

From: Ed Martin <"cn=ed martin/o=nlhydro">
Sent: Sunday, October 27, 2013 11:30 PM
To: Bown, Charles; Gilbert Bennett; Dawn Dalley
Subject: Re: Some thoughts

Importance: High

Our timing to reply to these questions will be best served after we complete a. the ML DG3 discussions with Emera and b. when we complete the major contract negotiations, and c. when financing/flg activities are complete. I believe we need to keep our powder dry, and defer getting into answering these questions until a, b, and c. are done. This is the best strategy for the people of NL, although politically difficult at this time.

Ed

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Ed Martin---10/27/2013 11:15 PM NDT---In reponse to the following queations; 11. Overall, are the bids that Nalcor is receiving in line wi

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In reponse to the following queations;

- 11. Overall, are the bids that Nalcor is receiving in line with its expectations?

- 13. Is the project on budget?

A. The value of the Muskrat Falls and Maritime Link project is a combination of costs and overall revenue to the province. Costs are primarily comprised of capital, operating and financing costs. Some of these elements are lower than budget, some are similar, and some are higher. Overall at this point, we are generally on budget collectively. Financing costs continue to be quite favorable in this historically low interest rate period, however it is also obvious there are selective capital cost pressures particularly on work performed in NL. That being said, these capital cost pressures are being experienced throughout NL and Canada in general, and would be similar to alternative options. These are early days on the project, and although difficult to project final costs, we continue to aggressively manage the cost profile. Project schedule is primarily driven at this point by how best to manage people resources, ensuring that we level the required people resources to match labor availability. The intent is to minimize the cost of labor by scheduling labor resources in a manner to avoid over-subscription of people when we need them the most. In addition, it is critical that we organize the work on site in such a fashion that laborers have the ability to be at the height of their productivity when we are the busiest. Success in these endeavors will create the highest probability of cost control and ultimate project success.

From a revenue perspective, budgeted revenue is conservative, and we continue to see upside potential as external markets are tending to improve. Overall net value to the province is currently trending positive, but frankly, it is early days, cost and revenue projections will continue to change. That being said, the overall value of this project is clearly very favorable to the Province, and will continue to be so over the long term.

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