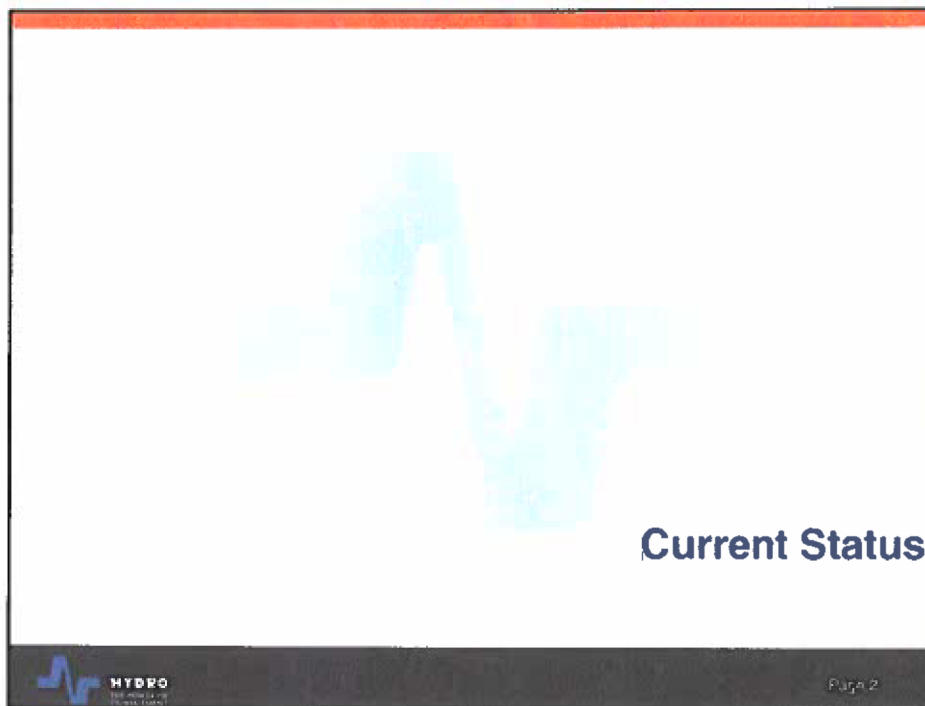


## Purpose

- To provide a status update on the project
- To advise on upcoming events relating to the project
  - ❖ Registration for Environmental Assessment (EA)
  - ❖ RFP call for Engineering services
  - ❖ RFP call for Financial Advisory Services



## Project Execution Approach

- The Project team is building on mega project planning and execution ability that has developed in the Province since 1991
  - ❖ Hibernia, Terra Nova, Whiterose, Voisey's Bay
- Adopting best practices in all aspects of our project planning and execution
- Project Planning and Execution is following a Decision Gate / Gateway Process
  - ❖ Business Proposition thoroughly tested
  - ❖ Organizational Readiness clearly demonstrated

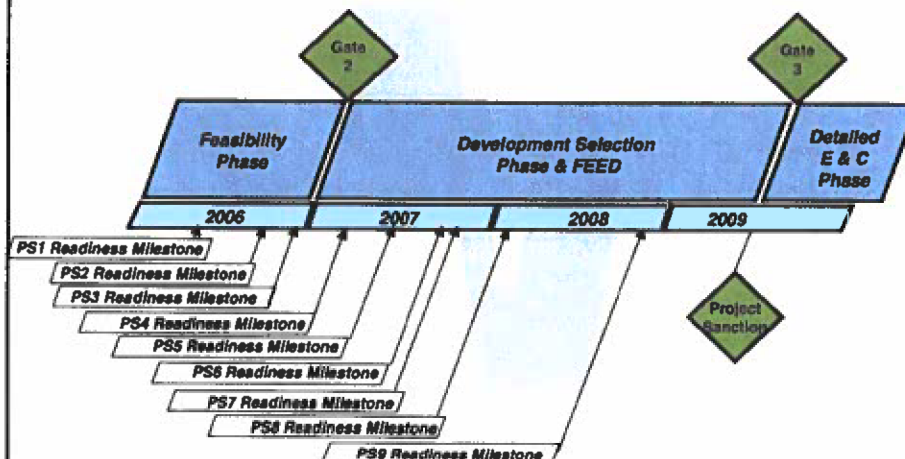
**HYDRO**  
the utility of  
the province

