

NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

MEDIA RELEASE

July 26, 2011

Muskkrat Falls Review Underway

The Board of Commissioners of Public Utilities has commenced its review of the Muskkrat Falls project in accordance with the reference from the Lieutenant-Governor in Council under s. 5 of the *Electrical Power Control Act*.

The information gathering phase of the Board's review is in progress. In response to the Board's initial request for information on June 17, 2011 Nalcor made its first filing on June 30, 2011 and continues to provide information to the Board. The Board is reviewing material filed by Nalcor as it is received and, where necessary, will require Nalcor to file additional information.

The Board has retained Manitoba Hydro International Ltd ("MHI") to provide a report analyzing the two generation expansion alternatives identified in the Terms of Reference. (See attached Backgrounder) MHI is a world renowned services company with expertise derived from operations in over 70 countries with projects relating to the financial analysis, planning, design, construction, and operations management of generation, transmission and distribution facilities. As a subsidiary of Manitoba Hydro, MHI has extensive experience to draw on in completing its work for the Board. MHI will review all previous work and analysis done in relation to the two alternatives and is already reviewing the information filed and working to identify areas which require clarification. This report is expected to be filed in September.

The Board has established a website link (www.pub.nl.ca) where all information related to the review is available. The Terms of Reference, correspondence and information filed by Nalcor to date are on the website, except where a claim of commercial sensitivity has been made by Nalcor in accordance with the Terms of Reference. Additional information, including the MHI report, will be posted as it becomes available.

In the fall the Board will publish notice of the times, dates and processes for participation in the public consultation phase of the review which is expected to start in October. The Board will, of course, accept letters of comment at any time during the review and interested persons may also contact the Consumer Advocate, Mr. Thomas Johnson, who is participating throughout the review process.

The Board's final report to Government will consider information filed by Nalcor, MHI's report as well as information, reports and submissions from the Consumer Advocate and other participants. The report is required to be submitted by December 30, 2011.

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Backgrounder

Terms of Reference

As set out in the Terms of Reference the Board has been asked to review and report to Government on whether the Muskrat Falls project, which includes the Muskrat Falls generation facility and the Labrador-Island Link transmission line (the “Projects”), represents the least-cost option for the supply of power to Island Interconnected customers over the period 2011-2067, as compared to the Isolated Island Option. In answering this question the Board has been directed to:

- consider and evaluate factors it considers relevant including Hydro’s and Nalcor’s forecasts and assumptions for the Island load, system planning assumptions, and the processes for developing and comparing the estimated costs for the supply of power to Island Interconnected customers; and
- assume that any power from the Projects which is in excess of the needs of the Province is not monetized or utilized, and therefore the Board shall not include 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 if information is determined by Nalcor or NLH to be commercially sensitive as defined in the *Energy Corporation Act*, the Board can review the information but must not release it.

The complete Terms of Reference can be found on the Board’s website.

Manitoba Hydro International Ltd.

Manitoba Hydro International Ltd. (“MHI”) is a subsidiary of Manitoba Hydro, a Crown owned utility, with over 100 years of experience. Manitoba Hydro owns, operates and maintains over 5,500 MW of generation, 11,000 km of transmission lines and employs 6,000 people. MHI has assembled a highly experienced team of experts from within its parent company, from across Canada, and internationally to complete its work in this review.

Projects completed or currently in progress by MHI include:

- technical due diligence review of the 2075 MW Cahora Bassa Hydroelectric Generating Station and HVdc transmission system in Mozambique;
- preparation of a least cost development plan for the Kerala State Electricity Board (India) that will be used to guide decisions regarding the selection of projects and assessment of future needs in terms of generation and transmission, including load forecasts, generation plans, transmission plans and pre-feasibility studies for hydroelectric and thermal projects for private sector participation;
- provision of expert consulting services including a Project Technical Design Review Report on the Tasmania to Victoria, Australia HVdc interconnection; and
- engineering services on a 170 MW hydroelectric project in Turkey, including identifying project alternatives, conducting feasibility studies and assisting with financial analysis in accordance with international standards.

Further information on MHI is available on their website www.mhi.ca.