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To : "Power, Glenda" , "Brown, Milly" , "Maclean, Heather" , "Bown, Charles W."

Subject : Ed's notes from this afternoon

Attachment : LCP - EA Panel Report - Response.docx;

Good afternoon. Welcome everyone

First I'll offer a few remarks and then open the floor to questions.

- A. Let me begin by discussing the Environmental Assessment process steps and how the approval works.

Step One: Preparation of extensive studies and reviews conducted by Nalcor

Step Two: Guidelines issued

Step Three: Nalcor submits E.I statement

Step Four: Panel Hearing

Throughout the course of the panel hearings, the process was for Nalcor to make a presentation, followed by presentations from interveners, followed by questions from interveners and panel to Nalcor.

In addition, written requests for information were given to Nalcor, and we responded to these requests in writing.

The panel summarizes all points of view and makes a recommendation to both the Provincial and Federal Ministers. It is up to the Ministers to accept or reject recommendations and it is the Ministers who are responsible to approve the projects.

It is important to note that this environmental assessment covered both Lower Churchill generating projects – Muskrat Falls and Gull Island.

- B. Next, where is Nalcor in our overall decision making process?

- With respect to Muskrat Falls, Nalcor has selected a development concept, at what we call Decision Gate 2, and are now working toward sanction of the

project, which we term decision Gate 3. The purpose of decision gates is to ensure the appropriate level of review is completed prior to advancing to next stage.

- With respect to Gull Island, we are not yet past Decision Gate 2 as we await resolution of certain items, including transmission alternatives. Work continues on Gull Island.
- Environmental approval from Ministers is one of many requirements needed to sanction a project. Others include things such as:
 - Appropriate level of engineering
 - Cost and schedule updates
 - Innu Nation Agreement
 - Commercial arrangements
 - Appropriate level of financing arrangements

C. Now, let's turn our attention to the Panel's report.

- The panel provided 83 recommendations.
- Of the 83, 81 are related to what I would consider technical environmental points.
- These 81 I would regard as the type of things I would expect in a report of this nature.
- Some of these, on a first review, could be helpful, some we may not agree with, but in any event, our project team is reviewing these and they will be addressed technically over the coming weeks. I see this as a normal process, what I would tend to expect.
- Two (2) of the 83 relate to need, purpose and alternatives for the two projects.
- As an opening perspective, there is no question that I am surprised and disappointed in the tone of the report in these areas.

- The Nalcor Team is comprised of hardworking, dedicated, professionals who have prepared detailed analyses and are totally committed to the right solution for Newfoundland and Labradorians.
- I do not believe the tone of the report, particularly the Executive Summary, is appropriate in such a context.
- That being said, put that aside.
- The key issue is the content of the two recommendations.
- The recommendation addressed the two projects separately.

With respect to MF

1. Is the project the best alternative to meet provincial demand? My message remains unchanged.
 - We have done extensive reviews of alternatives.
 - Muskrat Falls with a link to the Island of Newfoundland to meet the province's future energy requirements remains the best option.
 - We continue to seek input and answer questions.
 - We continue to be open to alternatives for review.
 - There are two independent reviews ongoing as part of the work toward Decision Gate 3 sanction.
 - All information will be included in final sanction decision.
 - No change in process direction from past five years.
2. Will Muskrat Falls have the ability to deliver long term financial benefits to the province?
 - The answer remains yes.
 - We have done extensive modeling on both financial returns and other economic and employment benefits.
 - Our modeling has been done in conjunction with Price Waterhouse Coopers and other outside expertise to support our conclusion.

- These calculations will be redone and reviewed prior to sanction as planned to incorporate any new data into our analyses.

With respect to Gull Island

- The panel suggested there was no certainty on trans route.
- We have been very open and transparent in our open access work in Quebec and the problems associated therein.
- We will continue to pursue open access in Quebec, as they are bound by FERC in the U.S. to provide the same level of open access they enjoy in the U.S. to others who wish to utilize their system.
- We have a great renewable resource base and will find our way to the markets that need it as we move forward.