

Wesley Hawe

From: Paul Wilson <plwilson@mhi.ca>
Sent: Wednesday, February 22, 2012 10:57 PM
To: Fred Martin; Fred Martin (f.martin@[REDACTED])
Subject: DG3 Items MHI Letter draft
Attachments: DG3 Items - M Greene - 21 February 2012.docx

Hello Fred, here is the draft DG3 letter. Let me know if you are looking for more or if this is sufficient. The last item on the Emera deal may be a little contentious but if I was on the Board of Nalcor, I would expect that the deal be signed before DG3.

Regards,
Paul Wilson

22 February 2012

DRAFT

Maureen Greene, Q.C.
Board of Commissioners of Public Utilities – Newfoundland and Labrador
120 Torbay Road
St. John's, Newfoundland
A1A 5B2

Dear Ms. Greene,

Re: ITEMS TO BE COMPLETED FOR DG3 DECISION

As part of Nalcor's Decision Gate Process, MHI suggests the following items be considered for inclusion as part of Decision Gate 3 (DG3):

- Finalize the "Basis of Design" to be approved at DG3.
- Update of "Project Schedule".
- Update of all financial related inputs including Capital Cost Estimates to a minimum Class 3 AACE estimate project budget (+10% to -20% low side to +10% to +30% high side), Operating Costs, Fuel Prices, Interest Rates, Exchanges Rates, Escalation Rates, and Contingency Allowances.
- Update and review of all load forecasts, including those related to industrial customers. Complete an assessment of probable new industrial loads in Labrador and on the Island of Newfoundland.
- Update of all inputs to the CPW analysis with the latest available information identified above, as well as interest and exchange rates.
- Update of all corporate long and short term integrated financial forecasts and financial models to demonstrate ongoing corporate fiscal capacity.
- Confirmation that acceptable project financing strategies and agreements are in place.
- Completion of all system integration studies with proposed final system configuration.

- Receipt of all required environmental permits and approvals. Note: This may require Federal/Provincial ministerial intervention with respect to the Environmental Panel's report. Any environmental measures to be included in the Design Basis as part of the environmental approval are to be factored into the updated project schedule and costs.
- Completion of the Horizontal Directional Drilling (HDD) field investigation program in the Strait of Belle Isle, with an update of the marine crossing design and risk study.
- Confirmation of appropriate mitigation strategies to prevent adverse ratepayer implications due to potentially higher initial tariffs associated with the Infeed Option.
- Update of the Project Risk Assessment and an appropriate strategic reserve amount to be applied to the project.

Although outside the scope of the Reference Question, one item which would normally be included in a decision of this magnitude is evidence of a concluded and successful Power Export Agreement. A signed Agreement between Nalcor and Emera would provide a level of comfort to ensure the value of the Muskrat Falls and Labrador Island Link initiative has been maximized, and will improve the level of operational reliability.

Yours truly,

Paul Wilson, P. Eng.
Managing Director, Subsidiary Operations
Manitoba Hydro International Ltd.

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