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## Pre Sanction Gates & Readiness Milestones

- PS1 ☒ Ready to pursue the NLH led option
- PS2 ☒ Ready to register Project Environmental Application
- PS3 Ready to proceed with Market Access Decision and IBA Final negotiation phase
- Gate 2 Approval to Commence FEED
- PS4 Ready to proceed with Engineering field work
- PS5 Ready to conclude agreement on PPA principles
- PS6 Ready for EIS Submission & public review
- PS7 Ready to conclude financing agreements
- PS8 Ready for IBA Ratification
- PS9 Ready to issue RFP's for Main Contracts
- Gate 3 Project Sanction

## Gateway and Readiness Process



## Gateway 2 – Approval to Commence FEED

| Key Deliverables | Business       | <ul style="list-style-type: none"> <li>Project scope and deliverables defined</li> <li>Project economics review completed</li> <li>Financing options considered and finance strategy agreed</li> <li>Equity participation strategy agreed</li> <li>Market strategy agreed</li> <li>Cost and Schedule estimate +/- 15%, budget for FEED submitted</li> <li>Initial cost/schedule risk analysis performed</li> </ul>  |
|------------------|----------------|---|
|                  | Implementation | <ul style="list-style-type: none"> <li>Project goals and objectives identified</li> <li>Project scope defined and phases agreed</li> <li>Design concepts reviewed and selection completed</li> <li>Design Basis Memorandum completed</li> <li>FEED scope and site investigation work defined</li> <li>Project Charter completed</li> <li>Master Schedule prepared and FEED schedule Level 1- critical path activities identified</li> <li>Early Project Execution plan developed incl Contract strategy, Organization plan, EHSQ &amp; other key strategies</li> <li>Contract packages defined</li> </ul> |
|                  | Operations     | <ul style="list-style-type: none"> <li>Operations philosophy defined</li> <li>Life cycle analysis performed</li> <li>Operations representation in Project Team agreed</li> <li>Handover, Commissioning and Startup responsibilities and interfaces defined</li> </ul>   |
|                  | External       | <ul style="list-style-type: none"> <li>Communications strategy and plan approved</li> <li>Environmental and regulatory plan on schedule and key deliverables provided</li> <li>IBA plan on schedule and key deliverables provided</li> <li>Strategic plan approved</li> </ul>   |

## Current Activities

- Aboriginal
- Market Access
- Commercial
- Financing
- Project Execution
- Environmental
- Engineering



## 2007 Budget

|                                |         |
|--------------------------------|---------|
| ❖ Engineering                  | \$30. M |
| ❖ Interest During Construction | \$8. M  |
| ❖ Legal                        | \$5. M  |
| ❖ Environmental Program        | \$3. M  |
| ❖ Aboriginal                   | \$2. M  |
| ❖ Salaries and Office Expenses | \$10. M |
| ▪ Total 2007 Budget            | \$58. M |

## Aboriginal

- Land claim negotiations are ongoing between the provincial and federal governments and Innu Nation
- Hydro has mechanism in place for ongoing consultation with Innu Nation
- Process Agreements establish procedures and provide funding for:
  - ❖ IBA negotiations
  - ❖ Innu community consultation
  - ❖ Task Force
    - ◆ Consultation and cooperation in the design, conduct and review of environmental studies
    - ◆ Planning for and conduct of the Project's eventual EA
    - ◆ Acquisition of Traditional Ecological Knowledge (TEK)
- IBA negotiations and community consultation are under way

## Market Access Options



**Newfoundland  
and Labrador**

Ontario  
 Quebec  
 Nova Scotia  
 New Brunswick  
 New England  
 New York

## Market Access - Status

- System Impact Studies under way with Hydro Quebec TransEnergie and Ontario Independent Electricity System Operator
- Meeting Scheduled with NB Independent System Operator for late November
- System and subsea engineering for submarine cable facility to New Brunswick has begun

## Commercial

- Discussions are ongoing in multiple markets
  - ❖ Ontario
  - ❖ Maritimes
  - ❖ New England
- Business Case development for Island DC link ongoing

## Financing

- Advice from Province's financial advisors is affirmative
  - ❖ Province has fiscal capability to take on project
- RFP for project financial advisor in progress
  - ❖ Development of project financing plan in 2007

