

Astaldi Discussion

Date Jan 14/15

→ If portion of payment to Astaldi made post commissioning as a "reliability" payment

(1.) How would it be treated from financial reporting (eg. deferred liability)

(2.) What would it mean from a <sup>(i)</sup> rates perspective and <sup>(ii)</sup> NL dividend perspective if in/out rates (opex)

Astaldi Board Deck

① Key Messages

- ↳ Move fwd w A is the preferred option - confirmed by . . . . .
- ↳ Not a normal contractor dispute situation - timing impact on A
- ↳ Offer structured as A + B + C = \$ amount
- ↳ Schedule impact 12-18 mths delay
- ↳ Overall cost impact to LCP of \$x-y
- ↳ Implications on COREA payments under FLG NL Equity

significant effort in execution, commercial and financial focus areas to arrive at this

② Background on Astaldi situation

- ↳ Production profile
- ↳ Turn around in summer 2015
- ↳ Need to deal with past - cost to complete (chart?)
- ↳ Astaldi financial situation - stock market chart

③ ~~Focus Areas & Options~~  
Commercial Principles

④ Focus Areas - Preparation and Analysis Slides + slide

⑤ Offer Framework

- A) Production rate
- B) Milestone payment
- C) Stretch targets
- D) Recoup of Advance
- E) Performance Security maintained

⑥ Options

with Astaldi { Value \$ range }  
without Astaldi { delay range }

⑦ Next Steps

- Negotiations commence
- NL Consultations
- Canada / IE Consultations
- Sign by XX
- AFE revised
- Public Update.



To DO's

Date Feb 1/16

- ① Performance Contracts to HR
- ② TTO Meeting / Email to C. Brown
- ③ VNF Invoices to ENL
- ④ Rising Stars Dues
- ⑤ Legion / Syria Donations
- ⑥ LIL LP / Holdco FS
- ⑦ EY Meetings
- ⑧ Astaldi Financial Position Deck

TTO Call Xeno, Greg C., Hull, Henderson, Geoff, Carla, Jim Feb 1/16

Xeno → Activities of LCP Entities limited to project description outlined in its charters and the MF Project description  
 ↳ Need to review these 2 documents

→ TTO Costs are Development Activities  
Action Items

- ① TTO Costs are Development Activities → Rob + Rob
- ② ~~Legal review - MC / Fastens~~
- ③ Legal review - MC / Fastens
- ④ Financial review - Rob Hull

3653  
6/1

7466

EY Meeting

Date Feb 3/16

→ Nallor: Ed, Derrick, Jim, Paul, Steve, Brian  
 → EY: Mike, David L., David S., Tim, Paul Hickey

- Positive and constructive approach from Project team in interactions with EY
- Team should be commended for their effort
- Review key findings of report / review when EY comes back next week.

Ed

- Need to anchor back to key principles (3) - joint reports
- Positive comments need to be reflected - alignment
- Page 4 is what it is. - context

Call with Ed

Feb 4/16

→ Paul, Lance, Brian, Jim

→ Things okay at MF site. DeLaRosa called to Rome  
 → 17 ATIPPA requests from Astaldi  
 → Letter from Duncan signaling claim / dispute coming.

→ ~~Something~~ something from Canada / IE indicating our approach with Astaldi is appropriate

Charles to Ed

→ Meeting with EY and OC was positive



Date

Date Feb 15/16

- Complimentary of Project and Project Team
- Did not hand out paper, but walked through it on screen. Wanted to have further review with Project Team
- Crystal clear on Ed's feedback on their involvement in Astaldi situation
- Paul Hickory helpful. Felt they may have got off on wrong foot with Nalcor.
- They weren't "crapping" on us.

