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a nalcor energy company

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September 26, 2014

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro Combined Applications - Installation of Diesel Units at Holyrood for the Purposes of Black Starting the Generating Units and Supply, and Install 100 MW (Nominal) of Combustion Turbine Generation - Request for Update

Further to the Board's letter of August 1, 2014 regarding the above referenced matter, enclosed is the original and 12 copies of Hydro's status update for the following project:

- Supply and Installation of a 100 MW Combustion Turbine Generator.

This update will also show man hours vs. forecast, as requested in the Board's letter dated September 15, 2014.

We trust you will find the enclosed update to be in order.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Geoffrey P. Young
Senior Legal Counsel

GPY/cp

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Fred Winsor – Sierra Club Canada
Thomas Johnson – Consumer Advocate
Thomas O'Reilly, QC – Cox & Palmer
Danny Dumaresque

Supply and Installation of a 100 MW Combustion Turbine Generator

Status Update Briefing– September 26, 2014

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Contents

- Project Dashboard
- Progress & Schedule Summary
- Cost Summary (S-Curve)
- Risk Analysis
- Project Photos

(Includes only material updated since September 12, 2014)

Project Dashboard

The project is progressing according to plan and in compliance with Safety, Quality, Schedule, and Cost.

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Progress & Schedule Summary

1. Installation of duct banks complete.
2. Air inlet filter house construction continues.
3. Installation of u/g utilities is nearing completion. Fire water line, sanitary line, storm water, raw water lines.
4. Fabrication of fuel pipeline segments is ongoing.
5. Transmission Line construction is nearing completion.

Progress & Schedule Summary (cont'd)

6. The fuel unloading station concrete works are complete.
7. Construction of the electrical room is ongoing.
8. Shipments of materials continue to arrive on site daily.
9. Fuel storage tank construction has begun.
10. Building floor slab construction has begun.
11. Exhaust stack foundation is complete.

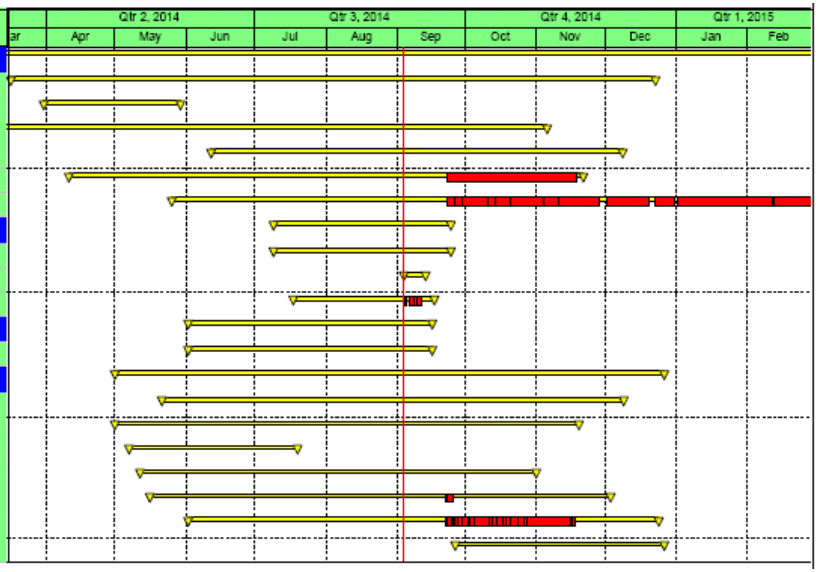
Progress & Schedule Summary (cont'd)

12. Mechanical and Electrical hookup of the lube oil skid, pipe racks, and turbine/generator continues.
13. Terminal station interconnection work is ongoing.
14. South side retaining wall is complete.
15. EPC contractor is achieving better than planned labour efficiency.
16. Overall schedule is tracking in accordance with plan. Ready for service date December 2014.

Level 2 – Summary Schedule

- Summary level schedule provided below.

