



NEWFOUNDLAND AND LABRADOR
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2011 06 17

Mr. Geoffrey P. Young
Senior Legal Counsel
Nalcor Energy and
Newfoundland and Labrador Hydro
P. O. Box 12400
Hydro Place, Columbus Drive
St. John's, NL
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Dear Mr. Young:

RE: Reference from the Lieutenant Governor in Council on the Muskrat Falls Project

The Board has received Terms of Reference from the Government under section 5 of the *Electrical Power Control Act, 1994* directing the Board to review and report on whether the development of the Muskrat Falls generation facility and the Labrador-Island transmission line (the "Project") is the least-cost option for the supply of power to the Island Interconnected system as compared to the isolated Island development scenario (Isolated Island Option) over the period 2011-2067. The Project and the Isolated Island Option are to be outlined further in a submission by Nalcor Energy.

In answering the Reference Question the Board was directed to consider and evaluate any factors it considers relevant, including Island load forecasts, system planning assumptions and the process used for developing and comparing the estimated costs for the supply of power to the Island Interconnected customers. The Board was further directed to exclude any consideration of the options and decisions respecting the monetization of the excess power from the Muskrat Falls generation facility, including the Maritime Link Project.

The Terms of Reference state that the Board's report is to be submitted to the Minister of Natural Resources by December 30, 2011.

The Board has decided to engage independent engineering consultants to assist in the review required for the Reference. The selection process for this consultant has commenced and we expect that the selected consultant will be ready to commence their review the first week of July.

We also have retained engineering technical advisors to assist in the collection and co-ordination of the information deemed necessary by the Board to be provided for this Reference.

The independent engineering consultants will provide a report on the Project and the Isolated Island Option which shall be made public. This independent engineering report will be an essential element of the public hearing process required by section 5 of the *Electrical Power Control Act* and must be completed before any public consultations can begin. It is therefore critical that all relevant information, including all technical reports and studies on the various components of the Project and the Isolated Island Option be provided by Nalcor as soon as possible to allow this engineering review to proceed in a timely way.

Our engineering advisors have determined an initial list of information and reports that are necessary to be provided to the Board for its review, as follows:

- Load Forecast;
- Generation Expansion Plan;
- Feasibility Studies for the:
 - Muskrat Falls Development;
 - HVDC Interconnection (including submarine cables);
 - Island Pond Development;
 - Portland Creek Development; and
 - Round Pond Development.
- Power and Energy Studies;
- Optimization Studies;
- Water Management Agreement;
- Power System Studies;
- Reliability Studies;
- Cost Estimates for the:
 - Combined Cycle Combustion Turbines;
 - Combustion Turbines;
 - Wind Farms; and
 - Refurbishment of the Holyrood Thermal Generating Station (including the addition of scrubbers, electrostatic precipitators and NOX burners).
- Fuel Price Forecasts;
- Cumulative Present Worth (CPW) Analyses of the two Alternatives; and
- All data and assumptions used to complete the CPW analyses.

As other information required for the Reference is determined you will be advised. We look forward to discussing with you the available information Nalcor intends to submit.

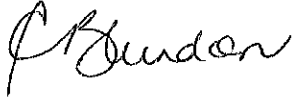
We require that the above information be provided to the Board no later than June 30, 2011.

It will be necessary for our engineering advisors and consultant to have a designated contact at Nalcor for coordination purposes. This individual must be familiar with the engineering reports for the Project and the Isolated Island Option and have the authority to discuss the information and provide information to the engineering advisors and consultants. Please provide the name and contact information for this contact person.

We will later advise on the intended process and schedule for the Reference. The process will be open and transparent with all information, other than that which is commercially sensitive, posted on the Board's website for the public to view.

If you have any questions or require any clarification, please do not hesitate to contact the Board's Legal Counsel, Ms Maureen Greene at 726-6781 or the undersigned.

Yours truly,

A handwritten signature in cursive script, appearing to read "C. Blundon".

Cheryl Blundon
Director of Corporate Services and Board Secretary

c.c. Thomas Johnson
Consumer Advocate