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From : "Thompson, Robert"

To : "Thompson, Robert"

Subject : MF

The quote below (bottom) is from the PUB Report. The first sentence is the strongest conclusion that the report contains on endorsing MF as the lowest cost. It is followed by issues that need further examination (e.g., DG3 data). Of course DG3 is now completed and reviewed by MHI. Therefore, our statement today could be along the following lines:

When the PUB reported on Muskrat Falls on March 30, 2012, using the same quality of information that the Nova Scotia utilities board is currently using for the Maritime Link, the PUB stated that: "The Board agrees with Nalcor and MHI that, using the available information from November 2010 and ignoring the gaps found by MHI, the Interconnected Option could be said to have a lower CPW based on analysis of feasibility level information." The additional information that the PUB was seeking has since been provided by Nalcor to MHI, and MHI has again concluded that the Muskrat Falls project is lower cost than all other options.

Full PUB quote:

The Board agrees with Nalcor and MHI that, using the available information from November 2010 and ignoring the gaps found by MHI, the Interconnected Option could be said to have a lower CPW based on analysis of feasibility level information. The Board does not believe, however, that this conclusion assists in determining whether this option is the least-cost option. The CPW is calculated based on a series of inputs. To the extent that an input is incorrect, incomplete or out-of-date the CPW will not be an accurate reflection of the present value of the costs. In particular, certain key inputs have a very significant impact on the CPW analysis. Load is one of the key factors and, as already discussed, the Board has concerns as to Nalcor's load forecast. The fuel price forecast, another critical input, is subject to a great deal of volatility and is very difficult to forecast. The third significant input to the CPW analysis, capital costs, is particularly important in relation to the Interconnected Option. As discussed earlier, there are issues in relation to the degree of project definition and the range of accuracy of the capital cost estimates used in the CPW analysis. There are also notable gaps in Nalcor's information and processes which may impact the CPW analysis. The Board is of the view that the Decision Gate 2 CPW analysis does not form an adequate basis upon which to consider the two supply options as set out in the Terms of Reference, especially given the concerns in relation to Nalcor's load forecast and capital cost estimates.