

Confidential

CIMFP Exhibit P-00206

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Lower Churchill Update

2010 04 23

Boundless Energy



 **nalcor**
energy
LOWER CHURCHILL PROJECT

Nalcor Current Priorities

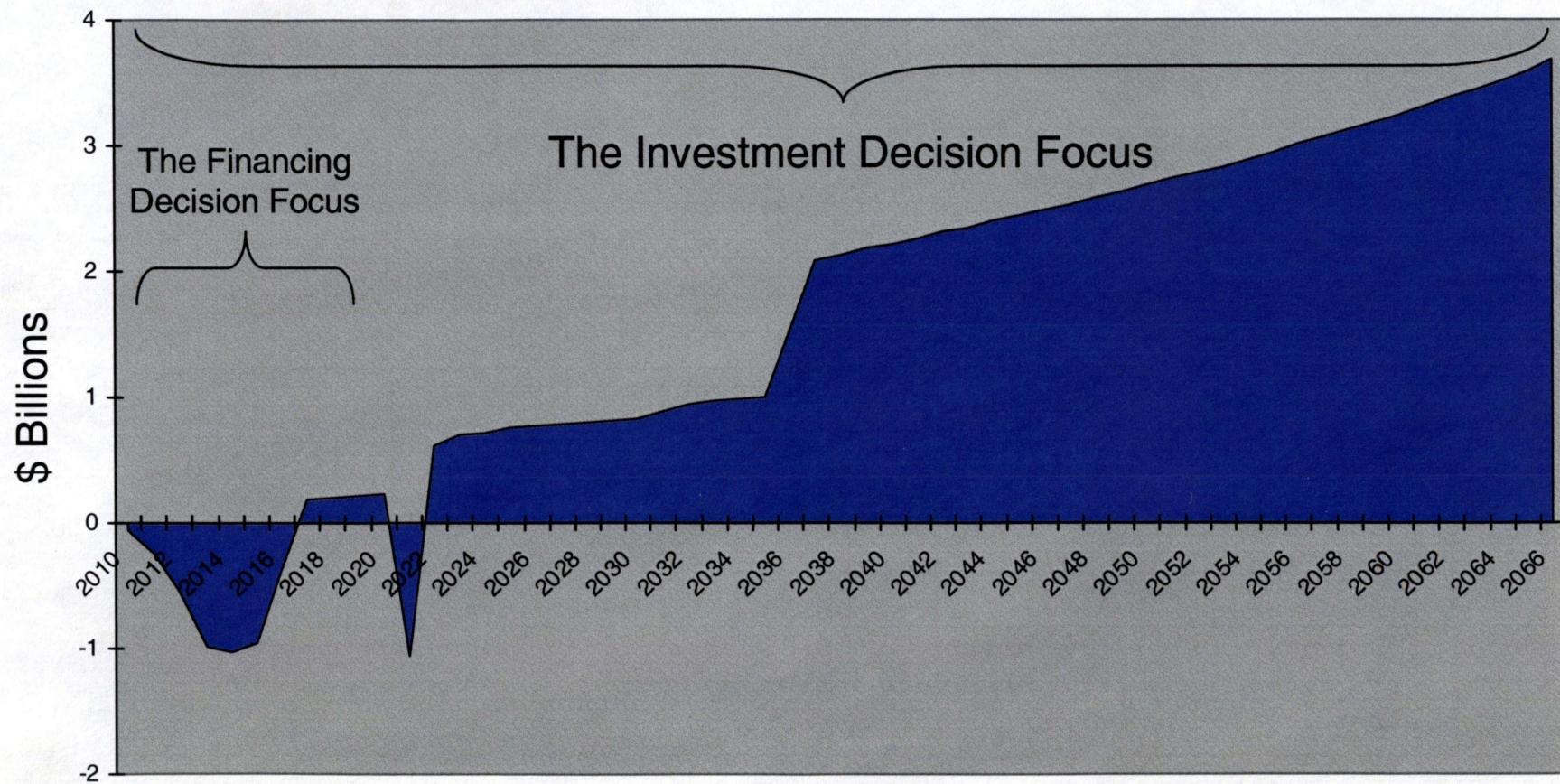
NLH	CF(L)Co	LCP	Oil/Gas	Bull Arm	Marketing	Other
Safety and Environmental Focus						
Asset Management Focus						
Rate Hearing Decision	Asset Renewal to 2041	Water Management	Hibernia South	Hebron Lease	Recall "shaping"	IOC & Lab. Rates
Asset Mgmt Rollout	Asset Mgmt Rollout	Aboriginal	Whiterose Extension		Go Forward Org. Structure	Kruger Implications
	Good Faith Action	Market Access ✓	Parsons Pond			Abitibi Bowater/ENEL
		Market Sales ✓	Project X			
		EA	CHHC ✓			
		Proj Execution	Hebron			
		Communications ✓				
		Financing and ✓ Equity				
		Federal Govt. ✓				