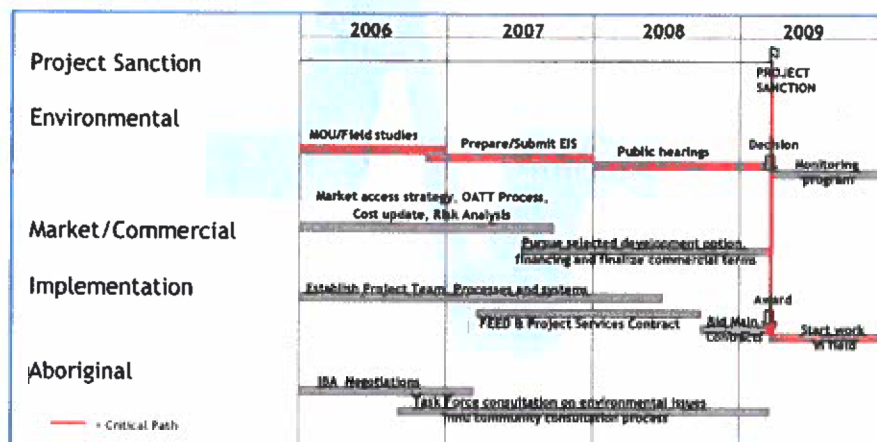
## Project Execution

- Preparing for work in 2007 and beyond
  - ❖ Preparing for 2007 engineering/environmental work
- Putting key personnel, systems, and processes in place for 2007 program
  - ❖ Commercial / contractor management
  - ❖ Cost controls and project management

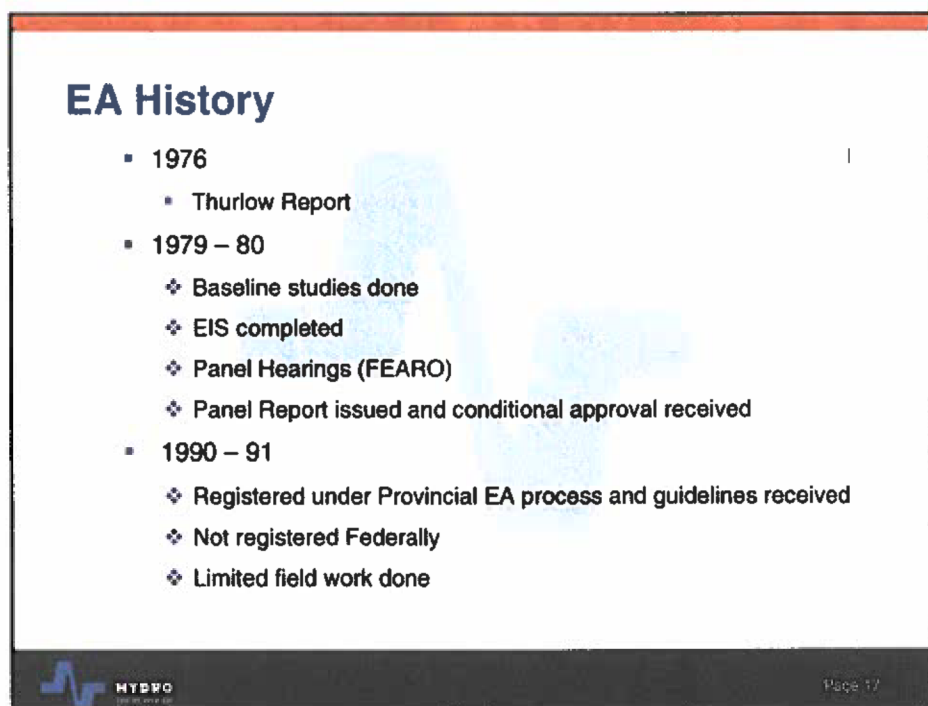
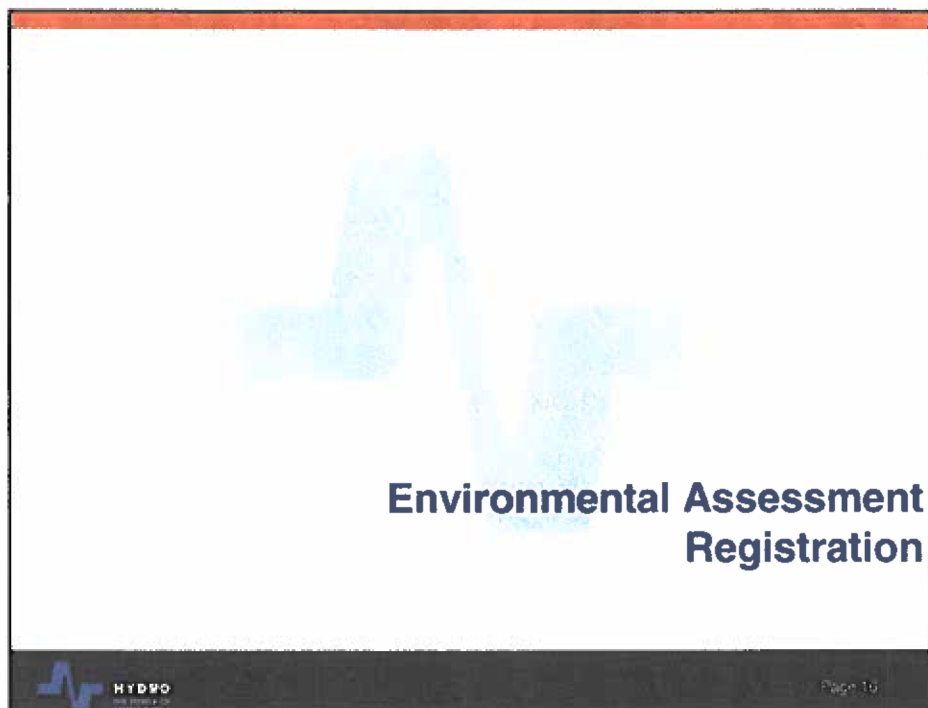