Meeting w Premier

- Dwight and Minister Condy met with Ed at HP.
- Indicated how <sup>Cabinet</sup> meeting went wasn't conducive to getting them up to speed on Astaldi situation.
- Project update, drone footage, MF work, etc. all the way to Soldiers Pond.
- CRA survey - public status on MF. 68% in favor, 21% negative, 11% <sup>(1)</sup> undecided <sup>(1)</sup>
  - ⊕ - energy independence
  - jobs
  - rate stabilization
  - ⊖ - cost overruns
- Explained Astaldi situation. Premier has it in his mind.
- Premier dilemma is how to publicly say giving money to Astaldi
- This is your job. Not dealing with it not an option
- Nothing resolved, but clarity at the top of the house
- Condy wanted more info and needed to think about it.

Weekly Meeting w Derrick

- ① VE Audit
- ② T10
- ③ EY Review
- ④ Meeting w Canada/IE - Astaldi Update
- ⑤ PPA / TFA Deficit Review
- ⑥ Equity Ask - Interim Supply Act.

Checkpoint call with Canada/IE

Feb 15/16

- Nalcor - Jim, Paul, Lance, Steve.
- MWT - Nik
- CBB - Alison
- NRCan - Joe
- BF - Matt

- ① Astaldi Financial Position
- ② Westney/Lance Analysis

- No material concerns with releasing IE contract  
↳ just checks on IE reliance letter

- Attendees → NRCan → 2-3  
↳ CBB → Alison  
↳ BF → ~~John~~ Fred Mifflin  
↳ MWT → Nik



③

April 6 FLG2 Discussion

April 7/16

- ④ Incorporation of MF Contract into Model
- ⑤ Lock baseline

- ① Project Cost and Schedule Rebaseline + QRA
- ② Opex Update
- ③ Load Forecast / System Planning Update

Drivers

- ① Maximize FLG benefit + COREA impact
- ② Contractor issues with commercial sensitivity
- ③ Data provided to NL Finance
- ④ Astaldi range of impacts

Options

- ① Provide ranges of outcomes to move FLG2 analysis.

- Meeting Province - FIN, NR and PD called by Nelson (JM/AN)
- ① Purpose → Securing alignment on FLG2 approach
- ② Background → Status
- ③ Suggested Approach → Coordinated Group



Key Focus Areas for Stan

- ① Trx UL/LTA
- ② Generation MF
- ③ Emera
- ④ Avalon Reliability
- ⑤ HR Relationship

Nik - Discussion with Canada

Apr 25/16

- Significant changes to LCP management team big risk
- Nik doesn't know Stan personally, but know of him
- Blair Franklin knew Stan through Fortis.
- Thought it was important for Stan to know existing conditions of FLG
- Main points of FLG arrangements for Stan
- Canada/IE would like to see this before it goes to Stan
- NRCan ADM is going to be sending some points to NL counterparts. No major concerns from Canada with
- LCP project management. Canada does not see need for project team changes
- IE has identified significant risk in making any changes
- Canada continues to support the project and continue to completion
- Significant improvements in reporting and transparency.
- Nik has to advise Canada by mid June on their opinion on FLG2

→ Canada very concerned about stabilization of Asfeld situation.

ML JDC Meeting

Apr 26/16

Emera - Chris H., Brian R., Norm D., Dan M., Renee G. (Phone)  
 Nalcor - Gilbert, Paul, Steve, Jim

Agenda

- ① Abengoa Update
- ② Transmission Schedule

Safety Moment - Radon Gas Sensor

Abengoa Update

- Abengoa failed to meet productivity targets in March
- Recovery plan inadequate - just pushed out production
- Cannot get it done w/o additional help
- No financing coming from parent
- Issued notice of default on Apr 22
- Issued notice to surety to call on bonds
- Surety responded looking for long list of info - some relevant, some not
- ~~Both~~ Surety and Abengoa both showing signs of denial
- Abengoa disputing Emera default claims
- PowerTel working, but nervous whether they will get paid by Abengoa
- ENL has ability to step into contract with PowerTel to make payment and keep work moving.



