

Board of Commissioners of Public Utilities

Meeting Agenda

Meeting Title	Reference re Muskrat Falls Project – Meeting with Nalcor
Date	September 12, 2011
Start Time	2:00 pm
Stop Time	
Place	PUB Boardroom
Persons Attending	Nalcor - Geoff Young, Dave Harris, Gilbert Bennett PUB – Cheryl Blundon, Maureen Greene

ITEMS TO BE DISCUSSED

1. Terms of Reference- Scope
 - assumptions
 - Engineering work.
 - Reasonableness of outputs
 - 2. Status of Information to be Filed by Nalcor- RFIs & Submission
 - needs to be
 - 3. Updating Information to Current Date
 - Year old
 - full costs
 - 4. Confidential Information
 - Impact on CA
 - processes
 - Impact on Report.
 - Firm date.
 - 5. Schedule Revised
 6. Other Items
- MHI's Report
 Nalcor's submission
 PSI =
 RFI's
 Revised Schedule

troubled
 concern
 puzzled
 worried
 bothered
 perplexed
 baffled

Oct 30 -

Navigator

Board of Commissioners of Public Utilities

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ITEMS TO BE DISCUSSED

1. Terms of Reference - Scope

MG reviewed the terms of reference, including the Board's interpretation and understanding of the scope of the review. She advised that in conducting the review, the Board will, with the assistance of Manitoba Hydro International (MHI), review the inputs, assumptions and the processes Nalcor used in analyzing the options and will also review the engineering work in terms of acceptable engineering standards and practice. The conclusions or outputs from Nalcor's work will also be reviewed for reasonableness. It is not the Board's intention to re-do the engineering work.

GY raised the most recent RFI's that were sent on the previous Friday as an issue for Nalcor, particularly those that which vary some of the components of "Schedule B" and RFI 55, *(to prepare a generation expansion plan and CPW analysis removing the scrubbers)*. GB inquired about the reasonableness and validity of additional sensitivities in view of the Terms of Reference.

MG advised that the Board has been asked to report on which of two options is the "least cost" to supply the Island interconnected system. Under public utility regulatory practice an expense is allowed to be recovered from ratepayers if it is required for operational reasons to provide reliable power in a safe manner or is required by legislation or regulation. If an expense is incurred for a social policy reason only and not for operational or legislative reasons, it may not be allowed to be recovered from ratepayers. Based on the information that has been filed it appears that some of the costs included in the CPW analysis arise from a social policy direction with respect to environmental upgrades at the Holyrood Plant. The purpose of RFI 55 was to see the impact on the CPW analysis of the inclusion of these costs. The Board does not question the right of Government to make such a policy directive but the implications of it for "least cost" is relevant in the context of the review.

Discussion ensued as to how this question and other RFIs raised by the Board fit into the scope of the Terms of Reference. It was agreed that both Counsels would further discuss the RFIs that Nalcor were having issues with once Nalcor completed its review and advised the Board of the questioned RFIs..

GB raised the issue of the overall context of the review particularly in terms of the RFI's asking Nalcor to update information beyond Decision Gate 2(DG2). It is Nalcor's belief that the review is intended to answer the question of least cost option at the time that the decision and announcement was made back in 2010. Nalcor did not expect that it would have to provide updated information such as cost of capital estimates before DG3 which is expected in 2012.

MG reiterated the Board's position and interpretation of the scope of the review. In determining the question of least cost the Board would have to have the most current information available in answering that question. MG compared the review similar to a general rate review where the Board would require updates on certain information before making its decision. MG advised that nowhere in the terms of reference does it state that the Board was required to limit its review to the time of the decision at DG2. GB stated that it might be possible for Nalcor to advise whether there had been any material changes in project design since DG2 which would materially impact costs.

Both the Board and Nalcor concluded that there is a disconnect in their interpretation of the context of the review, especially with respect to timing. It was agreed that both parties would have to further discuss the issue with their officials.

2. Status of Information to be Filed by Nalcor – RFI's & Submission

MG inquired as to the status of Nalcor's report or submission which was originally expected to be filed by July 30, and also on the status of outstanding RFI's. MG advised that the weekly status report Nalcor is providing on expected dates for responses to RFIs is very helpful but Nalcor keeps moving the target dates for when the Board can expect the responses. As well, the Board still does not know when Nalcor will be filing its report. MHI cannot complete its report without Nalcor's report and the responses to the RFI's. MG advised that it appears that Nalcor wasn't ready for this review as very little substantive information was provided until early to mid August. Given the information and responses to RFIs that have been filed, additional RFI's were issued on September 12th. Based on the timelines built in the current review schedule, between the receipt of Nalcor's report and MHI's report, the earliest that the Board can now expect to have the technical conference is December 5th. The schedule, albeit tight, was agreed upon back in June. The delay in receiving the required information has now significantly impacted the Board's ability to meet the current schedule and the Board is now assessing the required extension.

