

1 Q. Key Findings of the Review are outlined on pg. 6 of Exhibit 20. The second bullet on  
2 pg. 6 states: *“Team is highly experienced and highly involved but is misaligned on*  
3 *several key project elements which presents risks and challenges going forward...”*.

4 Please describe the “misalignment” referred to and the specific, several key project  
5 elements involved. Explain in detail what has been done to mitigate these issues.  
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8 A. Nalcor believes that the conclusions made by IPA in September of 2010 related to  
9 the following observations:

10 1) not all members of the project team were familiar with all commercial and  
11 business issues associated with the Project,

12 2) opportunities to improve communications among different functional groups on  
13 the Project team existed, and

14 3) not all of the project team was fully informed of the ongoing negotiations and  
15 market access initiatives.

16 The IPA observations regarding the perceived misalignment reflect the necessity for  
17 strict confidentiality and keeping information regarding the market access  
18 negotiations on a need to know basis during negotiations which were ongoing at  
19 the time of the IPA review. According to IPA this would lead to an inconsistent level  
20 of information to be available across the project team and in their view could lead  
21 to misalignment.

22 Nalcor considered IPA's opinion and felt that some short term team misalignment,  
23 whilst undesirable, was necessary to maintain the confidentiality required.

1           Following the completion of the negotiations which lead to the Lower Churchill  
2           Project Decision Gate 2 announcements, the project team is now fully informed and  
3           this situation no longer exists.

4           The challenges that occurred during the development of the project team are not  
5           uncommon in any team and have been addressed since the IPA review through an  
6           increased focus on communications, definition of and communication of roles and  
7           responsibilities to all functional groups, and team building initiatives to ensure that  
8           group performance is optimized. Emphasis on the integration of the project team  
9           with Nalcor Corporate functions including finance, insurance, health and safety,  
10          environmental, human resources, engineering, operations and maintenance is also  
11          being maintained.

12          Nalcor is of the view that the situation that caused the perceived misalignment  
13          based on an uneven distribution of commercially sensitive information across the  
14          project team no longer exists and the mitigating measures described above have  
15          been successful in improving team functionality such that the risks and challenges  
16          that IPA identified have been effectively managed.