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Subject: input
Date: Thursday, April 12, 2012 10:30:40 AM
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Charles - as discussed. I understand you have been discussing this with Ed. Paul and I discussed it earlier today. We understand this is to be essentially a validation of the least cost alternative and a due diligence update from the work they have already conducted. Pls. advise.

Brian



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Scope of Services (Draft)

Date: April 3, 2012

1. Government of Newfoundland and Labrador's Objective

MHI (the Consultant) shall base their due diligence review on the review carried out at DG2 using the updated data and inputs completed by the Proponent (Nalcor) since November 2010 in preparation for a Gate 3 decision. The review shall consider the Isolated Island option as compared to the Intercnnected Island option and shall not consider the Maritime Link in the CPW analysis or the generation expansion plan. The review shall include an assessment of the Cumulative Present Worth Analysis of the Projects including a reasonableness assessment of all inputs into that analysis. The test of reasonableness for this assessment is generally defined as following Good Utility Practices of the majority of electrical utilities in Canada however it shall also consider the unique electrical system and previous practices in Newfoundland and Labrador For greater clarity the review shall not repeat the work carried out by MHI during the DG2 review regarding Nalcor's processes but shall base the review on Nalcor's latest project Basis of Design and the updated cost and schedule information associated with that Basis of Design. The Consultant is not asked to review or pass an opinion on the Basis of Design

The Consultant will also provide such advice and other services as may be required from time to time by the Government of Newfoundland and Labrador (Client).

2. Services

The Consultant is an independent contractor and not an agent or employee of the Client.

The consultant's work shall be performed exclusively in Newfoundland and Labrador, working closely with Nalcor to review the available documentation and interview the key Nalcor personnel, no new documentation is to be developed for this review it is to be based on the data and documentation currently available in Nalcor.

The Consultant acknowledges that the Client is relying on the skill and knowledge of the Consultant in performing the Services. The Consultant shall exercise the degree of skill, care and diligence required by customarily accepted practices and procedures normally provided in performance of services similar to the Services required under the Contract.

The Consultant shall only use key personnel to perform the Services who have been named by the Consultant in the Proposal and who have been accepted by the Client. The Consultant may only substitute or replace the accepted key personnel with the prior written agreement of the Client.

The Services which the Consultant shall perform or cause to be performed with diligence, skill and care include the following:

- a) A review of all updated work performed by Nalcor and their consultants and others related to the Muskrat Falls and Labrador Island HVdc Link (LIL) and the Isolated Island Option since the DG2 review, which are necessary for the Consultant to perform the Services. The level of review shall be sufficient for the Consultant to report on whether the work was performed with the degree of skill, care and diligence required by customarily accepted professional practices and procedures normally completed in the performance of similar work.

The Technical Assessment used as inputs into the CPW and Financial Analysis models will included:

- i. Current Load Forecast Updates
Review current Capex and Opex estimates for both Isolated and Interconnected scenarios
 - ii. Current Generation Expansion plans
 - iii. Assumptions used in CPW analysis for reasonableness
 - iv. The Cumulative Present Worth study will be reassessed with current inputs in both capex and opex, fuel price, and escalation, for the two options as originally presented in DG2. Departures from these plans will be identified and the impact on CPW assessed.
- b) Preparation of a draft report which will be reviewed by the Client for accuracy followed by a final report which will include, as a minimum the following:
 - an executive summary;
 - a description of the Consultant's review team;
 - a description of the methodology used to complete the Services;
 - a summary of the results of the review, if any.
 - c) Provision of ongoing support to the Client.

Schedule	Scheduled Completion Date
Kick off Meeting:	April 11 th , 2012
First Draft Report	May 15 th , 2012
2 nd Draft Report	May 29 th , 2012
Submission of final report	June 5 th , 2012
Presentation to the Government	TBD
Completion of Services	TBD

Note: This is a very aggressive schedule and completion on these milestones is dependent on the availability of information from Nalcor, and availability of the expert resources from MHI.