

Date : 5/11/2011 8:33:29 AM

From : "Bown, Charles W."

To : "Maclean, Heather" , "Scott, Paul G." , "'DawnDalley@nalcorenergy.com'" , "'emartin@nalcorenergy.com'" , "'DSturge@nalcorenergy.com'"

Subject : Re: Revised draft - news release

We are meeting on 7th floor. Ministers brdroom

Sent Via BlackBerry

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

From: Bown, Charles W.

To: Maclean, Heather; Scott, Paul G.; 'DawnDalley@nalcorenergy.com' <DawnDalley@nalcorenergy.com>; 'emartin@nalcorenergy.com' <emartin@nalcorenergy.com>; 'dsturge@nalcorenergy.com' <dsturge@nalcorenergy.com>

Sent: Wed May 11 08:05:48 2011

Subject: RE: Revised draft - news release

I've made some edits. They are attached as tracked and below as final.
Charles

Natural Resources

May xx, 2011

Provincial Government Announces Regulatory Process for Lower Churchill Project

To establish the certainty required to move forward with project financing, and to position the Lower Churchill Project for project sanction, a transparent regulatory process has been established by the Provincial Government.

"Our Energy Plan introduced a strong vision for the energy future for Newfoundland and Labrador including the development of the Lower Churchill Project. A project of this magnitude requires a regulatory framework that considers the broad scope of the project," said the Honourable Shawn Skinner, Minister of Natural Resources. "The size and impact of the Lower Churchill Project will require a series of policy initiatives and directives which will lay the foundation for the long term electricity future of the province. It is important that key milestones are met, and that the project is completed on time to ensure that the electricity needs of our province are not compromised."

In addition to providing the province with the least cost source of energy to meet its growth needs both in Labrador and on the Island, the Lower Churchill Project will enable the closure of the Holyrood Thermal Generating Facility and allow Government to meet one of its key environmental commitments. The project will also see the province connected to the North American electricity grid for the first time in its history, thereby improving electricity reliability and facilitating the development of other renewable energy projects.

Quote

"This is a the most significant project undertaken by this province in 50 years; it is a game changer. It will generate significant economic benefits during its construction and will provide long-last revenues to the people of the province for many, many decades to come, said Minister Skinner. "We are following through on our commitments in the Energy Plan to develop our energy resources for the benefits of the people of Newfoundland and Labrador

Since the initial announcement in November 2010, Nalcor Energy has continued to follow its comprehensive decision gate process for the development of the Lower Churchill Project. This is an internationally accepted best practice approach to planning and developing mega projects. In 2010, following an extensive series of reviews, Nalcor completed concept selection recognized as Decision Gate 2, which identified Muskrat Falls as the lowest cost option to meet the provinces energy needs, and made a decision to move forward toward Decision Gate 3, which is the sanction of the Project. One of the key elements for sanction is to finalize the commercial and financing structure for development of the Lower Churchill.

The Electrical Power Control Act and the Public Utilities Act were amended in 1999 to allow the Lieutenant Governor in Council to exempt specific capital projects from regulatory approval by the Public Utilities Board where those projects were deemed to be in the best interest of the Province. In 2000, the Public Utilities Board was advised that the Lower Churchill Project would be exempted from PUB oversight.

"Given the broad policy implications for the province with the development of the Lower Churchill, requirements to meet timelines and ensure regulatory certainty, the project will continue to be exempt from a traditional regulatory review by the Public Utilities Board (PUB)," said Minister Skinner. "A key element to meet project timelines is to commence the arrangement of financing terms over the next several months. As a review process by the PUB would not facilitate this timeframe, the Provincial Government will issue an exemption order under the Electrical Power Control Act, 1994 and the Public Utilities Act confirming that the Project will proceed without further review by the PUB. This exemption order will provide for the inclusion of capital costs, operating costs, taxes, and financing costs associated with the project in rates recovered from provincial ratepayers."

As part of the Decisions Gate 3 process, Nalcor Energy completed a number of independent studies to test and validate its processes and assumption prior to making a project sanction decision. Nalcor has recently issued a Request for Proposals to provide an independent analysis on the merits of development of Muskrat Falls to supply electricity to the Island. The consultant will review the analysis completed by Nalcor Energy and assumptions used to assess Island supply options completed for Decision Gate 2. The report is expected to be completed in July, and will be made public at that time.

"We are confident that the independent review of the decision to develop Muskrat Falls will validate our business case which identified the project as the least-cost option to meet the provinces growing electricity demands," said Minister Skinner. "As part of Nalcor's decision gate process, independent reviews will be conducted prior to project sanction to review key aspects of the Project using the latest available cost and schedule information."