#	Activity ID	Activity Name	Remaining Duration	Start	Finish
1		**100 MW Combustion Turbine (Integrated)**	132.0	03-Mar-14 A	01-Apr-15
2		Milestones - Key Dates	11.0	17-Mar-14 A	22-Dec-14
3		EPC Contract Preparation	0.0	31-Mar-14 A	30-May-14 A
4		Enabling Works	30.5	03-Mar-14 A	05-Nov-14
5		System Operations Interfaces	52.0	12-Jun-14 A	08-Dec-14
6		Terminal Station	41.4	11-Apr-14 A	21-Nov-14
7		Combustion Turbine Interface	132.0	26-May-14 A	01-Apr-15
8		**Transmission & Distribution**	14.9	09-Jul-14 A	24-Sep-14
9		General & Milestones	5.0	09-Jul-14 A	24-Sep-14
10		Materials	8.3	04-Sep-14	13-Sep-14
11		Installation Work	9.9	18-Jul-14 A	17-Sep-14
12		**Water Supply and Effluent Piping Works**	2.9	02-Jun-14 A	16-Sep-14
13		Water Supply/Effluent	2.9	02-Jun-14 A	16-Sep-14
14		**NALCOR - Simple Cycle 1 x Westinghouse 501 D5A - B-1**	87.5	01-May-14 A	26-Dec-14
15		Payment Milestones	97.5	21-May-14 A	08-Dec-14
16		Pre Project	41.4	01-May-14 A	19-Nov-14
17		Pre EPC	0.0	07-May-14 A	19-Jul-14 A
18		Engineering	30.0	12-May-14 A	31-Oct-14
19		Procurement	65.4	16-May-14 A	03-Dec-14
20		Construction	84.1	02-Jun-14 A	24-Dec-14
21		Comissioning and Start Up	81.3	26-Sep-14	26-Dec-14



- 'Combustion turbine interface' task adjusted as the redundant black start line is not required and can not be connected until the temporary black start diesels are removed from service, which is being planned for 2015.

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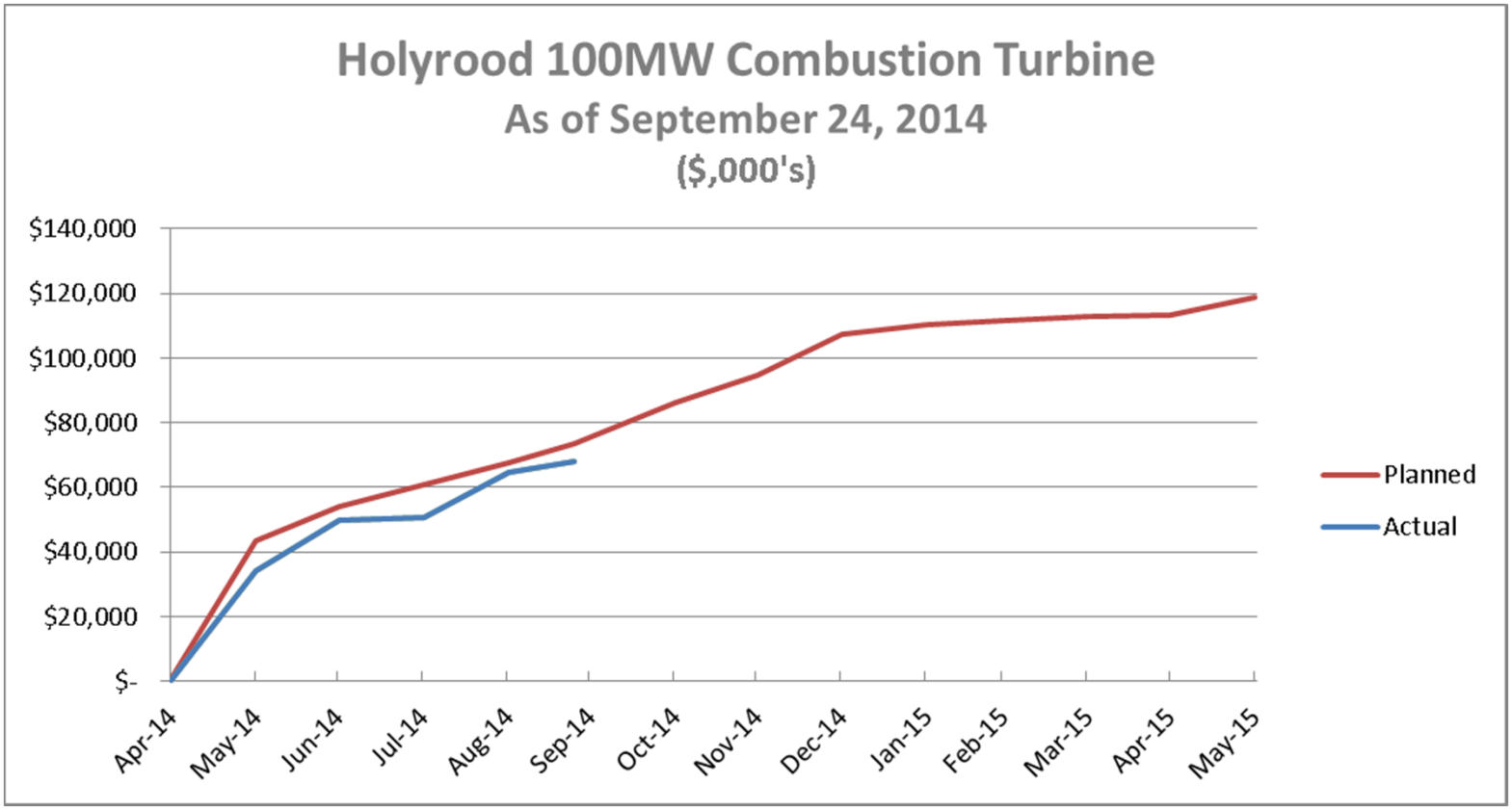
Cost Summary – S-Curve



