From: Damien Côté
To: Phyllis Beaulieu; sjoseph@nunavutwaterboard.org; dts@nunavutwaterboard.org; Teresa Meadows
Subject: FW: Email 1 of 4 - Baffinland Response to Final Comments on the Type A Water Licence Application
Date: Wednesday, April 10, 2013 2:30:11 PM
Attachments: 2013 Marginal Cost Breakdown 3-Apr-13.pdf

FYI

Damien

Damien A. Côté
Executive Director | Directeur général
Nunavut Water Board | Office des eaux du Nunavut

From: Oliver Curran [mailto:oliver.curran@baffinland.com]
Sent: Wednesday, April 10, 2013 1:05 PM
To: Murray Ball
Cc: Allen, Jean; Damien.cote@nunavutwaterboard.org; mart.lupp@snclavalin.com; Erik Madsen; fernand.beaulac@gmail.com; barmstrong@lawsonlundell.com; Grzegorczyk, Adam (agrzegorczyk@hatch.ca)
Subject: RE: Email 1 of 4 - Baffinland Response to Final Comments on the Type A Water Licence Application

Hi Murray,

Thanks for your email. Please see the attached document and be aware that the document was developed to document changes occurring during this revision process and does not represent a formal revision history or submission. It shall be used for reference only. The official submission is document H349000-1000-07-245-0001, Rev C.

The attached document represents a comparison of the closure cost estimate presented on March 13, 2013 to AANDC and the current cost estimate proposed for the Mary River Project. As you can see by the table below, the only changes have been to the 2013 Work Plan *Marginal* Closure Estimate. The 'Revised Type B Closure Cost Estimate' and the 'Carry-over to Type A Closure Cost Estimate from Type B Estimate' have remained the same and are driven by 2013 A&R Plan (AMEC, January 2013). Therefore, the attached document represents a comparison of the 13-Mar-13 estimated marginal cost vs. the current estimated marginal cost, broken down by item to show what changes drive the revised marginal cost estimate. The comment column in the attached document describes the rationale for those changes. The column: '*13-Mar-13 Cost Associated with 2013'* were the costs presented on March 13. The column *'Revised Cost Associated with 2013'* is the revised numbers carried forward in the current estimate.

Revision	Revised Type B Closure Cost Estimate	Carry-over to Type A Closure Cost Estimate from Type B Estimate	2013 Work Plan Marginal Closure Estimate	TOTAL Security for Type A Water License in 2013
Current Revision	$1,246,625	$23,651,165	$12,343,342	$35,994,507
13-Mar-13 Revision	$1,246,625	$23,651,165	$27,895,504	$51,546,669
Difference	*$0*	*$0*	*($15,552,162)*	*($15,552,162)*

The main driver in the revised estimate is based on further review and understanding of the 2013 A&R Plan (AMEC, January 2013). The 2013 A&R Plan (AMEC, January 2013) is represented in the 'Revised Type B Closure Cost Estimate' and the 'Carry-over to Type A Closure Cost Estimate from Type B Estimate' and represent a closure cost for all project

components currently on-site. After review, it was determined a number of components/activities required for reclamation were included already in the 2013 A&R Plan but were also included in the 2013 Work Plan Marginal Closure Estimate presented March 13. This double-counting was therefore removed. The comment column of the attached document indicates when this was done. In addition, we also received clearer understanding from RECLAM's developer (John Brodie) that all unit cost built into RECLAIM were inclusive of fuel, labour and equipment. Therefore this double-counting was also removed. A highlight of the **major** changes include:

- Adopting the unit cost in the RECLAIM Model that considers the teardown of steel buildings, with an associated cost of $57.02/m2 vs. $100/m2 previously (more accurate unit cost used)
- Removal of Milne Inlet Stockpile reclamation cost from 2013 Work Plan Marginal Closure Estimate. 2013 A&R Plan already included reclamation cost allowance for current Milne Inlet stockpiles. No additional stockpiles planned in 2013.
- Removal of Milne Inlet Fuel Farm reclamation cost from 2013 Work Plan Marginal Closure Estimate. 2013 A&R Plan already included reclamation cost allowance for current Milne Inlet Fuel Farm. 2013 Work Plan Marginal Closure Estimate only now includes and allocation for additional bulk fuel storage being installed in 2013.
- 2013 Marginal Closure Cost no longer includes a cost for the removal of contaminated soils. It is covered in the 2013 A&R Plan (AMEC, January 2013) and therefore the Carry-over to Type A Closure Cost Estimate from Type B. Specifically, the cost is listed as $626,080 in the 2013 A&R Plan.
- 2013 Marginal Closure Cost does not include a cost associated with manpower as the Unit Cost in RECLAIM are inclusive of fuel, labour and equipment.
- 2013 A&R Plan (AMEC, January 2013) closure cost estimate considers 305 $/rev. ton for a Dedicated Charter Freight Sealift, and 198 $/rev. ton for Freight Sealift. 2013 Marginal Closure Cost assume a rate of 83.3 $/rev ton. The difference has been applied as credit. Quantities of sealift material in 2013 A&R Plan (AMEC, January 2013) remain the same.

<u>Additional costs added:</u>

- The current 2013 Work Plan Marginal Closure Cost estimate considers the worst case scenario to include the cost allocation for fuel removal, i.e., highest quantity of fuel on site after commencement of 2013 Work Plan. Based on this scenario, 31.2 ML will be on site after commencement of 2013 Work Plan. However, AMEC model accounts for 3.46ML, and therefore the 2013 Work Plan Marginal Closure Cost estimate includes a cost allocation for removal of 27.7 ML of Type 1 fuel from site, at a $0.10/L backhaul rate (same as AMEC Model, January 2013). Previously it was assumed 5% of the total fuel storage will be left in the containers at closure at a back haul rate of $1.10/L.

Murray, it would be good to have a 1 hour conference call with you early next week to discuss these described revisions and answer any questions you may have, prior to hearings. Please advise on a time that would be agreeable to you.

Regards,
Oliver

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From: Murray Ball [mailto:Murray.Ball@aandc-aadnc.gc.ca]
Sent: April-09-13 3:47 PM
To: Oliver Curran

Cc: Allen, Jean; Damien.cote@nunavutwaterboard.org; mart.lupp@snclavalin.com
Subject: Re: Email 1 of 4 - Baffinland Response to Final Comments on the Type A Water Licence Application

Hi Oliver,

AANDC would like to be able to review this with sufficient rigor to be able to comment on it at the final hearings. Would it be possible for you to send a line-by-line comparison between this security estimate and the one you previously prepared that would identify exactly where the changes have been made?

Thanks,
Murray

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>>> Oliver Curran <oliver.curran@baffinland.com> 4/5/2013 3:08 PM >>>
Hi Damien,

Please find the attached correspondence containing Baffinland's response to final written comments on the Type A Water Licence Application. The document is split into 4 portions to adhere to the Nunavut Water Board's file size limit.

Please let me know if you have any questions on this document.

Regards,
Oliver

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