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## Critical Activities to Achieve Sanction



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## EA History (cont'd)

- 1998 – 2000
  - ❖ Two years of field work completed
  - ❖ 37 studies (some related to Quebec diversions)
  - ❖ Planning for EIS preparation
- 2005 - 2006
  - ❖ Field work substantially complete
  - ❖ 17 studies

## EA Considerations

- ❖ Assessment process is on the critical path for sanction in 2009
  - ❖ Delays in EA process will delay sanction
- ❖ Transmission/Market Access aspects of project are not finalized
  - ❖ Transmission via Quebec?
  - ❖ DC link to Island?
  - ❖ DC link to Maritimes?
- ❖ Different parties involved in different components
  - ❖ Generation Canada, NL, Labrador Innu
  - ❖ QC Transmission NL, QC, Labrador and QC Innu
  - ❖ NL / Maritime Trans NL, NB and/or NS

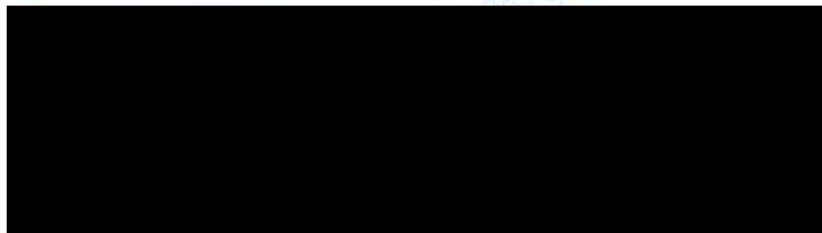


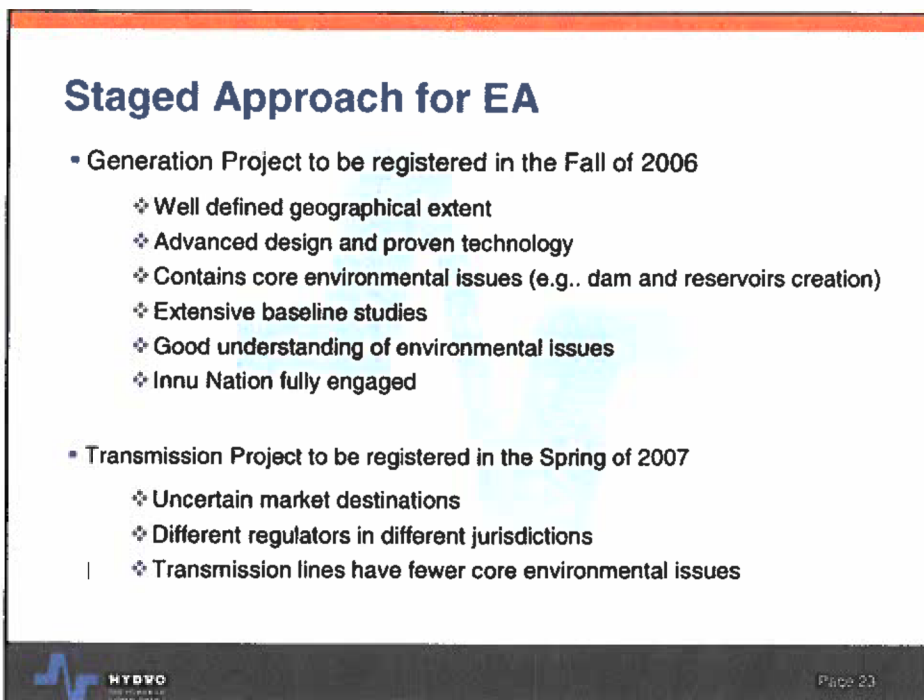
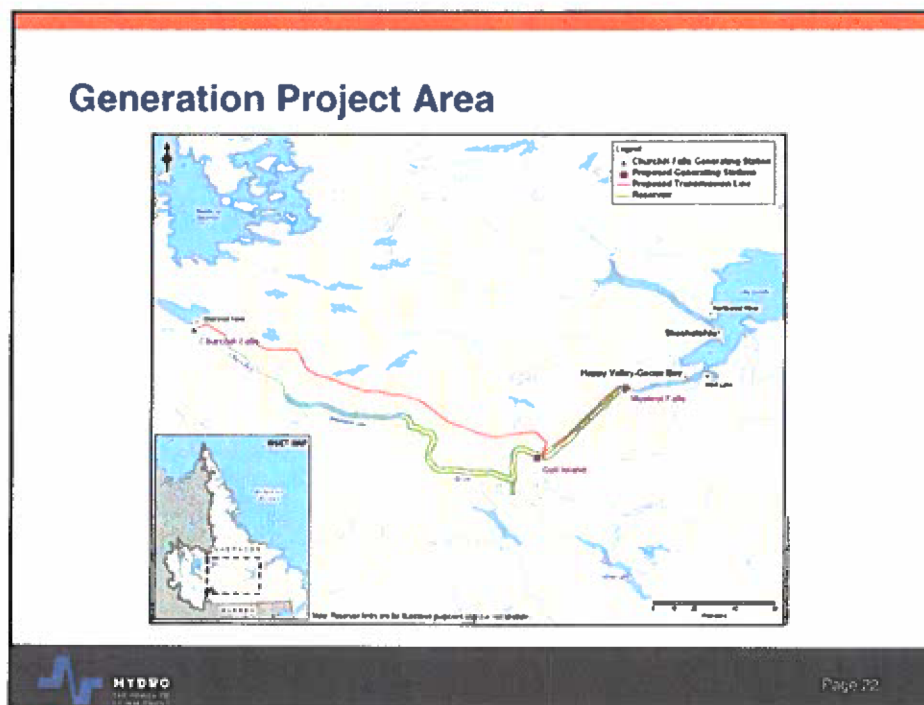
## Options

- ❖ Invite all generation and potential transmission regulators to participate in EA
  - ❖ Not feasible to engage regulators until their participation is triggered
- ❖ Delay process until market access clarity obtained
  - ❖ Delays project – EA is critical path
- ❖ Register Generation project with Transmission to follow
  - ❖ Selected approach

## Recommended: Staged Registration

- ❖ Benefits
  - ❖ Initiates the process to deal with core environmental issues
  - ❖ Project is contained entirely within NL
  - ❖ Sanction date is protected
  - ❖ Participation of other parties is triggered as required





## Precedents

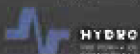
- Romaine Hydroelectric Projects (Hydro Quebec)
  - ♦ 4 generating stations (total 1,500 MW) on the Romaine River from Quebec North Shore to Labrador
  - ♦ Transmission lines to the Quebec grid
  - ♦ Provincial registration
  - ♦ Federal decision for a Comprehensive Study
  - ♦ Referred to Review Panel with Hearings
  - ♦ Transmission lines excluded from Scope of Project Federal EA (no Federal triggers)
  - ♦ Federal guidelines state that "related facilities and projects" are subject to Provincial guidelines
- Trans Labrador Highway - project separated into phases
- Voisey's Bay – mine and refinery separated



