

Date : 10/29/2014 9:43:11 AM
From : "Miller, Ann Marie"
To : "Drover, David J." , "Andrews, Peter"
Cc : "Tompkins, John"
Subject : FW: Muskrat Falls exerpt

FYI

*Ann Marie Miller, CMA
Comptroller General of Finance
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P.O. Box 8700
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A1B 4J6*

From: Terry Paddon [mailto:terrypaddon@oag.nl.ca]
Sent: Wednesday, October 29, 2014 9:40 AM
To: Miller, Ann Marie
Cc: Keith J Butt
Subject: RE: Muskrat Falls exerpt

Thanks, we received the information. I have reworded the section to account for the internally generated equity as follows:

Muskrat Falls

On December 17, 2012, Government announced the sanction of the Muskrat Falls project (the Project). The Project consists of an 824 megawatt hydroelectric plant, a transmission line connecting the Muskrat Falls plant to the Churchill Falls plant and a transmission line to move the power from the Muskrat Falls hydroelectric plant to the island part of Newfoundland and Labrador.

The Project is expected to cost \$7.0 billion plus interest during construction of approximately \$1.1 billion – a total cost of \$8.1 billion. A portion of the Project has been financed through an issuance of bonds by Nalcor Energy's project subsidiaries in the amount of \$5.0 billion. The bonds are fully guaranteed by the Government of Canada. The Province has also provided a guarantee to the Government of Canada to compensate it for any costs under this Guarantee which are triggered by legislative or regulatory actions of the Province. The Province is currently expected to contribute equity to the Project in the amount of \$2.7 billion with the balance of the Project to be financed through internally generated equity at Nalcor. In addition, the Province has committed to funding all contingent equity which may be required to cover cost overruns on each aspect of the Project.

The size and complexity of the development creates considerable risk that the Province and the proponents will have to carefully manage during the construction phase. Ultimately, any risks related to project execution (including costs and timing) will be borne by the taxpayers, ratepayers, or both.

As at August 31, 2014, Nalcor Energy and/or its subsidiaries had spent or committed \$5.0 billion related to the Project.

Terry

From: Miller, Ann Marie [mailto:millera@gov.nl.ca]
Sent: October-29-14 9:10 AM
To: Terry Paddon
Subject: RE: Muskrat Falls exerpt

This issue has been escalated and hopefully you will get info asap.

*Ann Marie Miller, CMA
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From: Terry Paddon [mailto:terrypaddon@oag.nl.ca]
Sent: Wednesday, October 29, 2014 8:49 AM
To: Miller, Ann Marie
Subject: Muskrat Falls exerpt

Ann Marie

We received a portion of the requested information regarding MF yesterday, however, we have not received the estimated total expected project cost (including interest during construction). Peter Andrews indicates you are still waiting on confirmation. I am surprised that this is not readily available. This information is necessary, in my view, to fully determine the Provinces equity requirement. Nalcor has financed \$5.0 billion leaving the Province to contribute the rest.

I have attached 2 options for the excerpt of the Muskrat Falls piece from my report. Option 1 will be used if I receive the information in time. Option 2 will be used if I do not receive the information.

Based on the assumption that you are tabling today, it is my intention to go to print at lunchtime today.

Best regards

Terry

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