

Date : 1/10/2012 11:44:59 PM
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Subject : MF Schedule
Ed:

Here are my thoughts (below) on how to explain the project schedule issue. My sense of timing is that it must be addressed this week in order to allow your team to be ready with permit applications, contract awards, etc in February. You need a clear endorsement for a defined set of contract awards and pre-sanction early works before you pull the trigger. If you have a different view on timing let me know.

Environmental Assessment Decisions:

- . Provincial - late January
- . Federal - approx February 8
- . Joint announcement to follow - no arrangements in place at this time.

Key Project Evaluations

- . Wade Locke Seminar - January 17
- . MHI Report Release - January 27
- . Navigant Report

Sanction Date:

- . May 1???

Key Pre-sanction Project Activities (to maintain 2017 first power)

- . Contract Awards: 1), 2), 3)
- . Physical Construction: road work starts February ??; xx km will be built before sanction

Rationale:

- . maintains project team intact (avoids key personnel losses)
- . saves \$xxx in CPW
- . avoids revision of agreement with Emera
- . maintains momentum

Public Communication:

- . In Budget 2011-12, government allocated \$xx million for Nalcor to continue project preparation. Pre-sanction expenditures are certainly at risk if the project is cancelled, but reasonable early expenditures are prudent given our confidence in the project and in order to maintain project schedule.

- . [The results of the MHI report, and the additional analysis provided by Dr. Wade Locke and Navigant Consulting, provide a high level of confidence, while awaiting the PUB report, that MF is the lowest cost option and should proceed in the best interests of the province.]

- . (One or two) construction phase contracts will be awarded to maintain schedule. Should the MF project be cancelled or substantially delayed, normal contract cancellation penalties will be incurred. This is normal business and the risks are prudent.

- . Starting construction of the road is also necessary to maintain project schedule. The road construction work is being carried out by [name of company - Innu joint venture??] If the MF project is cancelled, environmental remediation will be undertaken to fully restore the disturbed area (stream crossings removed, etc). [Statement needed with high level of assurance that techniques are easily implemented to restore to an acceptable standard.] The cost is a reasonable expense to maintain project schedule.

- . Should a year be lost from the project schedule, the consequences include \$xxx million extra cost to ratepayers and possible loss of key project personnel. These are significant consequences that we should take reasonable steps to avoid.

- . It is normal on major projects for significant spending to occur prior to project sanction. For example, on the Hebron project the partners are spending millions of dollars to prepare the Bull Arm site to ensure that first oil is attained on time, even though the project has not been officially approved by the partners or the CNLOPB. [Did we also permit glory hole excavation in White Rose Extension prior to sanction??, or something like that?] [Other close-in examples??]