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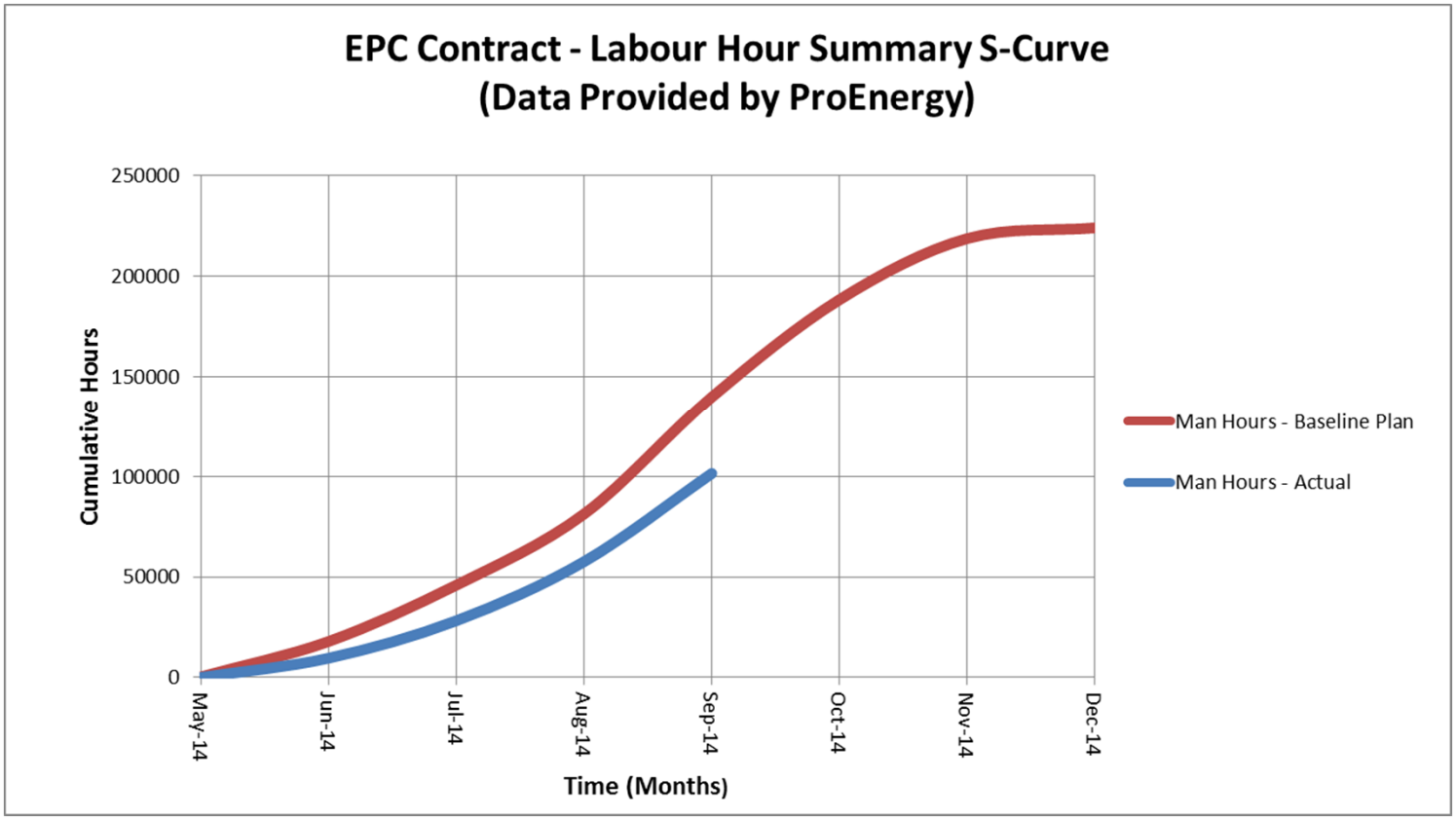
EPC Labour Hour Summary