Agenda

- Safety Moment ✓
- Lower Churchill Update
 - The Investment v. the Financing Decision
 - What Has Changed
 - Things We Know
 - Things We Don't Know Yet
 - Potential Regie Outcomes / Action Plan
 - Scenario Economics
 - Shovels in the Ground – Spring 2011
 - Communications Plan for Regie Outcomes
- CHHC Discussion
 - Economics
 - Discussion

The Investment v. The Financing Decision

Muskrat Falls / Gull Island via QC



What Has Changed

- Increased uncertainty in NB ✓ - at least in the short-term
- Ontario re-engaging ✓ - in there minds that we can probably get through
- an entente would have to be built.
- PEI emerging as market - they have engaged us.
- Increasing weakness in pulp and paper sector - looking at imports of kraft paper under - dated still works, however)
- Natural gas markets in flux - uncertainty in gas market
- Financial markets in flux - debt versus equity
- HVdc Light technology optimization work yielding - new tech. could result in reduced cost - impact that we would have to ship less
- Identified Muskrat Falls non-firm with deep equity as feasible under all conditions

LOWER CHURCHILL PROJECT

good mort. ✓

✓ TMI

- other options are on the table, and this option may not be selected as the preferred approach at the end of the day

5

- non-peak power -
- long LNK allows us not to have to spill water

Things We Know

- Muskrat Falls with deep equity is viable with or without a favourable Regie ruling *\$500M for 54 yrs = \$12.5B*
- Muskrat Falls with deep equity plus an island link to replace Holyrood is viable with or without a favourable Regie ruling
- Water Management is in place ✓ *Appeal Period is passed.*
- IBA, UCRA and Land Claim AIP are initialed ✓ *Rotifac still 0/s.*
- Generation EA hearings likely in Fall 2010 –

Things We Know

- ✓ • Gull Island site investigations are completed ✓
 Hand written note: Happy with what we have seen.
- Muskrat Falls site investigation will be completed in 2010
- Marine surveys and drill program completed for Strait of Belle Isle
- Maritime link marine survey completed
- Island Link and Maritime Link conceptual design, budget, and schedule completed

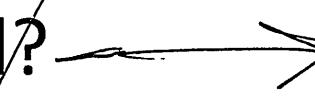
Tunnel versus
Laying cable in
Sea Bed floor
Very worked
from a
economic
perspective

Things We Know

- Regie hearings are completed
- Labrador – Island EA track decision complete
- NB/HQ deal has come and gone

Decision could be made by end of April 110.

Things We Don't Know Yet

- Outcome of the Regie hearing
- Is Muskrat Falls first the highest value configuration?
- Are there any scenarios where building Muskrat Falls precludes Gull Island? 

regress conventional
Technology

 - option is that
the power (most)
could be used
in Lab.
- What is the optimum Maritime HVdc configuration and technology?
 - Finalizing the HVdc Light cost/benefit analysis

Things We Don't Know Yet

- NB's next steps
 - PPA potential
 - NB buying power from us - want recall
NB wants a 10yr deal
 - We may not want to lockup this - → Lower Churchill
 - → Transmis...
bigg deal
 - Access to existing NB Power capacity to NE
 - PPA terms in ON, NS, PEI
 - we don't have PPA yet - we are "on deck" with Ont.
 - Federal Government participation
 - ↓
 - No "one offs"
 - package ask under "Existing Fed Programs"
 - Loan Guarantee is "gold" to us. - / NO info. made to the Feds at this pt.
- 150 MWhs

