE 3 Delta)	\$3.653MM (~\$206MM or 6% increase)

Package Number	Title	AFE 3 Value (\$)	Percent Incurred	Cost Estimate				Contingency Estimate (\$)
				P10	P50	P75	P90	
CD0501	HVdc Converter Stations & TCs	483,016,044	64%					
CD0502	AC Switchyards	58,661,803	86%					
CD0510	Telecommunication Systems	24,374,778	21%	24,630,084	24,973,451	25,180,308	25,374,928	596,773
CD0534	Synchronous Condensers	164,072,533	78%					
CT0327(01)	HVdc Line - Construction	866,602,340	60%	958,838,041	986,614,662	1,002,608,264	1,017,223,070	40,104,331
CT0327(02)	HVdc Line - Part B	62,357,249	95%	70,000,000	72,996,843	73,996,843	74,996,843	110,995
CT0327(03)	HVdc Line - Clearing/Access	424,620,407	90%	475,859,082	485,580,129	491,447,107	496,786,804	3,440,130
CT0327(04)	HVdc Line - Other	11,361,754	90%	13,393,725	13,393,726	13,393,727	13,393,728	40,181
Owner	Management Cost	259,212,483	65%	271,411,999	274,199,539	275,666,720	276,958,546	2,894,501
Closed/Other	Non-Risk Packages	984,239,626	70%			1,023,667,755		9,213,010
Contingency	Contingency	128,825,308						63,522,601
AFE 3		3,447,344,325						

* Unlike LTA, I think we need to layer a significant value of contingency over the top of the Cost Risk Model. The reason is that the 0327 contract is heavily laden with uncertainty due to the number of unit rates. This will conclude in August, but it is a reality until then. Therefore, I would go with \$206MM + ~\$60MM for contingency, totally around \$266MM.