Notes:
Planned hours to September (Baseline Plan): 62.4%
Actual Progress to September from Schedule: 61.7 %
Actual hours expended to end of September: 39.3%
Schedule Performance Index = 0.99 **- Indicates tracking in accordance with plan**
Cost/Hrs Performance Index = 1.57 **- Indicates better than planned efficiency**

Risk Analysis

A 3rd party facilitated risk workshop was held on June 26th.

Risk Register was produced during the workshop. 50+ risks identified.

Risk mitigation plan in place and being used to manage risk during execution of the project.

Key Risks & Mitigation (cont'd)

Risk: Construction activities lead to contact with energized lines leading to safety incident.

Mitigation: Relocate lines, power line hazard training for operators, use permit system, prepare lift plans, de-energize lines where possible.

(September 26 update – No issues to report this period – several outages taken to work safely)

Key Risks & Mitigation (cont'd)

Risk: Unfamiliarity with new equipment leads to delay in commissioning.

Mitigation: Training included in EPC contract; engage operations and commissioning personnel early in the process.

(September 26 update – commissioning plan draft prepared)

Key Risks & Mitigation (cont'd)

Risk: Labour issues at the plant/TRO leads to work disruption and delay in project.

Mitigation: Contract terms currently under negotiation; maintain open communications with stakeholders.

(September 26 – Internal resources assigned to project. Contracted resources no longer required.)

Key Risks & Mitigation (cont'd)

Risk: Lack of coordination of work with all of the work crews on site leads to safety incident.

Mitigation: HSE Plans; Site Orientations; Contractor coordination meetings; toolbox meetings.

(September 26 update – Continue to have coordination meetings with relevant parties)

Key Risks & Mitigation (cont'd)

Risk: Aggressive project schedule does not allow for any delay or rework in design – leads to schedule delay.

Mitigation: Close coordination between fast-track design and construction teams; regular coordination meetings; field engineering engaged with design team, increase shifts as required to pick up any delays.

Key Risks & Mitigation (cont'd)

Risk: Delay in delivery of equipment and/or materials leads to schedule delay.

Mitigation: Expediting; order materials as early as possible; identify long lead items early in project; choose appropriate shipping method; identify work around contingency plans.

Key Risks & Mitigation (cont'd)

Risk: Lack of available of resources to execute the Holyrood terminal station P&C work.

Mitigation: Engage external resources where required.

(September 26 update – NLH P&C resources identified to complete the work. Work is ongoing and is on schedule. Contracted resources not required.)

