

The highlighted key risks (confirmed by Validation Estimating):

- Resource challenges
- Systemic risks associated with MH's maturing system
- Schedule risk associated with the seasonality of work (the selected GCC has no allowance for winter concrete)
- Adverse labour productivity (addressed through labour reserve), and
- Risks that could cause a year of delay: Stage 1 Cofferdam delay, Extreme Weather, GCC-GGH handoff delay, High flow during construction, and Watering up failure.

Item 3: Contract Documents for the Major Keeyask Components

Copies of various Keeyask contract documents were made available to KP as part of the original scope of work and commented upon in the earlier KP report. The contracting method varies by project component but the principal civil works contracting strategy is an Early Contractor Involvement (ECI) Project Delivery Strategy. The contract documents and drawings that KP has seen have clearly been drawn up by experienced engineers, from within MH and from reputable experienced consultants and include appropriate performance incentives.

Item 4: Construction and Equipment Procurement Bonding and Liquidated Damage Requirements

MH has made available to KP details of the bonding or letter of credit requirements for a selection of the major Keeyask contracts, in both the KIP and the KGSP. The amounts are based on risks associated with the individual contracts, past experience, and industry norms. These values are deemed by KP to be appropriate. Current practice is to strike a reasonable balance between protecting the interests of the owner and not paying an excessive premium for this insurance.

KP believes that the Liquidated Damages stated in the various contracts made available appear to be reasonable and in keeping with their purpose.

Item 5: Quality Assurance and Quality Control (QA/QC) Requirements

The most common arrangement for addressing quality in procuring hydroelectric power generating facilities is to make the Contractor responsible for Quality Control (QC) and the Owner (or his Engineer) responsible for Quality Assurance (QA). MH is conforming to this usual practice.

Quality Management in MH is specified at a high level in the various MH procedures and standards. These documents define the processes required in MH to establish and operate a quality management program, including a third main activity that takes place prior to QC and QA, Quality Planning (QP).

Items 6: Overall Civil Contract(s) Project Management Approach

The General Civil Contract (GCC) has been procured in an Early Contractor Involvement (ECI) process which provides an opportunity for MH and a selected contractor to work together to refine the contract. All aspects of the work, including design details, schedule, risk sharing and project management, are open for discussion. KP believes that this process reflects a genuine and appropriate opportunity for MH to optimise and bring as much certainty to the contract as possible. The KGSP contracts (including the GCC) have been and are being managed within a new project management system.