

**From:** AL SNYDER <amsnyder@[REDACTED]>  
**Sent:** Wednesday, May 2, 2012 2:36 PM  
**To:** Paul Wilson <plwilson@mhi.ca>  
**Cc:** Allen Snyder <amsnyder@mhi.ca>; Rick Horocholyn <rhoro@hydro.mb.ca>; Mack Kast <mkast@[REDACTED]>  
**Subject:** Re: Newfoundland Project - CPW Scope of Services

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----- Original Message -----

From: "Paul Wilson" <plwilson@mhi.ca>  
To: "Rick Horocholyn" <rhoro@hydro.mb.ca>, "Mack Kast" <mkast@[REDACTED]>  
Cc: "Allen Snyder (amsnyder@[REDACTED])" <amsnyder@[REDACTED]>, "Allen Snyder" <amsnyder@mhi.ca>  
Sent: Tuesday, May 1, 2012 2:25:32 PM  
Subject: RE: Newfoundland Project - CPW Scope of Services

Hi Rick, you raise a good point. Some of the Isolated Island cost estimates have been updated but it is unknown at this time to what level - Al Snyder will have to assess this. I would suspect that these are at AACE Class 4 level +50%/-30%. We will have to use the appropriate percentages in the sensitivity analysis for those components.

Paul

-----Original Message-----

From: Horocholyn, Rick [<mailto:rhoro@hydro.mb.ca>]  
Sent: May-01-12 12:19 PM  
To: 'Mack Kast'  
Cc: Paul Wilson  
Subject: RE: Newfoundland Project - CPW Scope of Services

Ok, I can work on your information list this week, as I had my taxes to do this past weekend.

Re: DG3 for the Isolated Option, I don't believe what we had previously even met DG2 standards and Nalcor themselves virtually admitted much when they described the level of effort that went into the cost estimates for items in that planning scenario. If they bring MF/LIL to DG3, and even if we ask them to claim the costs for Isolated also meet DG3 levels, unless we can see substantive studies and estimates I don't believe it would be credible for MHI to accept those costs also should be handled with +30/-10%.

Rick.

-----Original Message-----

From: mkast@[REDACTED] [[mailto:mkast@\[REDACTED\]](mailto:mkast@[REDACTED])] On Behalf Of Mack Kast  
Sent: Thursday, April 26, 2012 6:27 PM  
To: Horocholyn, Rick  
Cc: Wilson, Paul (MHI)  
Subject: Newfoundland Project - CPW Scope of Services

Rick – I have read and contemplated your comments on the CPW draft Scope of Services.

1. Regarding timelines and dates

a. It is agreed that at this point we cannot be assured we will get all the information we require within the timeframe we have to work within. In defense, we need to set out as early as possible what it is that we need from Nalcor and from each of our (MHI) technical experts and when. If we get what we ask for on time, then fine. If not, we then either say in our report we ask for such and so, but did not get the info, or we drop the point if it was not entirely critical.

2. Regarding non-disclosure of negative information

a. We can add a caveat to our general report that our comments etc are based on the information provided. We cannot be held responsible for info not provided. This is not a forensic audit.

3. Regarding reference to “good utility practice”

a. There is no documented reference which says that good utility practice must include revenues and rates. Good utility practice need not be limited to the optimum practice, but rather to acceptable practices.

b. It is good utility practice that both Options are being considered on the same consistent basis etc. The method of discounting. The use of credible cost data. Etc.

c. The parameters of our review are to

i. Exclude the issue of COS vs PPA

ii. Exclude any revenues pertaining to the EMERA contract. (the principle of having an EMERA contract may be taken up by the technical review team when comments are made regarding reliability – but they will not assess any potential revenue streams).

4. Way forward

a. The CPW base case results for DG2 have been established. They are documented in our initial report etc.

b. It is my expectation that Nalcor provide new CPW base case results based on DG3 data. We need to ask and be told that all costs have been updated for DG3. We can comment on the reasons for the differences between the two. We should want to ask Nalcor to provide both base case sets of numbers and a detailed explanation of the results between the two.

c. We have to assume Nalcor is satisfied the Isolated Island costs meet DG3 standards even though those costs may not have changed between our first report and this one. With respect to AC integration studies, we will ask the technical team, should they not be satisfied with the AC integration matters included in the Nalcor base case, then what are the absolute cost implications – which we can then factor into the CPW report. Our focus should be on the base case for DG3 and then any sensitivities against DG3.

d. We should run different scenarios against the DG3 base case results.

i. For eg., fuel price reference, expected, high and low prices. We can also discuss the matter of fuel price volatility as experienced over the past decade etc and include graphs – but we are limited to eight pages or so for the CPW section.

ii. For eg., MF capex capital +30% and -10%

iii. For eg, what do we want to do about the interest rate exposure they may have on the MF and LIL debt. I think the comment in the initial Scope of Services Report drafted by Paul W. that “load guarantee” should read “loan guarantee”.

iv. Etc. We need to think about what are the two or three things that could be show stoppers, or things in combination.

e. To the extent we cannot run scenarios, then we ask Nalcor to do so. They can accept the request or decline and we will comment accordingly in our report.

i. For eg., changes in the load forecast need to be run through Strategist.

ii. We cannot run Strategist. Only Nalcor can. If they choose to not update the CPW for DG3 or will not run an impact report for a change in Load, then we will state that to be the case. And move on. In a worst case scenario, we would have a CPW base case based on DG2 which we would update for DG3 cost estimates etc. As I understand the timeline, the report has to be completed by July 20th. We will do the best we can in the space we have.

Can you consider drafting up:

1. A list of the inputs we need. And when.

2. A list of what we want/need from Nalcor. And when.

3. A list of what we want/need from the MHI technical experts. And when.

4. A format outline of what you envisage our CPW deliverable to be.

I am trying to rein in what the scope of the CPW review will be but at the same time, protect our professional approach etc.

Your thoughts?

Thx. Mack.