Nalcor took exception to the fact that their filings and quality of responses was delaying the schedule. GB advised that their priority focus, in the first instance, was to answer the technical questions from MHI and then focus on the other RFIs and then their report. GB expressed that some of the detailed engineering questions asked to date in their opinion, were not necessary and "has added little value to the process." As well some of the information that has been asked for doesn't exist, because their reporting process is not in the same process contemplated by the Board's questions. Nalcor doesn't require the type of final reports(for example a feasibility report on the proposed Muskrat Falls Project) as requested. Nalcor never contemplated that it would have to provide information and reports in the comprehensive manner that the Board has requested and expects. GB advised that Nalcor has the information but not in way

that has been asked and it has taken much time to gather the information that has been requested.

Some of the RFIs were discussed, particularly the most recent ones issued on Friday, September 9th and those relating to the Upper Churchill and RFI 55 in the context of their interpretation of the review. Nalcor also asked whether MHI would be issuing any further RFI's. MG advised that there should not be very many more but that she would not be able to provide a definitive answer until the Board staff and MHI determine whether any of the responses filed require clarification.

Nalcor also advised that they did not know that their report was expected to be filed before MHI's. They believed that they would have MHI's report and be able to respond to it after it was filed and they expected that MHI's report would be filed on September 15th. Furthermore they did not believe that there would be problem in meeting the current schedule and from their perspective the December 30 deadline could be met.

MG reviewed the terms of reference which stated that, "*Nalcor would be providing a submission to the Board outlining and comparing the projects*". This was discussed back in the June 17th and July 8th meetings where Nalcor agreed to provide their report by July 31. MG again reviewed the process where it had been determined that Nalcor's report would be starting point of the review as outlined in the schedule given to Nalcor in mid- July. To date the Board still does not know when to expect Nalcor's report.

Nalcor could not provide a definitive answer as to when its submission would be filed or when the outstanding RFIs would be answered. They also reiterated that, in their opinion, certain of the recent RFIs were outside the Terms of Reference.

Nalcor agreed to get back to the Board regarding dates and when Nalcor will be in the position to file their report and responses to the outstanding RFI's.
Nalcor also advised they would review and advise which of the RFIs they considered problematic.

3. Updating Information to Current Date

This was discussed in the context of the recent RFI's that were issued requesting the inputs be updated with current recent information and whether the information requested was within the scope of the review. MG advised that Board has determined that it requires this information as most of the reports filed are dated, well over a year old. MG also inquired as to where Nalcor was with respect to DG3 and when do they expect to the project to be "sanctioned".

Nalcor advised that they believe that some of the information requested is outside the scope of what was contemplated with the terms of reference. They are currently updating information that will be used in DG3 which now expected in 2012. They are not sure as to the timing but certainly after the Board's review is expected to be completed.

Nalcor advised that they need to go back and review the information requested and will address issues accordingly. They will work at getting as much information and will quickly get back regarding the take-aways from this meeting.

4. Confidentiality Information

Nalcor clarified that the confidential information that has been filed from mid-July onwards has been screened and from their perspective will remain confidential. They are still in the process of reviewing the confidential information filed prior to mid-July and hopefully will soon have that screened as well.

MG advised that she had reviewed the RFIs and has determined which ones could be considered confidential and that these are not available for viewing on the Board's website. Nalcor also advised that they would screen the RFIs as well to determine which ones they consider confidential. If the RFI only contained a reference to a confidential document and the response did not, they may have no objection in publically releasing the RFI.

There was general discussion on the confidential information filed to date particularly access for the Consumer Advocate, the impact on the Board's process and the impact on MHI's final report. It was agreed that the Consumer Advocate needs to have a list of the confidential documents so that he can address his particular issues and any concerns with the schedule.

Nalcor agreed to provide a list of the information that it has filed that it considers and claims to be confidential and will also screen the RFI's to identify the ones to remain confidential. Nalcor could not provide a date certain to provide the listing or to complete its screening process but will get back with this information as quickly as possible.

5. Schedule

MG reiterated the Board's concerns with the delay in filing the information, (Nalcor's submission, responses to RFI's and certain requested information) and the impact on the schedule. The Board issued a press release in July advising that it had received the Referral from Government, it would be expecting MHI's report in mid-September and it would be issuing further press releases to invite intervenors and provide a process and schedule for public participation. The Board is now fielding questions regarding the schedule which is now behind at least 6-8 weeks. The Board needs to have dates certain so that it can revise the schedule and provide appropriate notices to all parties and the public as soon as possible.

Because of the issues raised by the Board with respect to the delay in schedule, Nalcor advised they would get back to the Board as quickly as possible..