Potential Regie Outcomes

1. Worst potential outcome - shut out . -

- No ATC -
- application 101 cancelled / 1100 -
- application 107 is of questionable value without ATC

2. Best potential outcome

- ATC 1100 - *mwts*
- Both applications 101 and 107 proceed - 3200 / *opportunity*

3. Intermediate potential outcome

- No ATC —
- Both applications 101 and 107 proceed → *Running run - firm until upgrades done first - never let go of this - could take 14 yrs.*

4. ATC 5200

- Do not see this as a viable outcome

Options Associated With Outcome #1

- ✓ • Option A - Muskrat Falls with deep equity non-firm via Quebec. **Feasible**
- ✓ • Option B - Muskrat Falls with deep equity plus Island Link to replace Holyrood. **Feasible**
- Option C - Muskrat Falls with deep equity plus Island Link to replace Holyrood plus HVdc Light link to NS and synchronization of NL/NS systems. **Under Study**
- Option D - Gull Island with Island Link and Maritime Link. **Under Study**
 - feasible only under certain NS and NB PPA and Inter-tie assumptions
 - further review and PPA negotiations required
 - high in-service capital

Heavy!
Stuff
Stressfull
Situation
with
a lot
of
capital.

Options Associated With Outcome #1

- Additional considerations
 - Determination of whether either option above precludes the other: under study
 - In all above options, we would recommend concurrently pursuing Regie “review” and court action as well as FERC intervention

Full Court Press !

most
favourable
option.

Options Associated With Outcome #2

- Option A - Muskrat Falls first, followed by Gull Island through Quebec plus Island Link. **Feasible**
 - both Gull Island and Muskrat Falls required to make economic
 - \$3 billion in upgrades (\$2010)
 - includes a new ON inter-tie
 - Muskrat Falls first - provides Gull Island time to confirm Quebec commitment to upgrades (key risk management requirement)
 - Servicing an Island Link would create unused transmission capacity through Quebec, creating potential for additional generation developments in the Province

Need a long term PPA
with Ontario to facilitate
this approach.

- 14 - Premier needs to
meet with McBurt
at the signing time.



Options Associated With Outcome #2

- Option B - Muskrat Falls only with firm transmission rights, do not pursue upgrades. **Feasible**
 - robust business case, minimizes capital outlay
 - not recommended as forfeits significant additional transmission and PQ access for Gull Island and additional generation
- Additional Considerations
 - Above configuration likely defers Maritime Route until Upper Churchill repatriation - **Under Study**
 - It is essential to secure all available transmission capacity created under this option, no matter how long it takes, as this opportunity will not arise again

Options Associated With Outcome #3

- Same as “Outcome 2, Option A” adjusted to proceed with Muskrat Falls non-firm prior to upgrades
 - Note: may have to continue non-firm with Muskrat Falls for an extended period if significantly delayed by Quebec

*4.8 Total
1.5 Island
1.5 North*

Scenario Economics - Key Assumptions

- General Assumptions for all cases:

- P75 capital costs estimates - more stress placed on the project cost - very conservative approach
- * Returns do not reflect economic / treasury benefits
- Long term PPA's use "next best" new build generation alternatives in the receiving markets for reference pricing
- Natural gas price escalation held at 2% p.a. post-2025
 - Drives electricity price assumptions
- Loan guarantees or any other Federal contributions not factored in
- GHG assumptions
 - Island link economics do not reflect any environmental adders
 - Other cases reflect expected emissions allowances valued at \$20/tonne in 2013, esc. @ 5% p.a. thereafter
- Financing Rate: 7.5% - loan guarantee would shave a couple of pts off of this.
- Exchange Rate: CDN to US \$0.964

Muskrat Falls non-firm case

- reflects 100% off-peak pricing - lowest pricing opt.
- includes spill of 0.4 TWh

