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Subject : Regulatory & Structural Steering Committee next steps

Attachment : rssc outline of status and action plan report Dec 16_08 r2.doc;

Derrick, Gilbert and Charles:

As you are aware, certain members of the Committee (Dave B, Joanna H, Dave H and yours truly) had agreed to break off and:

1. Sanitize the policy recommendations list to ensure clarity.
2. Review the to do's list for completeness and to consider implications for implementation

As part of this process, Dave B invited Terry Dale to work with the subgroup as well. We have completed step # 1. Step #2 is partially completed in that the to do list has been reviewed, but the group felt that a more comprehensive summation of our work to date is required. This would serve as a cornerstone for our work going forward. Essential data will be attached to the report, as well as a summarization of alternatives discussed to date and a suggested outline for next steps. **The report will contain no recommendations.** Work has already begun and is being spearheaded by Joanna. We are aiming for a first draft early next month.

The outline attached has been prepared in consultation with Dave Bazeley and Terry Dale. It is recognized that in the final analysis, there may or may not be complete alignment between Nalcor Energy and NR with respect to recommendations that flow out of Nalcor Energy, but our objective should be to strive for complete alignment.

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1. Introduction / Context

- Purpose of the report
- Desired outcome from the Regulatory and Structural Steering Committee
- Key subject areas to be addressed
 - o industry and regulation
 - o corporate structure
 - o fleet optimization and benefits
 - o rate impact mitigation
 - o NLH term sheet (including firming agreement and benefits agreement)
- High level milestones driving timeline i.e. market sounding, OATT requirements, market participation / functional separation.
- Participants in the process to date – resourcing issues overview

2. Objectives of the Industry, Regulatory and Corporate Structuring Initiatives

- Key objectives of the overall restructuring process that will guide the overall approach and individual actions required:
 - o financial objectives – requirements to raise non-recourse project financing and optimize financing structure for the development.
 - o regulatory /market participation – requirements to participate in wholesale competitive markets and to meet transmission OATT reciprocity requirements and reliability regime requirements.
 - o commercial – requirements to facilitate the commercial sale of power in desired markets and to obtain transmission access to these markets.

3. Industry Structure and Regulation

- Overview of discussions to date and identified issues to consider
- Objectives of the structuring and regulatory initiative
- Summary of analysis to date
- Alternatives – pro and cons, further fleshing out required
 - o contractual relationships
 - o legislative implications
 - o financing implications
- Detailed action items and plan to address issues in the subject area, including timeline, resourcing and due diligence

4. Corporate Structure

- Objectives of corporate structuring initiative
- Summary of analysis to date
- Alternatives - pros and cons, further fleshing out required
 - o contractual relationships

- legislative implications
 - financing implications
- Detailed action items and plan to address issues in the subject area, including timeline, resourcing and due diligence required.

5. Fleet Optimization and Benefits

- Objectives of fleet optimization initiative
- Summary of analysis to date
- Alternatives - pros and cons, further fleshing out required
 - contractual relationships
 - legislative implications
 - financing implications
- Detailed action items and plan to address issues in the subject area, including timeline, resourcing and due diligence required.

6. Rate Impact Mitigation

- objectives of rate impact mitigation initiative
- summary of analysis to date
- alternatives - pros and cons, further fleshing out required
 - contractual relationships
 - legislative implications
 - financing implications
- detailed action items and plan to address issues in the subject area, including timeline, resourcing and due diligence required.

7. NLH Term Sheet and Contractual Issues

- objectives of NLH term sheet initiative
- summary of analysis to date
- alternatives - pros and cons, further fleshing out required
 - contractual relationships
 - legislative implications
 - financing implications
- detailed action items and plan to address issues in the subject area, including timeline, resourcing and due diligence required.

8. Resourcing, Challenges and Potential Conflict Issues

9. Consolidated Timeline

10. Conclusion and Recommendations on How to Proceed with Action Plan

Appendices

- 1. PWC papers**
 - a. Jan 2008**
 - b. March 2008**
 - c. Phase 2 Report , appendix 4**
 - d. Franchise vs. PPA**
 - e. Grid Code document**
 - f. Posting and settlement document**
- 2. Research to date**
 - a. Jurisdictional comparisons**
 - b. Industry structure diagrams**
 - c. Other**
- 3. List of relevant provincial legislation.**
- 4. List of other pertinent regulatory / legislative documents**
 - NBSO, HQT and other OATTS**
 - FERC orders**
 - NEB Act? other relevant federal legislation**
 - Other relevant provincial legislation**
- 5. NLH draft term sheet**
- 6. Water Management materials**