

Date : 1/11/2012 11:35:39 AM

From : "Thompson, Robert"

To : "'DawnDalley@nalcenergy.com'", "Burrage, Don" , "O'Reilly, Tom (St. John's)"

Subject : RE: Letter to PUB - URGENT

Attachment : PUB letter from Nalcor draft Jan 11.docx;

Edits attached. Letter was too long. My hacking was just to give it more focus. Suggested line at end. Please review.

From: DawnDalley@nalcenergy.com [mailto:DawnDalley@nalcenergy.com]

Sent: Wednesday, January 11, 2012 11:15 AM

To: Burrage, Don; Thompson, Robert; O'Reilly, Tom (St. John's)

Subject: Letter to PUB - URGENT

Importance: High

Please see attached letter to PUB for your review and comment asap.

Robert - Ed indicated you have some suggestions re: closing the letter.

Thanks.

Dawn

Dawn Dalley

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January 11, 2012

Mr. Andy Wells
Chair
Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Dear Mr. Wells;

Following the recent story in the Telegram on January 10, 2011, Nalcor felt it was important to provide the Board ~~and the public~~ with a summary of the efforts Nalcor has made to date to provide data and information to support the Board's work relating to the Reference Question from the Lieutenant Governor in Council on the Muskrat Falls Project.

~~Nalcor's formal engagement with the Board began on June 17, 2011 via letter and an initial meeting between Nalcor officials and Board staff. Since that time, Nalcor has provided the Board with a significant volume of information, including a summary report as well as additional information requested by the Board, the Consumer Advocate and Manitoba Hydro International. Nalcor also provided other related information, not requested, which we felt may be productive for the Board's assessment.~~

For background, Nalcor's initial approach in preparing for the review was to identify the Review Team which was comprised of the appropriate subject matter experts required to identify and review the information and exhibits being filed. ~~The same team would be the primary contacts for the anticipated Requests for Information expected throughout the process.~~ This core team consisted of 8-10 individuals representing NLH's System Planning Department; Nalcor's Investment Evaluation Department; the Lower Churchill Project; and NLH's Rates and Regulatory Department. This team was supplemented by additional personnel throughout the organization as required.

The volume of information requested by the Board was significant and in some cases, spanned decades. ~~All information needed to be assembled, coordinated and reviewed prior to filing with the Board which Nalcor began immediately upon our initial engagement with the Board.~~

~~As noted previously, i~~n some instances, the information was not always readily available in the format requested which meant additional time and resources were required to prepare the submission.

We understand that Nalcor was not always able to meet the Board's expectations with respect to deadlines, and Nalcor at points did not clearly communicate to the Board that the deadlines being set, in some cases, were not achievable. H, however the reasons were due only to an underestimation of the time required to compile the answer, and in no way related to a lack of commitment to the process. Nalcor also determined at various points that certain information requests or exhibits were to be prioritized over others, due to the reality of resourcing constraints at the time, and this may not have aligned with the Board's desire to have all the information very early in the process. That being said, Nalcor submitted its formal submission on November 10, and provided an answer to all outstanding RFI's from the PUB and MHI on November 22. The full backlog of requests for information had been completed.

Subsequent to that, the PUB submitted an additional 44 RFI's on December 16, and we are finalizing the answers to these 44 by January 13, 2012. Additionally,

~~Once Nalcor was presented with an initial list of information on June 17, 2011, Nalcor worked to deliver that information and began providing information on June 30, 2011. Nalcor's initial intention was to take the time up front in the process to prepare its formal submission, as it would for any formal regulatory matter. It was evident with the timeline, however, that it was prudent to commence providing the Board and MHI with information to start its review even as we were preparing our formal submission. These submissions of information, and analyses subsequently led to a flow of formal Requests for Information (RFIs) which began on July 19 and have continued, until on~~ January 4, with the receipt of 51 additional RFIs RFIs were received from the Consumer Advocate.

In summary, ~~At this time,~~ Nalcor has submitted 180 ~~publicly available and confidential~~ exhibits of information to the Board. Nalcor has also received a total of 440 RFIs from the PUB, MHI and the Consumer Advocate with the initial request received on June 19 and additional RFIs submitted to Nalcor on the following dates:

- June 25, 27;
- August 1, 2, 18;
- September 1, 7, 9, 30;
- October 7, 21;
- November 2, 7;
- December 7, 14, 16; and,
- January 4.

As of January 6, and the last update we formally provided to the Board, there were approximately ~~[xx]99~~ RFIs from the PUB outstanding. ~~and 51 of those were submitted by the Consumer Advocate on January 4.~~ All outstanding PUB RFIs ~~filed on December 16~~ will be answered by January 13.

In addition, ~~Nalcor has had ongoing consultations and meetings with both the Board and the Board's engineering consultant. Over the course of the summer, N~~Nalcor had ~~counted~~ over 20 face to face meetings between various subject matter experts and MHI to help inform the process and provide any information or context they required.

Nalcor ~~, by our assessment,~~ has provided the Board with in the order of 15,000 pages of documentation to inform the Board's assessment of the reference question and when asked for further information, or when something was not clear, Nalcor has endeavored to satisfy the requests coming from the Board, its Consultant and the Consumer Advocate.

~~Upon receiving the RFIs, Nalcor's first step was to assess and prioritize the request based on the Requestor and we consciously prioritized RFIs from MHI to ensure they had the requested information they required. As these RFIs continued to be submitted, Nalcor endeavored to meet the Board's desire for a formal submission as well as its desire to have all the RFIs answered in a timely manner.~~ Nalcor prioritized these items within its resource constraints and continues to work diligently to provide the information as effectively and expeditiously as possible. Noteworthy is the fact that a number of RFIs required significant analyses and investigation by Nalcor prior to submitting a response which also meant additional time was required.

For context for the Board, as well as working on the Board's submission, initially, the same team and individuals were working to answer a volume of public information requests being submitted to Nalcor directly and also working with the company's consultant, Navigant Consulting Inc., to complete its assessment which Nalcor filed on September 14. Although there are competing interests, the team is working tirelessly to provide the Board with the information it requires for its assessment.

Nalcor is strongly committed to this project and the Board's work over the past 6 months. ~~Nalcor has been working within the various constraints to prioritize the information requests, which have continued to flow to Nalcor since June, and provide adequate and appropriate answers to the Board in as timely a manner as possible.~~ It continues to be our approach to view all questions and suggestions we receive as opportunities to check and potentially improve the quality of this project.

Nalcor believes firmly that Muskrat Falls is the least cost option based on its Decision Gate 2 analysis, which is the information provided to the Board for its review and is the information upon which Nalcor has recommended to its shareholder, proceeding to a sanction decision.

We will continue to work through the remaining RFIs and look forward to cooperating further with the Board through the process. We would like to express our concern about your comments in the media yesterday. They do not provide a balanced view on the extraordinary efforts we have made to supply information to the Board. We hope the foregoing helps to provide a better understanding of our sincere commitment to the Board's mandate.

Regards,

Ed Martin
President and CEO