

November 21, 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:

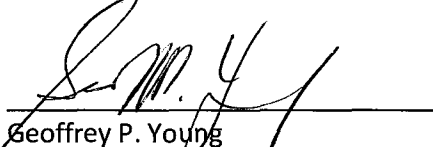
- Supply and Installation of a 100 MW Combustion Turbine Generator.

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/jc

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– Nov 21, 2014

Boundless Energy



Contents

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

(Includes only material updated since Nov 7, 2014)

Project Dashboard

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



Progress & Schedule Summary

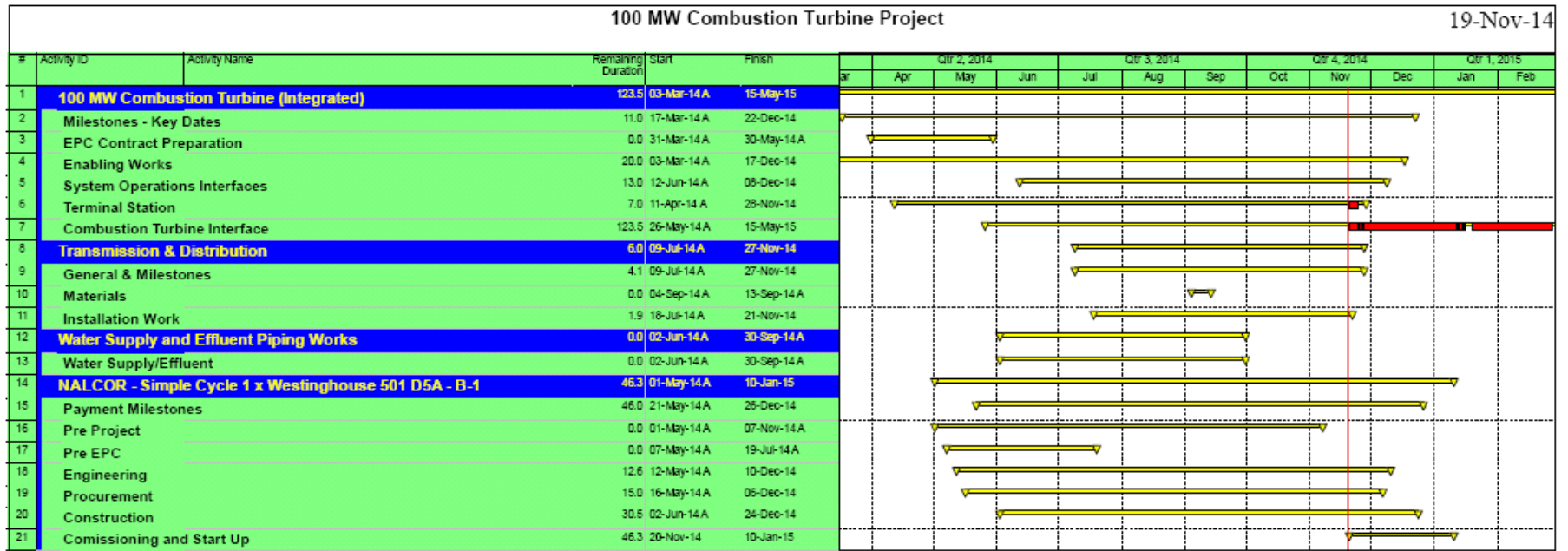
1. Civil work is near completion.
2. Transmission line construction is complete except for the final interconnection to the GSU which is planned for next week.
3. Installation of the GSU dead end structures complete
4. CTG unit final assembly nearing completion but slower than planned due to recent inclement weather. Several days loss due to high winds, which impeded lifting operations.

Progress & Schedule Summary (cont'd)

5. Mechanical BOP placement at risk of slippage, awaiting late piping spool installation, has knock on effect on electrical.
6. Electrical work late starting, now requires double shifting/extended work hours to completion.
7. Cost S-Curve reflects tracking in compliance with original plan.
8. Overall schedule is now reflecting slippage on several work fronts, but function testing and initial commissioning of CTG unit still planned for the month of December 2014.

