

Date : 6/1/2011 12:16:33 PM  
From : "Paddon, Terry"  
To : "'AuburnWarren@nalcenergy.com'"  
Subject : RE: LCP Debt Communications  
Attachment : image001.jpg;  
Yes – that makes sense – delete "reported".

Terry Paddon  
Deputy Minister of Finance  
Province of Newfoundland and Labrador  
P.O. Box 8700  
St. John's, NL  
A1B 4J6  
(709) 729-2947 (O)  
(709) 729-2232 (F)

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**From:** AuburnWarren@nalcenergy.com [mailto:AuburnWarren@nalcenergy.com]  
**Sent:** Wednesday, June 01, 2011 12:02 PM  
**To:** Paddon, Terry  
**Subject:** RE: LCP Debt Communications

Based on your comment for #5 should I strike the word "reported" before Net Debt? #5 now looks like:

5. The projects will not impact reported Net Debt for the province because the province will have an income producing asset (investment in Nalcor) to offset the required debt unlike other provincial borrowing to fund general services. Further this income producing asset will continue to provide power for the province and revenue to the treasury long after the debt is paid off.

Auburn



Auburn Warren, CA  
Manager, Investment Evaluation  
Nalcor Energy  
t. 709-737-1256 c. 709-725-1141  
e. [AuburnWarren@nalcenergy.com](mailto:AuburnWarren@nalcenergy.com)  
w. [nalcenergy.com](http://nalcenergy.com)

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From: "Paddon, Terry" <tpaddon@gov.nl.ca>  
To: <AuburnWarren@nalcenergy.com>  
Date: 06/01/2011 10:39 AM  
Subject: RE: LCP Debt Communications

Some comments:

- 4. I cannot comment on the second part of the statement.
- 5. I would use "Net Debt" (ie upper case). Also, I would say "income producing asset".
- 7. This is debt and debt servicing in Nalcor vs the province.
- 8. Not sure we need to single out oil revenue. It will supplement all revenue.

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**From:** AuburnWarren@nalcenergy.com [<mailto:AuburnWarren@nalcenergy.com>]  
**Sent:** Wednesday, June 01, 2011 9:46 AM  
**To:** Paddon, Terry  
**Subject:** LCP Debt Communications

Good morning Terry,

I am working with Dawn on a communications piece around facts on Muskrat Falls and the Labrador-Island Link.

As these points are contemplated to be made public, I am hoping you could please review the following points and provide any feedback you may have. Please note in particular, point #5 as it relates to impact on the Province's net debt position. I am not sure how rating agencies would perceive Nalcor's debt or NL's debt for its equity contribution on the impact on the Province but could you please confirm whether this wording is correct and if not could you please suggest wording.

1. These projects are long-term investments and assets for the province. Hydroelectric assets, like Bay d'Espoir, Churchill Falls and Muskrat Falls, are assets with very long service lives and will bring value and revenue to the province for generations.
2. Muskrat Falls and the Labrador-Island Transmission Link are attractive projects from a credit worthiness perspective. These projects are based on known and proven technology and they will have certainty around the core revenue streams which is necessary for financing.
3. The final interest rate on borrowing will be determined according to market conditions when the debt is issued and we are confident that, given the credit worthiness of the projects, the interest rate will be competitive.
4. A Federal Loan Guarantee will further lower the interest rate for borrowing which will provide estimated savings to Island electricity consumers of approximately 6%.
5. The projects will not impact reported net debt for the province because the province will have an asset (investment in Nalcor) to offset the required debt unlike other provincial borrowing to fund general services. Further this asset will continue to provide power for the province and revenue to the treasury long after the debt is paid off.
6. The projects will provide the least cost source of power and energy for Island consumers.
7. Debt and debt servicing are included in the projected electricity rates.
8. The dividends from Muskrat Falls, and then eventually Gull Island, will supplement oil revenues to the provincial treasury.

Regards,  
Auburn



Auburn Warren, CA  
Manager, Investment Evaluation  
Nalcor Energy  
t. 709-737-1256 c. 709-725-1141  
e. [AuburnWarren@nalcenergy.com](mailto:AuburnWarren@nalcenergy.com)  
w. [nalcenergy.com](http://nalcenergy.com)

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