Stantec Discussion with Canada May 19/16

- Joe Krupski, Anoop Kapoor
- Joseph McHattie
- Gilbert Bennett
- Alison Munzer

- Learning towards going with Argiron Global but in Canada / CBB want to confirm.
- Then need to approach Nik on continuity of IE services - ie. identify his "lieutenant" to provide continuity.

- PT5 vs. P90 for LCP QRA
- EM Forecast Budget
- FLG Meeting

To DO's May 24/16

- ~~Consol Info Reports~~
- FLG Meeting in Ottawa June 7
- ~~LCP Deficit Recovery Memo~~
- ~~LCP Financy Slides for Darricks Bob Deck~~
- ~~LCMC Slides for Hamytan~~
- History of LCP Cost Update Briefing
- ~~EM 2016 Forecast Meeting~~
- ~~Tanice Mat Leave~~
- ~~VNF Invoices Elnoren~~

- Personal
  - Mortgage Interest ✓
  - Update Home Expense summary.
  - ~~Summer Marie Income/Expenses~~
  - NYC Flights
  - Rich Weddig Flights/Hotel
  - Flotcha UV Filter
  - Dinner Reservations Sat Night
  - ~~Lawyers for Melanie + Card~~
  - US Visa Payment



Abm/  
CFLCo Board Meeting

Jun 20/16 Astaldi Meeting

Jun 22/16

- Bob Warr; Marie Jose Nadeau; Richard Cacchione
- Stan, Derrick; John Mac.; Peter

LCP Board Meeting

June 20/16

- Stan, Derrick, Gilbert, Peter, John Mac
- Rick Dawe, John Quaccio, June Perry, Ann Marie Hann, Donna Stone, Libby Burnham, Ron Elsworth
- Stan → This project is a sink hole; it will never make money
  - Every hydro project is not a good project
- Ann Marie Hann → Riots in the streets

Labor - Derrick, Lance, Jim, Aidan, Bruce, Leslie  
Astaldi - Francesco, Luca, Duncan, Gerio

Cost Forecast

Collateral Letter Components  
Next meetings)

Cost Forecast (Gerio)

- Reach LMAX first week of July
- Astaldi recording all event related costs in one account for insurance claim purposes

\* 164m cumulative loss to end of July 2016

\* 237m cumulative cash flow shortfall to end of July 2016

At end of Dec 2016 \$ 298m loss

\$ 324m cash flow shortfall

Delta's <sup>above</sup> assume we continue to pay 7% profit

Propose we pay them \$197m on labor and \$112m on non labor for balance of 2016 to close the gap and have them "break even" for the ~~year~~ contract.

(versus 13)

After Oct 2016 pay Astaldi 100% labor and then recoup on non-labor + 7% profit.

gap (\$210m)

delta covering my labor profit



FLG2 Meeting in Ottawa

- Related party debt from Nalcor to LCP entities
- Fiscal reserve at Canada level if additional perceived risk of FLG2
- Risk of Astaldi issue requiring FLG3

[→ Astaldi situation critical from Canada's perspective.]

- Finance Canada's perspective:
  - ↳ Why are they here? To provide advice b/c:
    - ① FLG needs Fin Minister approval
    - ② Finance in cabinet
  - ↳ Cabinet will view with fresh eyes
  - ↳ Fiscal challenges on both sides
  - ↳ Use of loan guarantees for projects like this
    - ↳ Exposure from Canada's
- How does Canada explain why FLG2 for NL vs other provinces
  - ① Environmental benefits
  - ② Regional project
- Federal role in supporting clean projects
- Finance Minister may view this as precedent.

- ① What makes sense for this FLG2?
  - ② Other Provinces wanting similar/fair treatment
- FLG for important public projects
  - Temporary vs-permanent FLG given mkt conditions

FLG with Commercial discipline to address behavioural issues

- ↳ Debt and equity co-discipline

Contingent liability for FLG

- ↳ Reserve
- ↳ "Guarantee fee"

If FLG has risk; what is the upside potential

Should FLG be extended and in what form.

"Folks have money at risk" key principle in Finance.