In addition to this review, the Provincial Government will ensure additional monitoring and oversight of the project as follows:

- Nalcor will provide the PUB with a bi-annual update on the construction project including progress against schedule and expenditures against budget;
- PUB will be asked to conduct an annual review of the prudence of costs incurred by Nalcor during the construction phase;

- Government will complete regulatory amendments to ensure the PUB will be responsible for normal oversight of operating costs of the project after the construction phase is complete; and
- Make public the Power Purchase and other related agreements between Nalcor and Hydro.

“It’s important to ensure that stakeholders are engaged, informed and confident in the decision to develop the Lower Churchill” said Minister Skinner. “We will continue to make it a priority to be open, transparent, and have independent transparency throughout the planning and construction stages of the Project and ensure that regular updates and information are made public on a timely basis.”

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Sent Via BlackBerry

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

From: Maclean, Heather

Sent: Tuesday, May 10, 2011 10:49 PM

To: Bown, Charles W.; Scott, Paul G; 'DawnDalley@nalcorenergy.com'; 'emartin@nalcorenergy.com'; 'dsturge@nalcorenergy.com'

Subject: Revised draft - news release

Natural Resources

May xx, 2011

Provincial Government Announces Regulatory Process

for Lower Churchill Project

To position the Lower Churchill Project for final project sanction, and establish the certainty required to move forward with project financing, a transparent regulatory process has been established by the Provincial Government.

“Our Energy Plan introduced a strong vision for the energy future for Newfoundland and Labrador, and a project of this magnitude requires a regulatory framework to consider the broad scope of the project,” said the Honourable Shawn Skinner, Minister of Natural Resources. “The size and impact of the Lower Churchill Project will require a series of policy initiatives and directives which will lay the foundation for the long term electricity future of the province. It is important that key milestones are met, and that the project is completed on time to ensure that the electricity needs of our province are not compromised.”

Since the initial announcement in November 2010, Nalcor Energy has followed a comprehensive decision gate process for the development of the Lower Churchill Project, which is an accepted best practice approach to mega project development. Following an extensive series of reviews, Nalcor completed concept selection identified as Decision Gate 2, which identified Muskrat Falls as the lowest cost option to meet the provinces energy needs, and made a decision to move into Decision Gate 3, which is the sanction of the Project. One of the key elements for sanction is to finalize the commercial and financing structure for development of the Lower Churchill.

“Given the broad policy implications for the province with the development of the Lower Churchill, requirements to meet timelines and ensure regulatory certainty, the project will be exempt from a traditional regulatory review by the Public Utilities Board (PUB),” said Minister Skinner. “A key element to meet project timelines is to commence the arrangement of financing terms over the next several months. As a review process by the PUB would not facilitate this timeframe, the Provincial Government will issue an exemption order under the Electrical Power Control Act, 1994 and the Public Utilities Act to proceed with the Project without further review by the PUB. This exemption order will provide for the inclusion of capital costs, operating costs, taxes, and financing costs associated with the project in rates recovered from provincial ratepayers.”

The Electrical Power Control Act and the Public Utilities Act were amended in 1999 to allow the Lieutenant Governor in Council to exempt specific capital projects from regulatory approval by the Public Utilities Board. In 2000, the Public Utilities Board was advised that the Act was amended and would allow for an exemption where projects are of significant economic benefit, and as a matter of general policy are in the best interests of the province.

In accordance with responsible development and prudent utility practice, Nalcor Energy has issued a Request for Proposals to provide a third independent analysis on the merits of development of Muskrat Falls to supply electricity to the Island. The consultant will review the analysis completed by Nalcor Energy and assumptions used to assess Island supply options. The report is expected to be completed in July, and will be made public at that time, prior to final sanction of the project.

“We are confident that the independent review of the decision to develop Muskrat Falls will validate our business case which identified the project as the least-cost option to meet the provinces growing electricity demands,” said Minister Skinner. “As part of Nalcor’s decision gate process, independent reviews have been conducted prior to project sanction and will continue to review key aspects of the Project using the latest available cost and schedule information.”

In addition to this review, the Provincial Government will ensure additional monitoring and oversight of the project as follows:

- Request Nalcor to provide the PUB with an bi-annual update on the construction project in terms of progress against schedule and expenditures against budget;
- Request PUB conduct an annual review of the prudence of costs incurred by Nalcor during the construction phase;
- Ensure the PUB will be responsible for normal oversight of operating costs of the project after the construction phase is complete; and
- Make public the Power Purchase and other related agreements between Nalcor and Hydro.

“It’s important to ensure that stakeholders are engaged, informed and confident in the decision to develop the Lower Churchill” said Minister Skinner. “We will continue to make it a priority to be open, transparent, and have independent transparency throughout the planning and construction stages of the Project and ensure that regular updates and information are made public on a timely basis.”

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