

From: mbradbury@nlh.nl.ca
To: tpaddon@mail.gov.nf.ca
Cc: dsturge@nlh.nl.ca
Bcc: karen.d.dawson@uk.pwc.com; thomas.f.garner@ca.pwc.com
Subject: Request from PWC
Date: Sunday, October 21, 2007 9:29:06 PM

Terry:

As per our recent conversation, I understand that you are currently assessing the Province's financing plans into the future. Energy Corp's future equity requirements will be an important factor in those plans and the Lower Churchill Project in particular, will be a major driver of those requirements. PWC forwarded to me a few questions that they hoped you would incorporate into your deliberations in this regard. These I have outlined below for your reference.

1. Current analysis indicates that total equity requirements for the Gull Island and associated LCP elements could range from approximately \$2 billion (of which \$600 to \$750 million would be contingent equity) to \$3 billion (of which approximately \$800 million would be contingent equity). In light of information shared with us concerning the Province's economic and fiscal outlook, and potential non-recourse borrowing capacity at Energy Corp, will the Province and Hydro be in a position to support investment on this scale?
2. We have been provided with some analysis on the Province's revenue and cost forecast over the next 3 years which covers some of the LCP financing time period. What proportion of revenue would the Province consider putting aside for equity investment?
3. What is the phasing that the Province could consider in releasing equity for the LCP?
4. How sensitive are the revenue and cost forecasts to variations in the oil price (eg what is the impact of a USD10/barrel increase or decrease in price?
5. What should be assumed about the Province's net revenue position over the 4-8 year time period (ie up till Gull Island commercial operation date) and its ability to support the project?
6. Does the Province have a view on the trade-offs between risk and reward in relation to the LCP and if so, what are they key components?

7. Some non-traditional means of securing equity and/or debt investment have been suggested, such as investment by the Provincial pension plan(s). Have these options been advanced, and can we list those that should be considered in the financing analysis?

Mark Bradbury
Corporate Treasurer
Newfoundland and Labrador Hydro
Ph: 709-737-1294
Fx: 709-737-1901
Email: mbradbur@nlh.nf.ca