Project Photos

Photo 1 – New Breakers – HRD TS

Photo 2 – Retaining Wall and Air Inlet

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Photo 3 – Fuel Tank Construction

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Photo 4 – Fuel Tank Construction

Photo 5 – Air Inlet Construction

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Photo 6 – Turbine Preparation

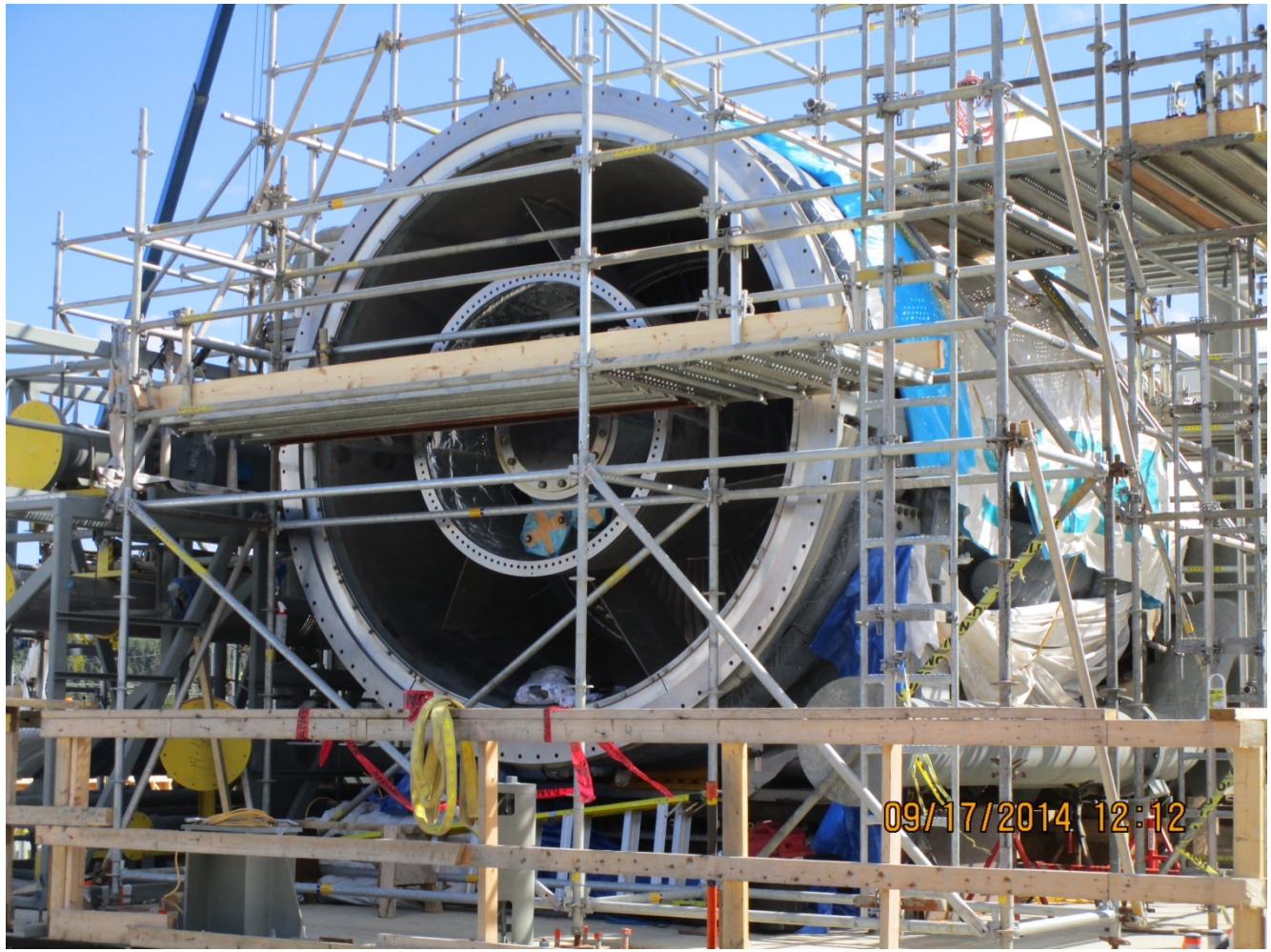

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Photo 7 – Overhead View of Site

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