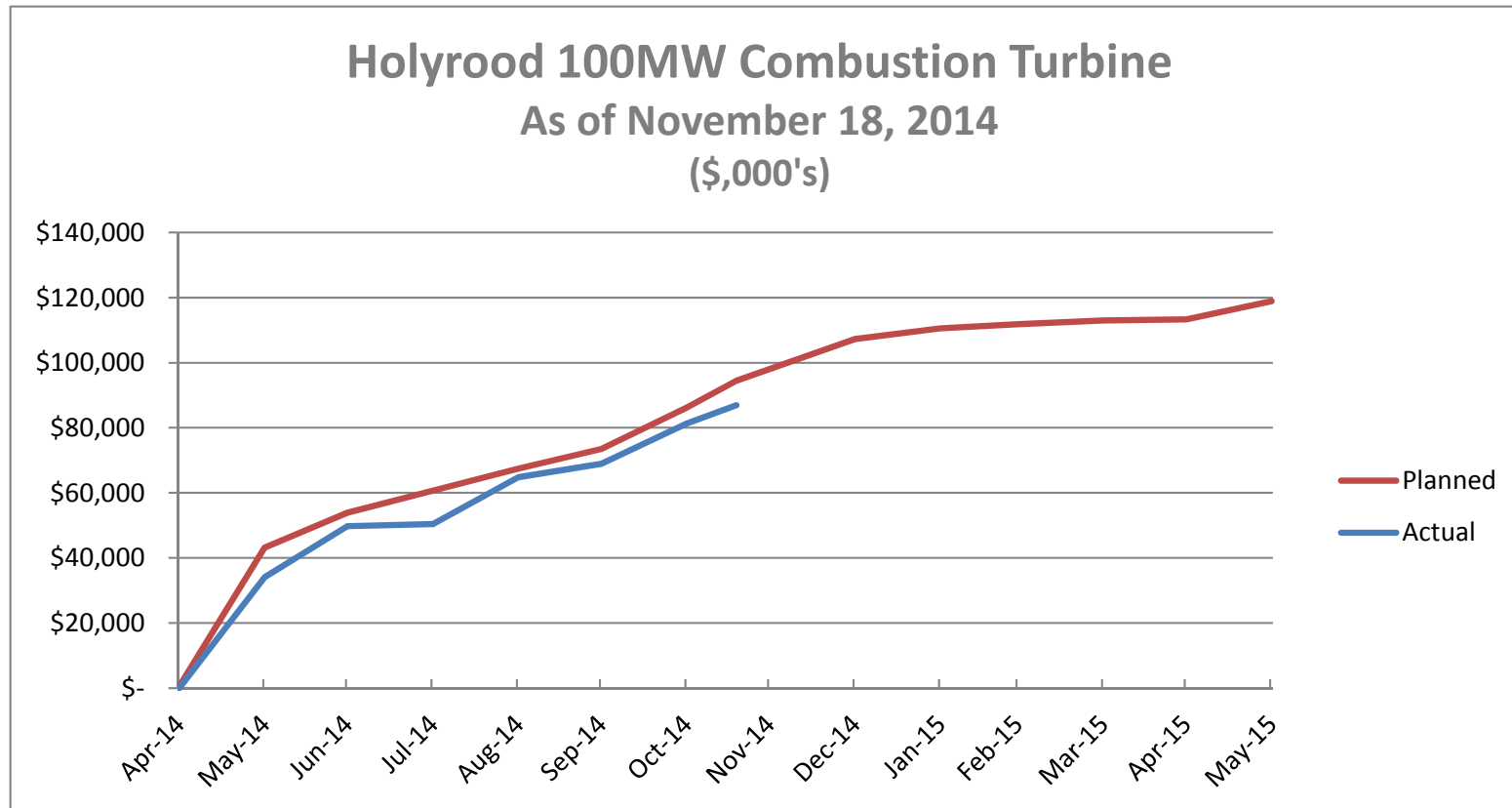
Level 2 – Summary Schedule

- Summary level schedule provided below.