6. Other Items

There was general discussion of whether Nalcor is planning to respond to the Environmental Panel report and if this would impact the Board's review in terms of Nalcor's available staffing and personnel resources. Nalcor advised that they can see no impact for this review.

General discussion of whether Nalcor has the personnel resources necessary to be able to respond in the time it sets if the schedule is revised. Nalcor responded by advising that they did not anticipate the level of detail that was going to be required in the review and currently have every available resource working to meet the target dates.

Sept 12, 2011

Nalcor meeting - officials }
Muskrat Falls

G. Bennett

D. Harris

G. Yang

1. Discussion of Agenda

Environmental panel - 2 govt's to respond. Let
panel

Ops question for Nalcor.

2. REI's - 2012 - where too is schedule }
Panel report?

1.

Terms of Reference - Scope -

clarified - process

Inputs + assumption

reasonableness of outputs - from process /

BY - Chat about recent REI's - re: Schedule B.
- isolated without scrutiny

95 - sensitivity

outputs

Context - what is variability of sensitivity

mb Discuss MB & MHI - not if unreasonable.

GB reasonable to look out

Challenge for B - What is least cost option -

Issue not required by / 2. Legislation
~~if~~ Board would comment on - debate
 on

~~the~~ Govt has made policy decision not on least cost
 additional cost factored into CPW

What is least cost option for Province -

Social policy. } Issues for ratepayers
 Rural deficit }

What is least cost

If not required - legislative or regulatory
 impact on rates - if took out what
 is implications for ratepayers.

→ How they fit into (terms of reference)

Board's perspective →

~~Why~~ What they want to see & why?

Prof & Munro (2 LC) to discuss after:

If you want to identify questions that you
 have concerns about. - discuss later.

(6B) ~~context~~ for review & overall sanction:

3. Informet Date

Decision Gate 2 -- Early Fall -- 2010

Roughly a year old:

Question for comm → least cost option

→ expect information to be updated before issue a report.

(6b) Didn't interpret a terms of reference - rather to discuss (feasibility study) -

(D62)

→ Terms of reference →

clearly ~~not~~ option - (not up to date) - not in terms

→ Did you

Anticipated report D62 October 2010 -

Next deliverable D63 → sometimes in 2012.

Your report has to be issued before sanction.

level of importance + timing.

How Board has anticipated it.

input / used

process

outputs / whether.

not work (comment on reasonable day).

Has been a determination — that least ~~cost~~ has been determined.

leading to that decision →

Compare to a GRA →

Difficulty in issuing a report that is 12-15 years old.

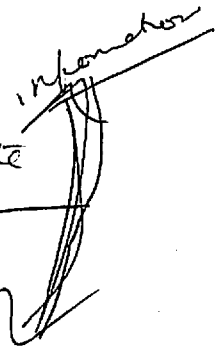
Not refresh on.

Commissioners →

⇒ limited too — (information at that time) —

Don't believe outside of scope

- 3 options — Don't have up to date
 — ^{current} on the record
 — As of late 2010)

information


(Terms of Reference — Dec 30/
 Not have Phase 3 — Engineering studies done)

(64) Within Context — Decision at that time)

feasible
 risk
 capital cost
 schedule

(D62) — D

Disconnect - 'about terms of reference -

What is Expectation?

Comment on information as of that date.

risks, gaps etc. →

(GB) Short answer → (addressed in detailed engineering).
Sufficient engineering work →
⇒ Exactly right for D62C

Where -

(MB) Do Board
Go back to ask clarifications from Gov't?

To that this point →

Oil

Question project definition
Capital cost estimate → Current oil price
2.2 million to 2.8 million.
Input into CPW.

Has anything - changed. →

Materiality - answered that way.
Changes + design

Project design -

Material changes -
Project design - →

Is an isolated option.

Sensitivity - price of fuel →

extend of materiality that could affect CPW

Big ticket items.

Capital Cost Estimate - will not be updated til
End of D63

End of Phase 3

When you sanction? Sometime in (2012).

Capital cost (degree of accuracy?)

(GB) NA @ - (Jan 4 - decision)
Range of ± 120 -

(GB) 15-30% — mb What is degree of accuracy
range of accuracy

D63
(GB) 15-30% — Jason's paper →
put context about it

→
Material (change) — is

GB — It's mt I talked about ^{estimate/degree of} accuracy

A/E ~~uses~~ —

= process used — //

(mb) range of accuracy — basis of sensitivity whether capital cost.

(mb) Agreed
Disconnect point in time →

Identify questions which ^{Nalcor} ~~are~~ have concern with?

How they fit into Terms of Reference.

② Status of Report — REFs:
Many dates /

Over
[MTI] — technical question
focusing.

prioritized MTI questions — first.

