

From: jasonkean@nalcorenergy.com
Sent: Wednesday, September 1, 2010 6:27 PM
To: mbradbury@nalcorenergy.com
Cc: Rob Hull
Subject: Re: Contingent equity

Mark,

I have reviewed our recent and historical risk results. Generally I do not feel confident enough in the simulation results to use the P95 values - I think this is outside of the predictable range of the model and have confirmed same with Westney. Westney's view has always been that a P75 outcome using their PRIMS risk modelling technique is equivalent to P90 modelled using other industry standard techniques. Using this rationale, I would suggest that based upon the recent modelling conducted for MF, 15% contingent equity made be required on the base estimate which translates into \$600M contingent equity (pre escalation and IDC).

Call me at [REDACTED] 129 should you wish to discuss.

Jason



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Mark Bradbury---09/01/2010 05:23:50 PM---I think I have landed on a plan. I found the old risk analysis that was done by Westney with Gull as

From: Mark Bradbury/CRP/NLHydro
To: Jason Kean/NLHydro@NLHydro

Cc: Rob Hull/NLHydro@NLHydro

Date: 09/01/2010 05:23 PM

Subject: Contingent equity

I think I have landed on a plan. I found the old risk analysis that was done by Westney with Gull as the main project in 2008. The difference in estimate between P75 and P95 was \$400 million (P75 \$7.6 b vs P95 at \$8b). This amounted to about 5% of the P75 estimate. We could overlay this on the Muskrat/Infeed total of \$5.7 b and call it around \$300 million in contingent equity. But in view of the fact that the engineering on MF is not as far advanced as Gull, I am thinking we should consider doubling this until it is...or basically use 10% of what we think is the P75 value (I am going with your considered opinion Jason that the current MF/Infeed estimates of \$5.7 b with the 20% contingency embedded therein, could likely come in at P75 when the risk analysis is completed). This would translate into something closer to \$600 m in contingent equity right now. I'll go with this for now in terms of the draft presentation, but let me know if you see holes in this logic.



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