

MR. MARTIN:

Q. I'm going to try to work down through them one at a time there. You mentioned in the report, you made the comment that your understanding was that the outages were caused by maintenance not being performed. So, I think when we looked at our report and all the reports, we can't find a linkage between, a direct linkage the maintenance and the outage. On the flip side of that I can't sit here and say that some maintenance things that we can identify, I can't say here either that that did not have some impact on it, but I will say, it's not clear. And, you know, that's just one point I wanted to make. I think the main point on that one though is that for reasons that we can explain, some maintenance was deferred, not stopped, but deferred, but in the long run, we're responsible to maintain the system. We found some improvement possibilities there in conjunction with everything else we're doing which is a lot of great things, but in that particular area, we have to be better and that's what we are in the process of identifying and doing. And, you know, on a time based maintenance program, we have to get the resources into those particular areas and get it done. That's the fact of the matter.

Onto the 120 megawatt turbine—I think they are great questions, by the way, you know, because without some of the background you're asking for, those questions are probably on a lot of peoples mind. The 120 megawatt turbine, approximately, I think the first question was if we didn't need generation, why are we getting that now? What I will say first off is that when we decided on the Muskrat Falls option and we look back at all the numbers that were prepared for the Muskrat Falls calculation, that gas turbine was always in there. We knew that to get us from 2011, 12, 13 to in service with Muskrat Falls, we needed a gas turbine. We had planned to put it in place for December of 2015. The events of this year happened and there's two points to that. One is, is that we were out looking for the best deal for the Province and we found this particular unit--and I'll explain about the new/used in just a moment--and we found it was available. And that was in conjunction for looking for just the best deal. We also found--we were looking for a 60 megawatt unit initially and we had looked at the capital expenditures associated with that. And this particular arrangement, we found we could 100 to 120 for the same price and we could get it a year early, installed. That was very attractive

to us, within budget, a year early, with close to twice the capacity we were looking for. And without anything to do with the outages, we said, go for it. I mean, why wouldn't we? With that being said, I'd have to be honest again and say with the outages that occurred, they weren't generation related, but we working through some of those generation things and we are going to do a lot of things this summer to improve some of the situations that happened last winter, but it did feel right, as well, to expedite that by one year, to have it available for this winter. That's obviously going to give us an addition buffer in terms of generation. So, in my mind, that was part of it, but I think what drove me first was that fact that we could get it early, twice the megawatts and we could get it installed for this winter within the same budget. So, that was the first driver, but like I said, to be honest, with that in hand, I was certainly being driven by, that's something that we can all use. With respect to the fuel cost, fuel cost is not going to be our issue here, because what we're looking for is to have capacity available for the coldest day of the year, as we experienced. So, this unit in very high probability won't run hardly at all. It's not something we are setting on, what we call base load

generation. That's coming out of Bay D'Espoir, that's coming out of Holyrood and Holyrood is costing us a lot because we're running that constantly over the winter. And in Holyrood you have to keep it at a 60 to 70 megawatt per unit level. You can't turn it on and off. So, that is heavy expenditures of a fuel, but on a gas turbine it comes on and off very quickly and that's sitting there for peaking use for those coldest years. We won't be burning fuel constantly. That will be very frequently burning fuel, but it's there to cover the peak. And you mentioned it was used or new--it is not a used unit. It's about a three or four--it was built about three or four years ago approximately. It was ordered by a Utility south of the border and I think it might have been south of the US border, but I'm not exactly sure. But in any event, that particular--because of, what we can understand, changes in the gas market and everything that happened to them down there and they did not take delivery of it. So, between them, that particular utility and the builder of it, Siemens, they put it into basically what--they call it a grey market. Basically it's a market for new and or used machines that have been refurbished that folks are looking to take advantage of instead of a new machine. This

particular case, it's a new unit and it was highly maintained. It was actually maintained under a contact of GE. There's a company that is in the business of having several of these, many, many, many of these types of units available and we go to these brokers, so to speak, and we went worldwide to see what was available. This one was available, it comes with a warranty and I believe it's a two-year warranty, not a one year. It normally would be a one-year warranty; we got a two-year warranty on this particular unit. We had our own assessments done with respect to how well it was maintained and it's fit for purpose use (phonetic). And we also hired an independent engineer to give us an additional report on that which we have in hand. And so we done deep inspections. We have talked to two sets of other people. One set is other people who are using or have used this unit, this type of unit and it has a great reputation. And we've also talked to people who have dealt with the company we're dealing with from a sales and installation perspective, worldwide, and they have an extremely good reputation and we've followed up on that. So, this is a new unit. We're getting a good price on it; we're getting more megawatts than we expected and all the necessary work has been done and

is in place. I fully expect that there will  
additional reviews at the Public Utilities Board with  
respect to all of this and we are prepared for that  
and that will take place over the coming months.

## CERTIFICATE

I, Paulette Murphy, do hereby certify that the foregoing is a true and correct transcript of an excerpt of a Question and Answer Video taken from Nalcor Energy's website found under the 2014 AGM section and this was typed by me to the best of my ability by means of a sound apparatus.

Dated at Torbay, NL this  
11<sup>th</sup> day of September, 2015

Paulette Murphy  
Discoveries Unlimited Inc.