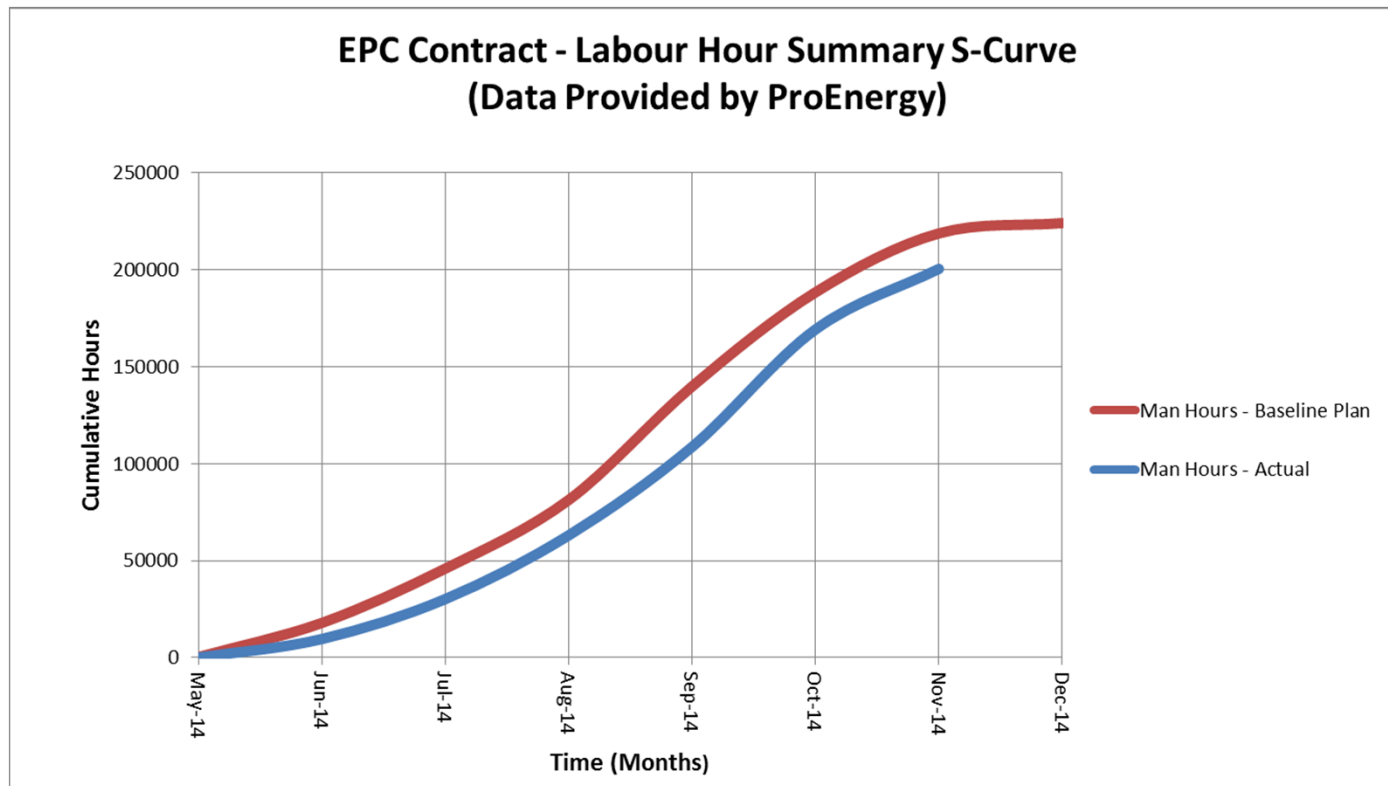


- 'Combustion turbine interface' task adjusted as the redundant black start line is not required and can not be connected until the temporary black start diesels are removed from service, which is being planned for 2015.

Cost Summary – S-Curve



EPC Labour Hour Summary



Notes:

Planned hours to Nov 16 (Baseline Plan): 91.30%

Actual Progress to Nov 16 from Schedule: 82.34 %

Actual hours expended to Date: 94.55%

Schedule Performance Index = 0.90 - **Indicates tracking slightly behind plan**

Cost/Hrs Performance Index = 0.87 - **Indicates potential slippage in labour 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.

(Nov 21 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.

(Nov 21 update – Operations discussing training and O&M support with ProEnergy)

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.

(Nov 21 update – Continue to have daily 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.

Mitigation action ongoing requires day by day measurement and management.

(Nov 21 update – Additional schedule review and issues and solves sessions held with contractor and subs to mitigate schedule impacts)

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.

(Nov 21 Update - Late materials delivery continues to be an exposure. Shipments are being expedited daily. Late deliveries on electrical equipment and materials has now pushed function testing and commissioning later into December)

Key Risks & Mitigation (cont'd)

Risk: Adverse weather conditions could negatively impact construction progress.

Mitigation: Use of temporary enclosures to protect equipment and enable work to proceed during adverse weather conditions.