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## Expected Generation Project Assessment Steps

- |   |          |
|---|----------|
| ▪ Registration and filing by Proponent                      | Nov 2006 |
| ▪ Harmonization of Federal / Provincial process             | Q1 2007  |
| ♦ Provincial EIS  |          |
| ♦ Federal Comprehensive Study Report (CSR) and Review Panel |          |
| ♦ Federal / Provincial / Innu Nation MOU                    |          |
| ▪ Panel established   | Q1 2007  |
| ▪ Public process to determine EIS guidelines                | Q2 2007  |
| ▪ EIS submission by Proponent                               | Q4 2007  |
| ▪ Public Hearings   | Q1 2008  |
| ▪ Decision  | Q2 2009  |



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## Preliminary Schedule for Transmission Project

- Registration and filing by Proponent Q2 2007
- Harmonization of Federal/Provincial process Q4 2007
  - ❖ Provincial EIS
  - ❖ Federal participation may or may not be triggered
  - ❖ Province would lead the EA
  - ❖ Innu Nation invited to be a party to the MOU
- EIS submission by Proponent Q3 2008
- Decision Q2 2009

## Communications

- Registration document is ready for submission
- Draft Communications materials prepared
  - ❖ Communications plan
  - ❖ Q/A's
  - ❖ News Release
- Announcement planned for week of November 21
- Announcement to be led by Hydro
  - ❖ Role of Hydro as proponent and Government as regulator

## Potential Communications Points

- Environmental Issues

- ❖ Lower Churchill is a mega project – it's not green
- ❖ Mercury pollution
- ❖ Flooding of forest land
- ❖ Destruction of fish habitat
- ❖ People should conserve more

- LMN Response

- ❖ We're not being consulted
- ❖ We were successful in our case regarding the TLH
- ❖ We think that our wind project is a better plan than the Lower Churchill



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## Potential Communications Points (cont'd)

