

Project Background and Rationale

- NL needs more power overall
- MF/LIL determined to be lowest cost option following extensive alternatives review
- Replaces Holyrood Thermal Generating Station > 40 years old
- Investment in an asset we own, returning value and cash flow in excess of \$30 billion to the people of the province
- Paying ourselves, as opposed to paying for oil to outside companies – we are “buying”, not “renting”
- Benefits are inter-generational – 100+ year benefits – benefits future generations
- Clean power; power generation in our Province will be 98% GHG free, and avoid emerging future risk of costs of carbon
- Significant construction benefits; jobs for NL's, and economic benefits for NL businesses

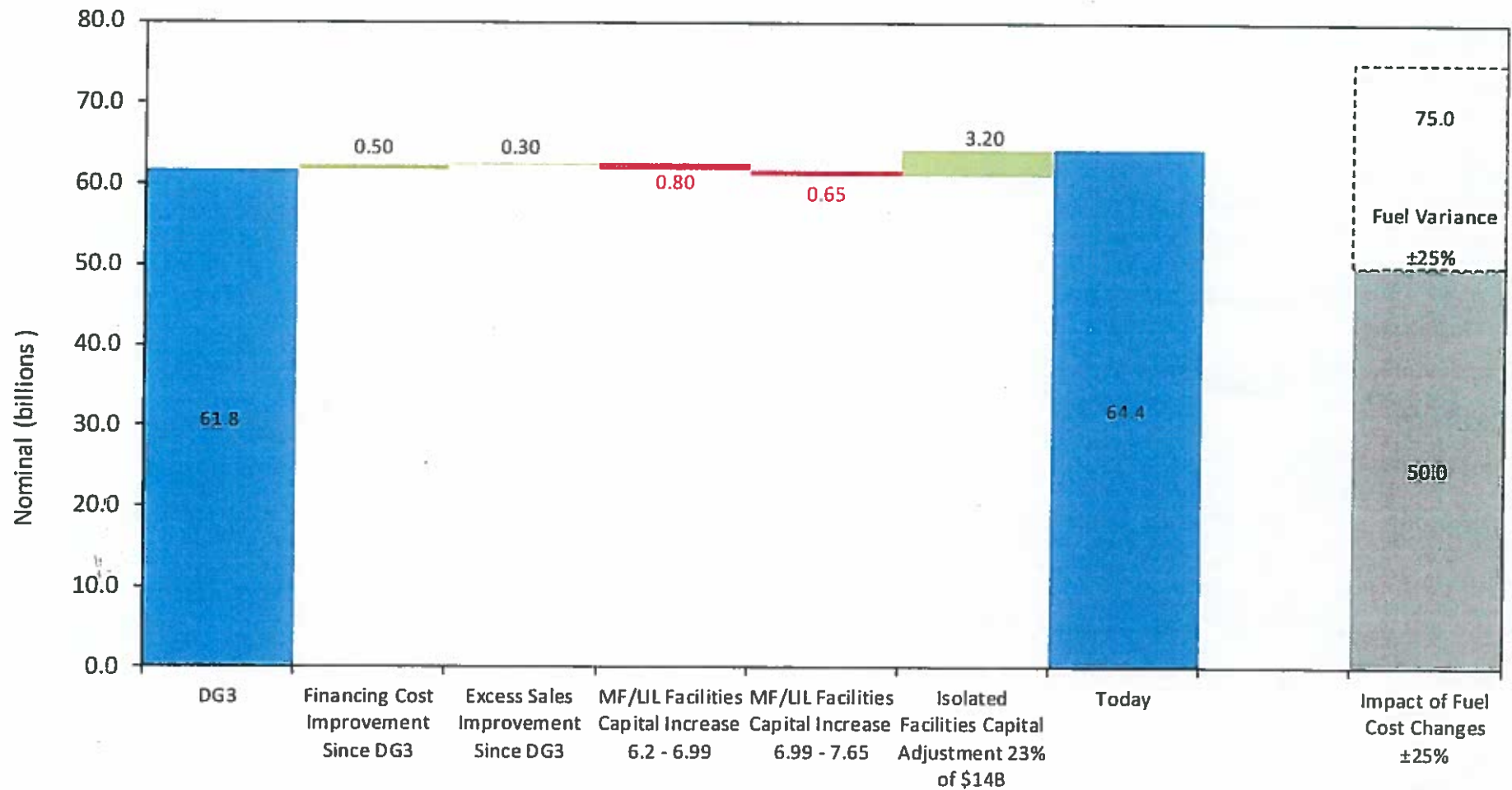
Project Background and Rationale

- Creates surplus power for NL needs and export – export revenue for people of province
- Both Labrador and the Island are connected 2 ways to North America markets for first time in history
- Significant improvement in system reliability as the island is now connected to neighbors
- Interest rates locked in at historic lows
- Federal Loan Guarantee acquired in recognition of regional GHG reduction benefits from the project
 - will save > \$6 Billion over life of project financing, 35 years for MF and 40 years for LIL
- Historic “New Dawn” agreement with Innu achieved
- Environmental approvals in place

Net Benefits to NL at DG3

\$000	Isolated		Interconnected		Net	
	Nominal	PV	Nominal	PV	Nominal	PV
CPW	74,221,796	10,778,339	46,916,599	8,365,997	27,305,197	2,412,342
CPW Induced	22,266,539	3,233,502	14,074,980	2,509,799	8,191,559	723,703
Income (Direct, Indirect and Induced)	7,744,518	1,352,918	5,777,301	2,307,718	(1,967,217)	954,800
Dividends	4,473,138	512,337	22,181,019	1,489,981	17,707,881	977,644
Treasury (Direct, Indirect and Induced)	1,095,016	189,118	862,797	347,562	(232,219)	158,444
Export			3,016,812	746,318	3,016,812	746,318
Water rentals			1,236,980	192,412	1,236,980	192,412
Carbon	(4,868,605)	(629,233)	(33,166)	(2,232)	4,835,439	627,001
Carbon Induced	(1,460,581)	(188,770)	(9,950)	(670)	1,450,631	188,100
Innu dividends			303,146	58,991	303,146	58,991
Total					61,848,209	7,039,755

Adjustments to Net Benefits to NL to 2067 Since DG3



Sources of funding

- There are substantial sources of funding available, including:
 - Government's return on equity investment
 - Muskrat Falls export sales.
 - Upper Churchill recall export sales.
 - Muskrat Falls water power rental fees.
 - NL Hydro regulated dividends.
 - Upper Churchill water power rental royalty.
 - Upper Churchill preferred dividends.
 - Other non-electricity Nalcor free cash flow
- Rate smoothing may be preferred to rate adjustment as it is time and cost limited
- A rate subsidy will reduce planned future revenue to Government from Nalcor