(Nov 21 – Contractor late in implementing this mitigating action. Erection of temporary enclosures still in progress, to enable working in adverse weather conditions.)

Project Photos

Photo 1 – GSU Take Off Structure

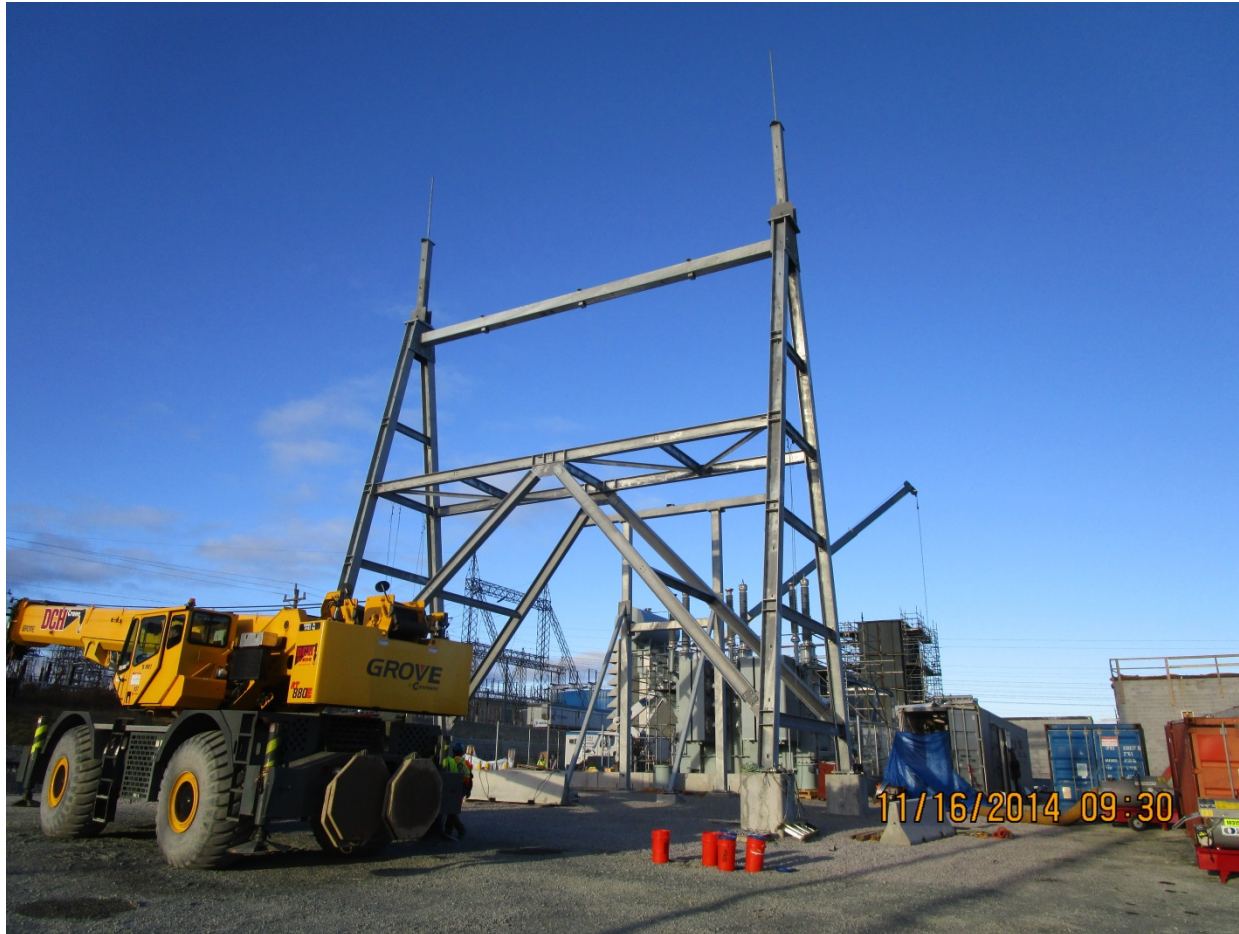


Photo 2 – Fuel Oil Pumphouse



Photo 3 – Fuel Unloading Pumps



Photo 4 – MCC Installation



Photo 5 – 13.8kV Switchgear Delivery



Photo 6 – 13.8kV Switchgear



Photo 7 – Fuel Tank Roof



