



E.J. (Ed) Martin
President and
Chief Executive Officer

Hydro Place, 500 Columbus Drive.
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 f. 709.737.1782
www.nlh.nl.ca

January 11, 2012

Board of Commissioners of Electric Utilities
Prince Charles Building
120 Torbay Road,
P. O. Box 21040
St. John's, NL A1A 5B2

Attention: Mr. Andy Wells, Chair

Dear Mr. Wells:

Following the recent story in the Telegram on January 10, 2011, Nalcor felt it was important to provide the Board with a summary of the efforts Nalcor has made to date to provide data and information to support the Board's work relating to the Reference Question from the Lieutenant Governor in Council on the Muskrat Falls Project.

For background, Nalcor's approach in preparing for the Board's review was to identify the Review Team which was comprised of the appropriate subject matter experts required to identify and validate the information and exhibits being filed. This core team consisted of 8 individuals representing Newfoundland and Labrador Hydro's (NLH) System Planning Department; Nalcor's Investment Evaluation Department; the Lower Churchill Project; and NLH's Rates and Regulatory Department. This team was supplemented by additional personnel throughout the company as required.

The volume of information requested by the Board was significant, and in some cases, spanned decades. In some instances, the information was not always readily available in the format requested, which meant additional time and resources were required to prepare submissions.

We appreciate that Nalcor was not always able to meet the Board's expectations with respect to deadlines, and regrettably, Nalcor at points did not clearly communicate to the Board that the deadlines being set, in some cases, were not achievable. However, the reasons were due solely to an underestimation of the volume of requests and the time required to compile the answers, and should in no way be interpreted as a lack of commitment to the process. Nalcor also determined at various points that certain

Mr. Andy Wells, Chair and CEO
Board of Commissioners of Public Utilities
January 11, 2012
Page 2

Information requests or exhibits were to be prioritized over others, due to the reality of resourcing constraints at the time, and this may not have aligned with the Board's desire to have all the information very early in the process. That being said, Nalcor submitted its formal submission on November 10, and provided an answer to all outstanding RFI's from the Board and Manitoba Hydro International (MHI) on November 24. At this point, the full backlog of RFIs from the Board and MHI had been cleared.

In early December, the Consumer Advocate submitted 47 RFIs and on December 16 the Board submitted an additional 45 RFIs. As of January 10, 2012, Nalcor had provided answers to all but 19 of the new Board RFIs and we are committed to providing the remaining answers to the Board RFIs by January 13.

In summary, Nalcor has submitted 180 exhibits of information to the Board. Nalcor has also received a total of 440 RFIs from the Board, MHI and the Consumer Advocate, with the latter filing 51 RFIs on January 4. The initial RFI request was received on July 19 and additional RFIs were submitted to Nalcor on the following dates:

- July 25, 27;
- August 1, 2, 18;
- September 1, 7, 9, 30;
- October 7, 21;
- November 2, 7;
- December 7, 14, 16; and,
- January 4.

In addition, Nalcor had over 20 face to face meetings between various subject matter experts and MHI to help expedite the process and provide any information or context they required.

Nalcor has provided the Board with in the order of 15,000 pages of documentation to inform the Board's assessment of the reference question and when asked for further information, or when something was not clear, Nalcor has endeavoured to satisfy the requests coming from the Board, MHI and the Consumer Advocate.

Nalcor prioritized these items within its resource constraints and continues to work diligently to provide the information as effectively and expeditiously as possible. Noteworthy is the fact that a number of RFIs required significant analyses and

Mr. Andy Wells, Chair and CEO
Board of Commissioners of Public Utilities
January 11, 2012
Page 3

investigation by Nalcor prior to submitting a response which also meant additional time was required.

For context, as well as working on the Board's submission, initially, the same team and individuals were working to answer a volume of public information requests being submitted to Nalcor directly and also working with the company's consultant, Navigant Consulting Ltd., to complete an independent assessment which Nalcor filed on September 14. Although there are competing interests, the team has been and will continue to work tirelessly to provide the Board with the information it requires for its assessment.

Nalcor is strongly committed to this process and we respect the Board's mandate and efforts over the past seven months. It continues to be our approach to view all questions and suggestions we receive as opportunities to check, and potentially improve, the quality of this project. We will continue to work through the remaining RFI's and look forward to cooperating further with the Board through the process.

Nalcor believes firmly that Muskrat Falls is the least cost option based on its Decision Gate 2 analysis, which is the information provided to the Board for its review and is the information upon which Nalcor has recommended to its shareholder, proceeding to a sanction decision.

We would be remiss, however, if we did not express our concern about your comments in the media yesterday. They do not provide a balanced view on the extraordinary efforts we have made to supply information to the Board. Nalcor wants to ensure that the process and final Board report is both balanced and a fair representation of the information presented. We trust that the foregoing will provide a better understanding of Nalcor's firm commitment to the review process by the Board.

Regards,



Ed Martin