

Terms of Reference and Reference Question

In the Energy Plan, 2007, Government committed to the development of the Lower Churchill hydro resource. It has been determined that the least-cost option for the supply of power to the Island interconnected system over the period of 2011-2067 is the development of the Muskrat Falls generation facility and the Labrador-Island Link transmission line, as outlined in Schedule "A" attached hereto (the "Projects"), as compared to the isolated Island development scenario, as outlined in Schedule "B" attached hereto (the "Isolated Island Option"), both of which shall be outlined further in a submission made by Nalcor Energy ("Nalcor") to the Board of Commissioners of Public Utilities (the "Board"). It is contemplated that Newfoundland and Labrador Hydro ("NLH") would enter into a long-term power purchase agreement and transmission services agreement with Nalcor, or its subsidiaries, the costs of which would be included in NLH's regulated cost of service with the full cost of the Projects being recovered from NLH's Island interconnected system customers (the "Island Interconnected Customers").

Pursuant to section 5 of the *Electrical Power Control Act, 1994* (the "EPCA"), Government hereby refers the following matter to the Board:

The Reference Question

The Board shall review and report to Government on whether the Projects represent the least-cost option for the supply of power to Island Interconnected Customers over the period of 2011-2067, as compared to the Isolated Island Option, this being the "Reference Question".

In answering the Reference Question, the Board:

- shall consider and evaluate factors it considers relevant including NLH's and Nalcor's forecasts and assumptions for the Island load, system planning assumptions, and the processes for developing and comparing the estimated costs for the supply of power to Island Interconnected Customers; and
- shall assume that any power from the Projects which is in excess of the needs of the Province is not monetized or utilized, and therefore the Board shall not include consideration of the options and decisions respecting the monetization of the excess power from the Muskrat Falls generation facility, including the Maritime Link project.

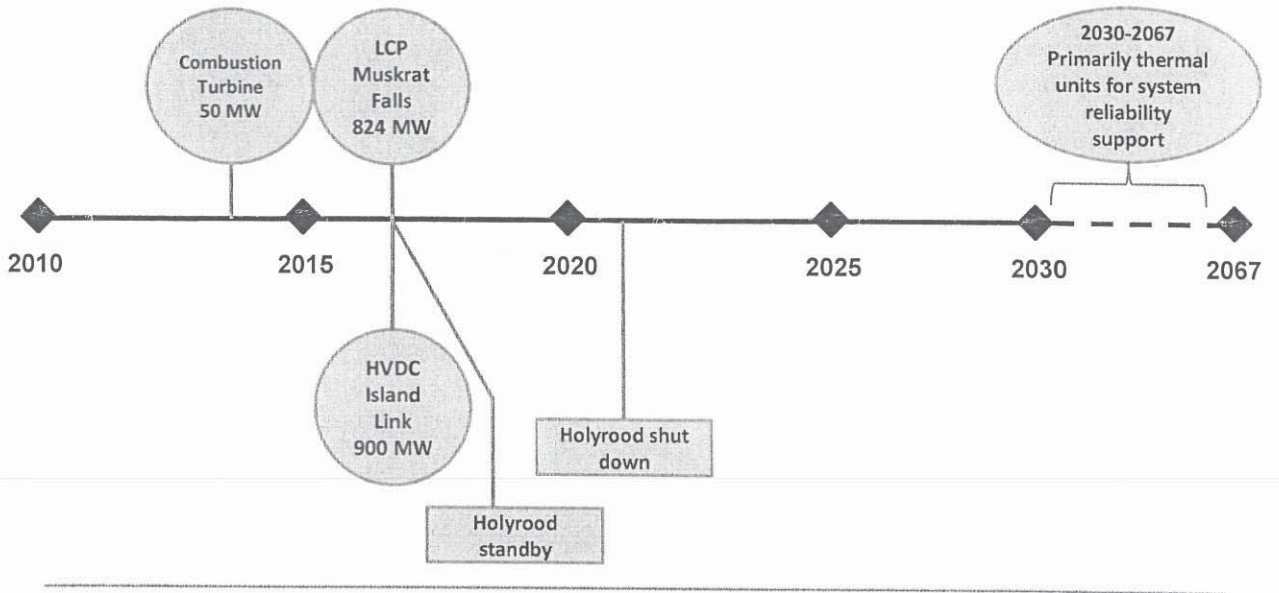
Where Nalcor or NLH determine that any information to be given to the Board for this review is commercially sensitive as defined in the *Energy Corporation Act*, it shall advise the Board, and the Board and its experts and consultants may use such information for this review but shall not release such information to any party.

For the purposes of this review, a consumer advocate shall be appointed pursuant to section 117 of the *Public Utilities Act*.

Any costs of the Board in respect of this review, including the costs of the consumer advocate, shall be paid by Nalcor.

The Board's report shall be provided to the Minister of Natural Resources by December 30, 2011. The Minister shall make this report public.

Schedule A – The Project



Schedule B - Isolated Island Option