- Local Stakeholders

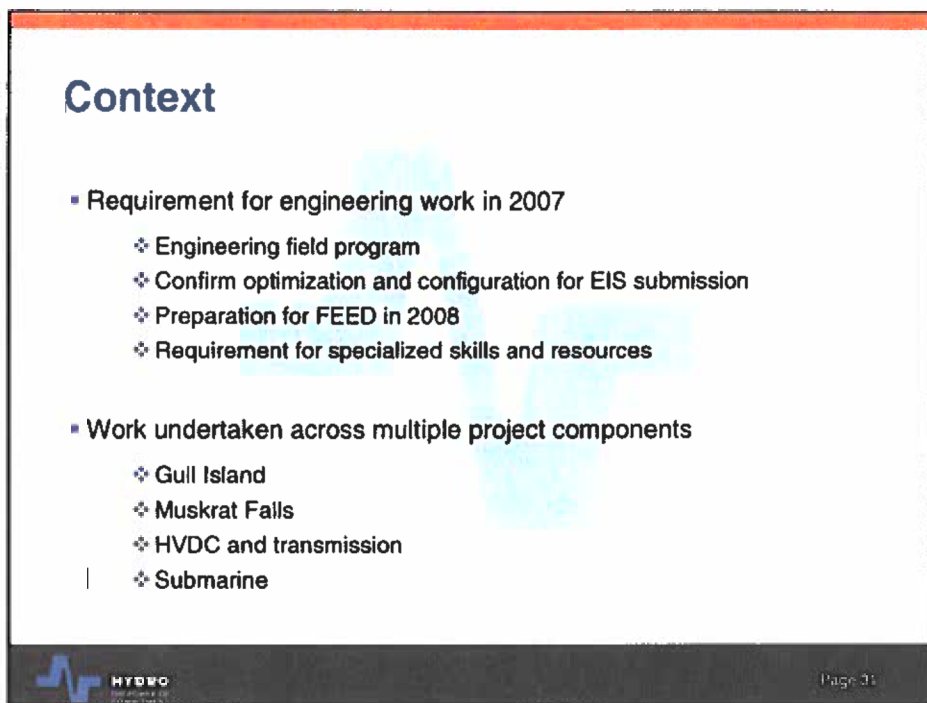
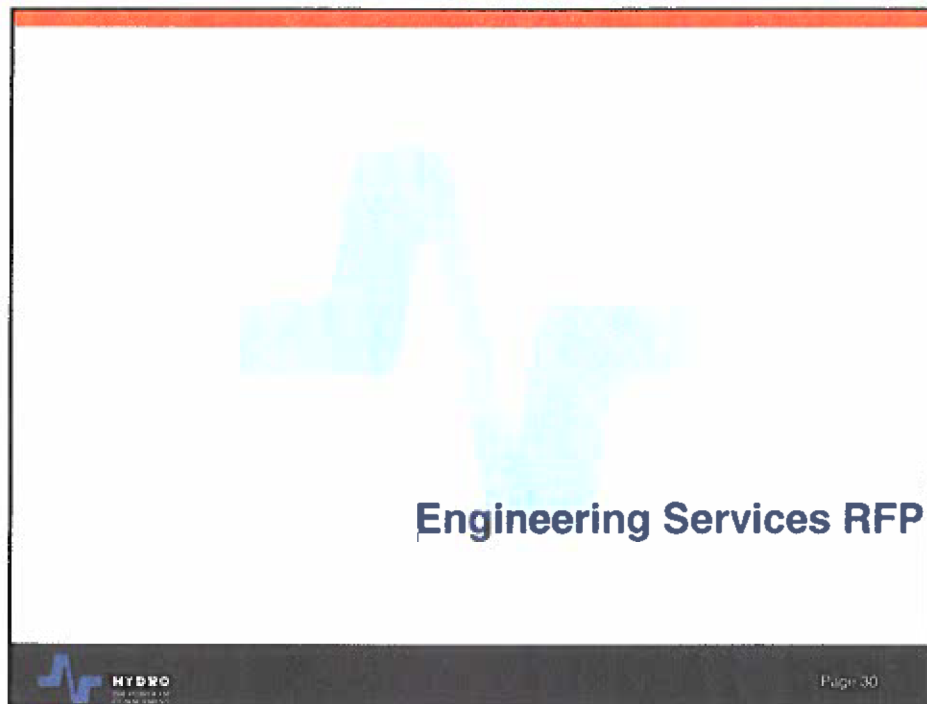
- ❖ Power for industrial development
- ❖ Coastal Labrador electricity rates
- ❖ Lack of transmission infrastructure

- Others

- ❖ Local adjacency for hiring and procurement
- ❖ Power export vs. domestic use
- ❖ Churchill Fall redress



