

# Presentation to Cabinet Update on Negotiations with Emera

November 9, 2010

Boundless Energy



## Purpose

The purpose of this presentation is to:

- Summarize current Nalcor/Emera negotiations status

## Summary

- Generation Expansion
  - A decision is required on a next generation sources to meet Island demand
  - Muskrat Falls with an Island Link is the preferred option
  - This analysis assumes that significant water will be spilled and not utilized (flow over the dam)
- Maximizing Value of Spilled Water
  - The objective then becomes how to best obtain value for the spilled water
  - There are opportunities to maximize this value

## Maximizing Value of Spilled Water

- Options considered:
  - Sales to HQ OR export through QC
  - Arrangements with Emera to sell power in NS at a favorable rate and achieve access through NS to NB, PEI and New England
    - Nalcor will subsequently explore sales arrangements with NB Power, PEI and New England
    - Maintains ability to deal directly with NB and PEI on power sales
  - Go it alone on export transmission investments
- The preferred option is to conclude arrangements with Emera to sell power in NS at a favorable rate and achieve access through NS to NB, PEI and New England

# Generation Expansion Summary

- Generation

- Muskrat Falls 824MW (4.9 TWh/yr)
- Construction start 2011
- In-service 2016
- Capex \$3.0 billion

- Island Link

- HVDC link (MF to Soldier's Pond) 1100 km
- DC converter stations
- Capacity 900 MW
- Capex \$2.1 billion

# Maximizing Value of Spilled Water

- Maritime Link

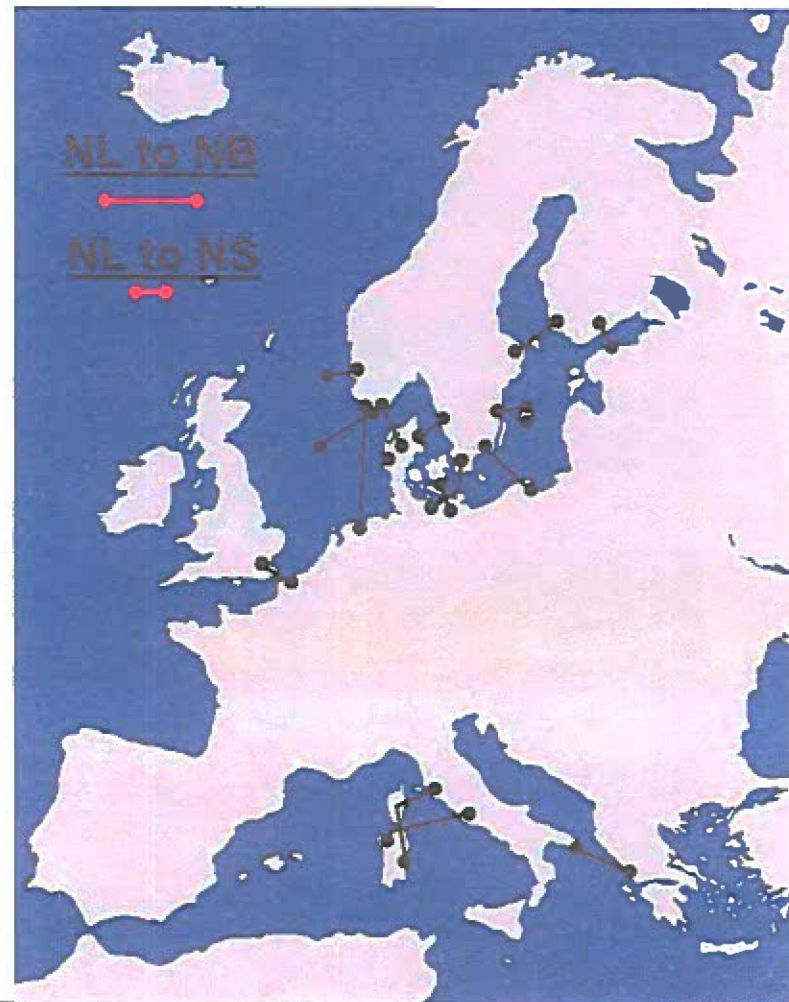
- New transmission and upgrades on the Island
- DC converter stations
- HVDC line to Cape Breton 180 km
- Capacity 500 MW
- Capex \$1.2 billion





## Scandinavia: Leaders in Sub-Sea Technology

- **NorNed** (2007) – connects Norway & Netherlands, 450kV, 700MW, 580km
- **SwePol** (1999) – connects Sweden & Poland, 450kV, 600MW, 245km
- **Baltic Cable** (1994) – connects Germany & Sweden, 450kV, 600MW, 250km
- **Skagerrak** (1977) – connects Norway & Sweden, 250kV, 1000MW, 127km
- **Konti-Scan** (1965) – connects Sweden & West Denmark, 250kV, 250MW, 86km





## Summary

- Nalcor builds and owns 100% of MF
- Nalcor builds Island Link and has ownership of 75%
  - Ability to take 100% at our option
  - Opportunity to invest in other Emera projects
- Emera builds and owns Maritime Link 100%
  - Ownership reverts to Nalcor after 35 years
- Nalcor always retains at least 51% controlling interest in overall transmission system
- NL gets favorable sales arrangements to NS access to NS transmission through to NB, PEI and NE
  - System coordination in NS
  - Bayside transmission rights in NB
  - MEPCO rights in Maine
- Nalcor has decision making control on all elements of the project
- NL power needs met until 2041
- NL is >98% renewable from an electrical generation perspective
- Project will generate a return of > 9% IRR

2010/11/09

NR/DM  
E. Martin  
Deputy Clerk  
File

A Presentation, Update on Negotiations with Emera, was received from the President and Chief Executive Officer of Nalcor Energy, accompanied by the Deputy Minister and the Associate Deputy Minister, Energy with the Department of Natural Resources.

The following direction was provided:

- 1) Approval was given for the policy that the next generation source for meeting provincial electricity needs is to be Muskrat Falls and a transmission link with the island of Newfoundland, consistent with the 2007 Energy Plan; and
- 2) Approval was given for the agreement parameters being pursued by Nalcor Energy in its negotiations with Emera Inc., including entering into a non-binding term sheet with Emera Inc. regarding a Maritime Link, the export of surplus power from the province, and certain arrangements with Emera Inc. regarding investment and transfer of power.

Deputy Clerk of the Executive Council