

1 Q. Were there any negotiations between ABB and Hydro regarding ABB's responsibility
2 for the repair costs? If so, please summarize the content and result of those
3 negotiations.

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6 A. Prior to submitting this supplemental capital budget proposal to the Board, Hydro
7 asked ABB for its position on any warranty associated with the Voisey's Bay
8 Terminal Station T1 transformer. The response from ABB stated "The transformer
9 was delivered in the middle of 2011 and the factory warranty on this unit was 18
10 months from delivery. The gassing was observed for the first time in February
11 2015. In this particular case, we can offer a factory representative to be present
12 during the internal inspection (performing the internal inspection) and we can also
13 provide the recommendation for the next step based on the result of the
14 inspection." Further to this, Hydro asked ABB for their official position regarding
15 what portion of the cost ABB will cover if it is revealed during or following the
16 internal inspection, that the gassing is a result of a design or factory defect. The
17 response from ABB was "The warranty on this transformer has already expired. At
18 this point we can commit to have factory representative participating in the internal
19 inspection. After the inspection is done we will review the results and evaluate any
20 potential warranty coverage." Once the cause of the gassing is determined, Hydro
21 will evaluate its options with respect to warranty coverage.