

Date : 10/29/2012 8:05:48 PM
From : "Kennedy, Jerome"
To : "Maclean, Heather"
Subject : Re: KM - for Caucus
[Fine. Says nothing.](#)

From: Maclean, Heather
Sent: Monday, October 29, 2012 07:55 PM
To: Kennedy, Jerome
Cc: Shute, Tracy; Bown, Charles W.
Subject: KM - for Caucus

Minister – are you OK with the noted messages to provide to caucus??

Key Messages

Muskrat Falls - Decision Gate 3 / MHI Report
October 2012

Key Facts:

- The capital cost estimate for Muskrat Falls based on Decision Gate 3 is \$7.4 billion which includes the Muskrat Falls Generating Plant and Labrador Transmission and Labrador Island Link and Strait of Belle Isle Crossing, and the Maritime Link.
- The capital cost to Newfoundland and Labrador (Muskrat Falls Generating Plant, Labrador Transmission, Labrador Island Link and Strait of Belle Isle Crossing) is \$6.2 billion.
- The DG2 capital cost to Nova Scotia of the Maritime Link is \$1.2 billion. New estimates for the Maritime Link will be announced by Emera this fall.
- The DG3 capital cost estimate has grown as a result of increased concrete and steel to adjust the direction of the dam, change to vertical gates which control the flow of water, and a more defined transmission route.
- Engineering has resulted in increased efficiencies, improved stability and increased integrity of the structure during main dam construction.
- The analysis completed by Nalcor Energy and confirmed by MHI demonstrates that after all project revenues and expenses are taken into account, there is a \$2.4 billion preference in 2012 dollars for Muskrat Falls over the Holyrood (Isolated Island) option.
- The preference for Muskrat Falls is clear. It will save money for consumers on the island, facilitate industrial development and support short and long term economic benefits to the province.

Decision Gate 3

- It is industry best practice to prepare extensive execution and construction planning to minimize risk and to have a well-informed and more accurate cost estimate in place.
- A structured process which gathers critical information up-front supports a risk-informed decision on whether or not to sanction Muskrat Falls.
- The high level of engineering completed supports the cost estimate of Muskrat Falls.
- Over 50 percent of the engineering and detailed design work has been completed - this includes the results of early site work and actual bid values for major components.
- Over the last 18 months, through extensive planning, detailed design and engineering, Nalcor has been able to refine the scope of the project to establish an informed, high-quality cost estimate to support a decision on whether or not to sanction Muskrat Falls.
- The DG3 cost estimate includes the latest geotechnical analysis, detailed engineering, actual bid costs for cable, Turbines and generation sets, tower steel, early infrastructure works.
- Estimates include what needs to be built, how it will be done, price factors including materials and labor costs and time required to complete activities.

MHI Report

- The MHI review reaffirmed that Muskrat Falls provides the lowest-cost option for electricity generation in the province and recommended that Government proceed with the development of Muskrat Falls.
- The review included an evaluation of capital costs, operating costs, fuel costs and power purchase costs.

- MHI assembled a team of experts across a variety of disciplines who are also very familiar with the MF project from previous reviews. They endorsed Nalcor's processes and conclusions and recommended Muskrat Falls be developed.
- MHI also concluded (beyond the scope of their review) that connection to the North American Grid is not only expected to improve realiability of the provinces system but would also have the potential to increase provincial power revenues.