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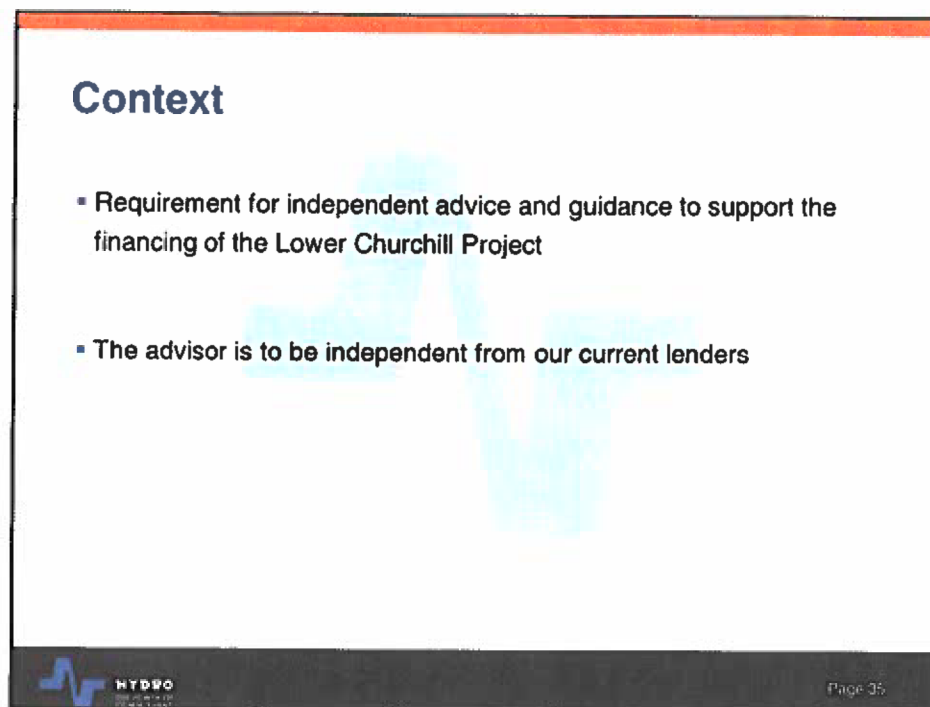
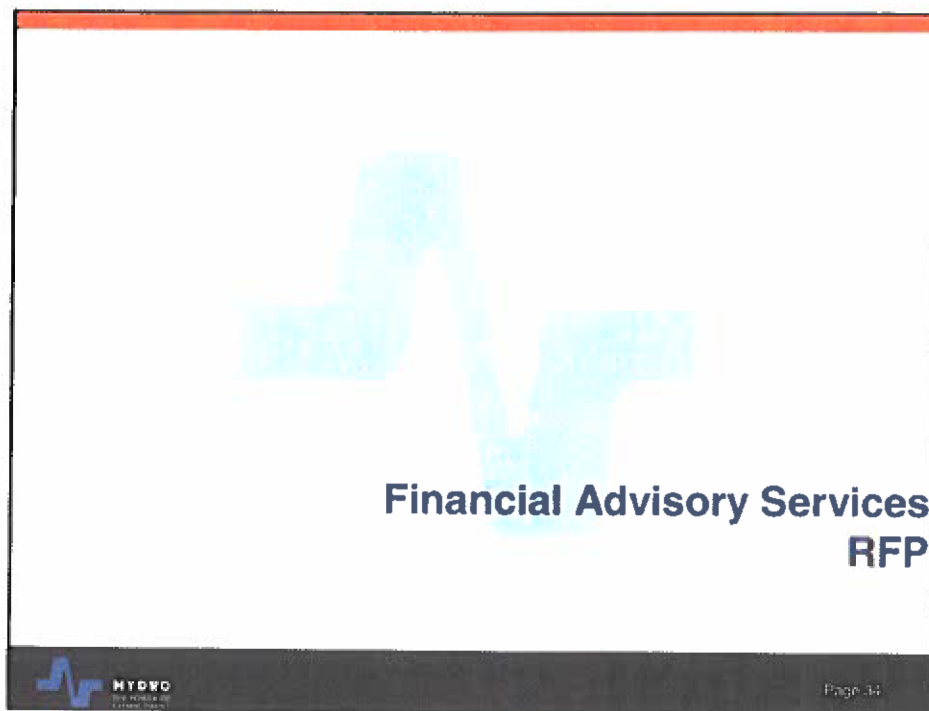


## Major Work Tasks

|  |           |
|--|-----------|
| ▪ Gull Island Field Program                  | \$6.50 M  |
| ▪ Hydraulic Modelling                        | \$1.25 M  |
| ▪ EIS Support                                | \$0.50 M  |
| ▪ Gull Optimization Studies                  | \$2.50 M  |
| ▪ Muskrat Falls Field Program                | \$3.50 M  |
| ▪ Muskrat Falls Optimization Studies         | \$1.40 M  |
| ▪ Transmission Line Optimization and Routing | \$3.40 M  |
| ▪ Maritime Submarine Route Selection         | \$2.00 M  |
| ▪ Maritime Submarine Route Details           | \$5.00 M  |
| ▪ Other                                      | \$4.00 M  |
| ▪ Total                                      | \$30.05 M |

## Process

- RFP call within coming days
- RFP will invite proposals across engineering disciplines, power infrastructure and technology
- RFP will provide opportunities for multiple consultants
  - ❖ Looking for best expertise in each discipline



## Scope of Services

- Proposed funding and structure
  - ❖ including advice regarding innovative funding and risk mitigation approaches
- Advice regarding the overall financial viability of the Project
- Provide independent reviews of Project Finance transactions and lenders
- Advise on best practices to ensure favourable credit ratings

## Process

- Invited RFP to be issued by December 1, 2006
- Responses expected back by January 15, 2007
- Expect advisor in place by February 15, 2007