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Nalcor Energy: The Shareholder's Perspective

30 April 2010

Outline

1. What is Nalcor?
2. What is a Shareholder?
3. Who is the Shareholder of Nalcor?
4. How does the Shareholder affect Nalcor?
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"I'll see if he's in, Mr.Tonks - are you a big or small shareholder?"

What is Nalcor Energy?

- A crown corporation 100% owned by the Government of Newfoundland and Labrador.
- Crown corporations are established by government to pursue public policy and commercial objectives.
- Nalcor's objective is to take a lead role in the management and development of the Province's energy resources to ensure the people of the Province receive the maximum benefit from those resources.
- Crown corporations are instruments of government for which government is ultimately accountable, but they have operational autonomy for the specific purpose of keeping their day-to-day activities at arm's length from government.

What is a Shareholder?

- A shareholder owns the shares of a corporation.
- The typical goal of a corporation is to enhance shareholder value.

Who is the Shareholder of Nalcor?

- The ultimate shareholders of Nalcor are the taxpayers of the Province.
- The Legislature is the elected representative of the people. The Department of Natural Resources is the Shareholder's Representative and is the link between the shareholder and the corporation.

How does the Shareholder affect Nalcor?

- Energy Corporation Act
 - Objects
 - Corporate governance structure
 - Reporting and disclosure guidelines
 - Limits on powers (financial)
- Policy documents
 - The Energy Plan

What are the roles and responsibilities of the Shareholder?

- The Shareholder's role is that of owner and investor.
- General responsibilities include:
 - Establish the corporation's purpose and communicating that purpose to the corporation.
 - Appoint the Board of Directors and CEO.
 - Approve the strategic direction of the corporation.
 - Approve financing.
 - Approve the creation of subsidiaries.
 - Approve fundamental changes to the corporation.
- The Shareholder is responsible for the legislative and regulatory framework applicable to the corporation.
- The Minister is answerable in the Legislature for all of the actions of the corporation, including those pertaining to its day-to-day operations.

What has the Shareholder done for Nalcor?

- Equity (Capital) injections
- Deferred dividend payments
- Deferred debt guarantee payments
- Provision of assets (Abitibi and Bull Arm)
- Return on Equity (Hydro)
- Debt retirement (Hydro)

What is Government's role?

- Nalcor is responsible for:
 - Achieving its mandate and meeting the performance expectations of the Shareholder.
 - Establishing and implementing corporate policies and procedures that are consistent with the Shareholder's general direction.
 - Providing the Shareholder with reports and other information to enable the Shareholder to carry out its responsibilities.
- The Government is accountable to the people of the Province and is responsible for ensuring that public finances are properly managed.

Why is the Shareholder important to the Finance Group?

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- The Shareholder is ultimately accountable for the actions of Nalcor.
- The Shareholder must ensure that the taxpayers money is not being wasted and is being spent to benefit the taxpayers.
- Nalcor's decision to fund particular projects therefore must be consistent with the Shareholder's strategic plan.

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"Naughty, nice, nice, nice, naughty, nice.
 This you call a business plan?"

- Questions?