

Date : 5/12/2011 2:46:21 PM

From : "Thompson, Robert"

To : "Bown, Charles W."

Subject : Here is the logic model on PUB policy.

Attachment : PUB.ppt;

Policy Decision:

1. Exempt MF and LIL from PUB review
2. Make DG3 independent review public
3. Nalcor to submit semi-annual updates to PUB
4. PUB to have normal role regarding operations
5. ??

Reason 1 – insufficient time

1. Decision to build MF/LIL made in 2010
2. Province faces energy deficit in 2015/19
3. Financing of MF/LIL requires regulatory certainty (direct line of sight to ratepayers) **now**
4. If PUB chosen, expect one year and regulatory uncertainty
5. Implications of delay: delays credit rating; places loan guarantee and Emera deal at risk; delays order of subsea cable; possible loss of key team members

Q: But why have we run out of time? Why did you not ask PUB to do this work before.

- A. We did not have a decision to build MF. The analysis of alternatives for supplying the island has been ongoing for several years. It was not until Q3-2010 that the combination of engineering data, economics, oil price forecasts, and the shelving of the Gull island project due to the Regie decision, resulted in the switch of focus to MF and a positive decision.

Reason 2: PUB Structure Inadequate

1. Even if time permitted, PUB is not properly mandated under law or properly resourced to make a decision on MF/LIL.
2. PUB focused solely on determining costs and not mandated to consider economic development and environmental goals.
3. These are provincial policy decisions.
4. Evidence of the PUB mandate problem is that most generation projects in the last 20(?) years have been built after a PUB exemption.

Q: Why not ask PUB to do cost review anyway? Public still needs answers on rates from independent body.

- A. See Reason 1
- A. See independent review under Nalcor's DG3 process.