

Date : 2/8/2011 5:11:05 PM

From : "Jacobs, Debbie A."

To : "Dunderdale, Kathy"

Subject : PM Letter from Robert

Hi Premier: After you review and approval of this letter, can you please advise me, as I plan on sending this to the PM's assistant from home this evening.

Thank you
Debbie

From: Jacobs, Debbie A.
Sent: Tuesday, February 08, 2011 4:55 PM
To: Dunderdale, Kathy
Subject: PM Letter from Robert

February 8, 2011

The Right Honourable Stephen Harper
Prime Minister
House of Commons
Ottawa, Ontario
K1A 0A2

Dear Prime Minister:

Thank you for your letter of January 13, 2011 regarding a loan guarantee for the Muskrat Falls hydroelectric project and related transmission infrastructure. Thank you as well for meeting with me on February 1st and the opportunity to identify issues for our more substantive discussion to occur on February 11th.

The weeks ahead offer an opportunity for the federal and provincial governments to make significant progress related to energy, economic development and climate change. The \$6.2 billion Muskrat Falls project including the integration of the Nova Scotia and Newfoundland and Labrador transmission grids will provide a new source of clean hydroelectricity that will create significant employment and business opportunities. It will enable fossil-fuel generating stations in both provinces to be removed from service. The transmission link with Nova Scotia also means that for the first time Newfoundland and Labrador's energy grid will be fully integrated into the North American grid.

Provincial government and Nalcor Energy officials have briefed federal Ministers, Members of Parliament, Senators and many federal officials on this project numerous times in recent weeks and months. I have personally explained the project to the Honourable Jim Flaherty, Honourable Peter MacKay and Honourable Christian Paradis. We have provided additional information on the project whenever requested. The stage is now set for serious discussions on federal financial participation in this project.

A loan guarantee as described in my December 17, 2010 letter is the best vehicle for federal financial participation. Federal participation will enhance the viability of this project, allowing a bridge to be built between provinces that will serve as a backbone for more renewable energy development to meet Canada's climate change goals. It will trigger the acceleration of clean energy business development in the Atlantic region and, through long term stability of energy prices, will encourage economic development in all sectors. It will create significant construction-related spinoffs, particularly in Quebec and Ontario. It is a nationally-significant project that draws the country closer together.

The guarantee would be required for \$4.5 billion of debt. The financial benefit of this guarantee would accrue to the utility ratepayers of Newfoundland and Labrador and Nova Scotia. These same ratepayers will support the costs of the project, thereby eliminating the risk associated with a federal guarantee.

During our meeting on February 11th I will propose that we establish a specific process to reach an agreement-in-principle on a loan guarantee. I will have the Minister of Natural Resources, the CEO of Nalcor Energy and other relevant officials available to brief us. A target date for an agreement-in-principle should be February 28, 2011.

During the meeting I will also raise the negotiations regarding the 8.5% federal ownership share in the Hibernia project and the Net Profits Interest. These negotiations have not progressed in recent months and I wish to propose a way forward that would focus solely on the 8.5% share, setting aside the Net Profits Interest.

Please accept my best regards and I look forward to our meeting.

Sincerely yours,

KATHY DUNDERDALE