Review -

143 mti's. → to date

→ Scope. →

OB →
RFI 49 →

Questions → some asked for detailed engineering that were of little value.

Detail there →

perception

Nalco wasn't ready for review?

little value of what was filed.

Submission ~~done~~ / done / (will have ready -)

→

final feasible report / 1998 doesn't exist.

June 2009 /

Disconnect July / August /

Expectation - approach / 1998 / 1999 //

Perception → Dec 30 /

(6b) Clarity further MHI RFI's
→
Timing from RFI's -

(mb) = Until we see answers to all's questions
~~if not made~~
if doesn't answer.
if material.
↳ substantive questions.

CA = Is a question >

(6b) = Question of when Nalcor's submission is due
↳ Nalcor's submission - was due

(6b) Didn't believe this.

→ Board could not meet current schedule.


Really
Exceeded

SMES -
1700658
56 P. 1000
349,020
700 P.

(mb)
RFI's
should be
very few
→ more

Caveat
Some questions were
not answered
MHI - doing a spreadsheet
internal people
how material
for the record
subject to this
checking

↳ MHI has a
list of those.

looking at ^{current} schedule
would not expect 
= Dec - technical conference in Dec. / 2011 - perhaps Dec 15/

3-

C/A - Confidentially information

↳

Knight Piesse. →

- who is his client
everyone / consumers
→ duty to client

Geoff to explore. - issue

→ Are you screening information now for public?

Refiling - Only staff ~~has to~~ ^{screen?} ~~screen~~

New stuff - (Exh 51 + 52)

Update to website - this week - }

harder to track -

Tom is asking for listing of Confidential Exhibits
→ ~~limited~~ ^{qualified} statement -

Conf's
information

GB

He can get process information -
→ but will not have detailed information
He's in difficult position =

- 1 Screening
 - 2 Date / list ready for Tom
 - 3
- (How quickly can screen)
When can

1 List of what is Confidential - How quick can you have the list?

He wants to have so he can address his issues
access to:
- confidential documents
- what he is to address / look at
- his schedule.

Nalcor will look at Confidential RFI's

to see indeed if they are confidential

5. Schedule -

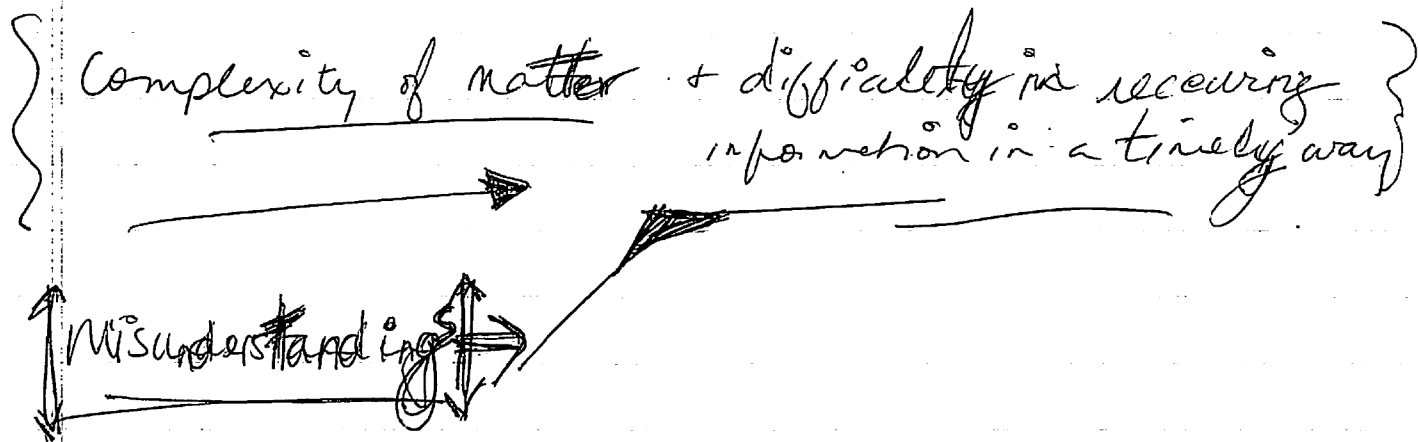
Nalcor will look at - get back to Board - with dates
providing for comments to parties

Will send to Tom's

to everybody

Tom Nalcor

b



G4
63 Didn't realize schedule - impact of mtg report #
link to Technical conference. —

- ① Concern scope of RFI's within mandate or not?
What RFI's - No dates coming back
- ② Date to File Submission + responses to RFI's
→
- ③ Updated information what that means — where
they are D63 - out to 2012 -
updating panel
Reading on Terms of Reference D62
Advising on material issues -
Distinction

(4) Prepare list of Confidential Information to CA
Screen information ~~now~~ + when expect to get back?