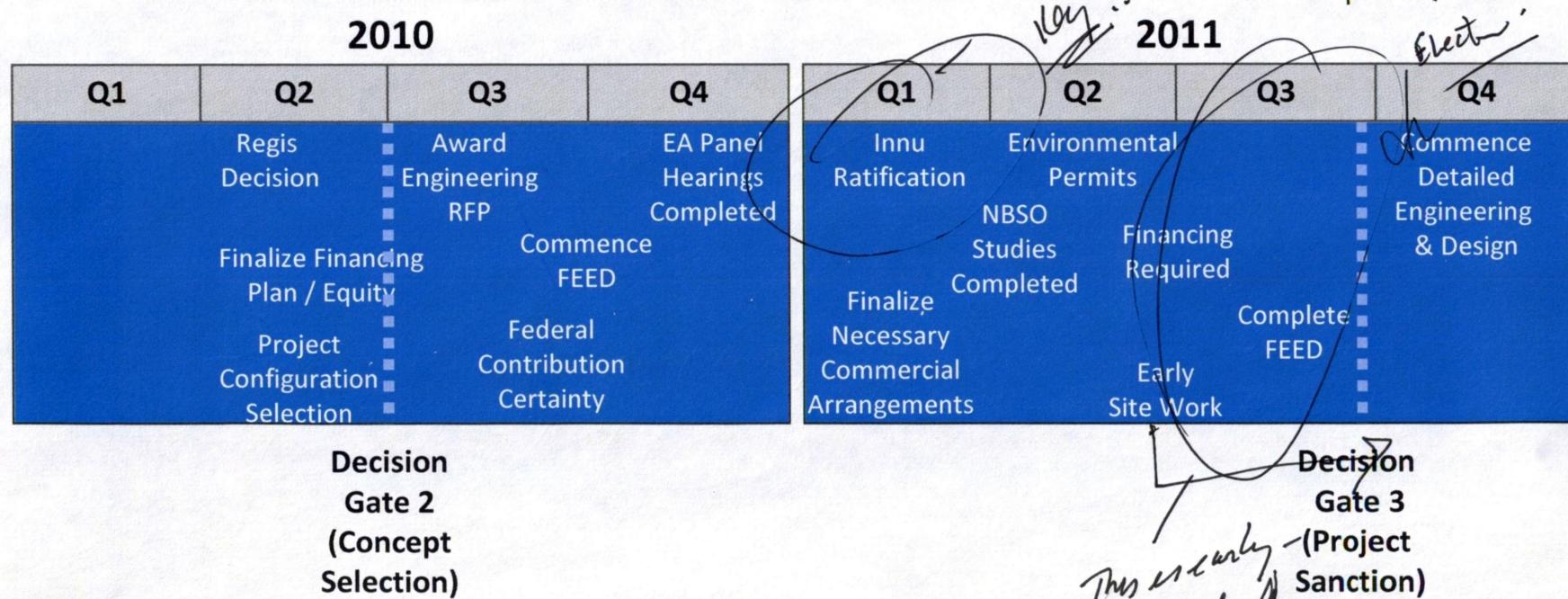
Scenario Economics

	Outcome #1, Option A	Outcome #1, Option D	Outcome #2, Option A	Outcome #2, Option B
In-service capex	\$3,209	\$13,164	\$14,501	\$3,209
Debt:Equity Ratio	20:80	50:50	60:40	20:80
Equity requirement	\$2,594	\$6,606	\$5,873	\$2,594
Dividends (50 years)	\$24,699	\$81,853	\$113,079	\$29,016
Dividends / Equity requirement	9.5	12.4	19.3	11.2
NPV - 12% - January 1, 2010	*(\$500)	*(\$634)	(\$138)	(\$243)
NPV - 7.5% - January 1, 2010	\$850	\$2,084	\$4,909	\$1,431
Equity IRR (%)	9.4%	10.2%	11.7%	10.8%

- Assume is that we (Govt) would borrow and the Nalcor would provide of 12% payout to cover our cost of borrowing.

Shovels in the Ground – Spring 2011

- Sequencing Muskrat first in all cases (varying reasons) is emerging as a possible strategy
- Because we can do Muskrat non-firm we recommend starting some early site work in 2011 prior to overall project sanction in order to maintain schedule
- The purpose of this slide is to lay out the current thinking re requirements for 2011 early work in the context of our overall thinking on schedule



Communications Planning – Regie Outcome

- Draft communication plan in progress, awaiting input from this meeting
 - Faskens and National providing input and review
 - Elizabeth to review the plan when it is drafted.

- Targeting circulation for review and comment mid next week

← Nalcor's last over next 2 yrs
will go towards financing
Hudson
