

**From:** [Ed Martin](#)  
**To:** [ed.martin@](#) [REDACTED]  
**Subject:** Fw: Net Income and Equity Ask February 16, 2014  
**Date:** Sunday, February 16, 2014 5:44:08 PM  
**Attachments:** [.png](#)  
[.png](#)  
[Nalcor Consolidated Proxv NI, Equity Injections&Dividends to Province 2014 version 7.pdf](#)  
[Nalcor Consolidated Proxv NI, Equity Injections&Dividends to Province 2014 version 7 vs March 2013.pdf](#)  
**Importance:** High

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Derrick Sturge

----- Original Message -----

**From:** Derrick Sturge  
**Sent:** 02/16/2014 05:31 PM NST  
**To:** Ed Martin  
**Cc:** Auburn Warren; Gordon Alexander; James Meaney; Craig Hippern; Elizabeth Lewis; Rob Hull; Scott Pelley; Terry O'Rielly  
**Subject:** Net Income and Equity Ask February 16, 2014

Hi Ed, the team has worked through the weekend to prepare an updated forecast to provide to the Province. They have prepared an updated forecast for Nalcor calendar 2015, 2016, and 2017. These calendar year forecasts along with our 2014 budget have then been converted into Net Income and Equity Ask numbers on a NL fiscal year basis (2014-15, 2015-16 and 2016-17). Here is a summary of some of the key changes since the March 2013 forecast. Also attached are two documents that we would provide to the Province, one is our current 2014-17 updated forecast, the other documents is a comparison of this updated forecast to the March 2013 forecast.

#### Oil Production

Total oil production for Nalcor calendar years 2014-17 in the March 2013 forecast was 12.1 million bbls, current forecast shows 11.6 million barrels for the same period, an overall decrease of 0.5 million bbls. Essentially 1.1 million bbls less in 2014 and 2015 period in total and 0.6 million bbls more in the 2016 and 2017 period.

#### Oil Price Assumptions

When the revised lower oil price forecast, revised FX rates and revised production profile are taken into consideration, the blended average price per bbl over the 2014-17 period has decreased by CAD \$8 per bbl (about a 7% decrease)

#### LILAFUDC

In the March 2013 forecast we were showing AFUDC on LIL as income during construction period. Having now completed the accounting research and aligning the financial models, we know this will not be the case. This results in a total reduction in net income over the four year period of \$124 million, or an average of \$31 million per year.

LCP

Since the March 2013 forecast a number of changes have occurred in LCP: (i) revised capex estimate (additional \$300 M in equity over project life), (ii) financial close completed and project finance agreements and mechanics now known, (iv) updated cost profile, (iv) revised in-service dates.

When all of these factors and other changes over the course of the past year are factored in, the impact on net income and equity ask for the three NL fiscal years are as follows:

- Net Income: Total of \$607 million in current forecast compared to \$780 million in March 2013 forecast.
- Equity Ask (pre contingency): Total of \$881 million in current forecast compared to \$450 million in March 2013 forecast.
- Equity Ask (with \$150 million contingency each year): Total of \$1,331 million in current forecast - includes contingency of \$150 million per year, no contingency built into last years forecast. One option is to just put the contingency in the current year equity ask and reassess future years contingency requirement at each budget time.

We will not flip these documents to the Province until you are happy with them.

Derrick



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----- Forwarded by Derrick Sturge/NLHydro on 02/16/2014 05:27 PM -----

From: Terry O'Rielly/NLHydro

To: Derrick Sturge/NLHydro@NLHydro

Cc: Auburn Warren/NLHydro@NLHYDRO, Craig Hippern/NLHydro@NLHYDRO, Elizabeth Lewis/NLHydro@NLHydro, Gordon Alexander/NLHydro@NLHydro, James Meaney/NLHydro@NLHYDRO, Rob Hull/NLHydro@NLHydro, Scott Pelley/NLHydro@NLHYDRO

Date: 02/16/2014 04:31 PM

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As requested:



Nalcor Consolidated Proxy NI, Equity Injections&Dividends to Province 2014 version 7.pdf



Nalcor Consolidated Proxy NI, Equity Injections&Dividends to Province 2014 version 7 vs March 2013.pdf



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16-Feb-14

**Nalcor Energy Projection 2014 - 2017**

Fiscal Year ended March 31, XX (CADMM)

	2014/15	2015/16	2016/2017
Equity Requirement/(Dividend)	552	373	406
Net Income	142	242	223

**Assumptions/Notes**

- 1 Emera is included in the projection including the Federal Loan Guarantee
- 2 Export sales are included net of tariffs, losses and water power rentals
- 3 Gull construction is not included but is continuing to be explored and studied and remains in work-in-progress
- 4 NLH GRA Test year 2013 reflects base case filed in the GRA assuming all fallout years
- 5 Assumed that there is no new transmission build in Labrador to service incremental Industrial load in NLH Regulated
- 6 CF(L)Co. includes its latest long term asset management plan and elevated rate for Twinco
- 7 June 2013 Load Forecast underpins all models and does not assume any new major industrial development within the projection
- 8 Energy Marketing, Oil and Gas and Bull Arm are based upon the latest budgets
- 9 Abitibi assets are assumed to be owned by the NL Government and the energy is assumed to be sold to NLH Regulated via a PPA
- 10 Results are indicative as reflected in our partially completed consolidation model which has not been updated for IFRS impacts
- 11 Interim -FRS accounting standard on Rate Regulated Accounting just released - Implementation Decision on IFRS not yet made by Nalcor - likely 2015, but could be 2014 - Projection assumes CGAAP for 2014 and IFRS for 2015 and beyond

**Key Metrics**

	2014	2015	2016	2017
<b>Oil Production (in mmbbls)</b>				
Hebron	-	-	-	0.0
HSE	0.2	2.2	3.6	3.4
White Rose Expansion	0.6	0.4	0.5	0.7
Total Production	0.8	2.6	4.1	4.1
Oil Price USD/bbl (PIRA, January 2014)	101.1	99.0	96.0	99.8
US/Canadian Exchange	0.929	0.927	0.980	0.977
Oil Price \$/bbl (PIRA, January 2014)	108.8	106.8	97.9	102.2

**Net Income (in CAD millions)**

O&G	30.1	132.5	140.7	92.0
LIL	-	-	-	-
MF (includes pre-funding revenue)	-	-	-	-
Hydro (Regulated Operations)	28.8	44.5	42.9	31.4
Energy Marketing (EM, IOCC & Menihek)	33.6	33.8	32.1	36.3
Nalcor Corporate	(19.1)	(19.5)	(19.9)	(20.3)
CF (NLH 65.8% ownership)	21.2	40.8	35.6	25.2
BAF	13.8	10.0	10.0	3.0
<b>Total Net Income</b>	<b>108.4</b>	<b>242.2</b>	<b>241.4</b>	<b>167.7</b>
Province's fiscal year basis (3/4 prior + 1/4 current year)	104.0	142.0	242.0	223.0

**Equity Required (Dividends)**

O&G	195.2	41.8	(77.9)	(116.1)
LCP Phase I Base	156.2	167.5	359.6	252.8
LCP Phase I Contingency	150.0	150.0	150.0	150.0
<b>Total Equity Required (Dividends)</b>	<b>501.4</b>	<b>359.4</b>	<b>431.7</b>	<b>286.7</b>
Province's fiscal year basis (pre LCP)			146.0	63.0
Province's fiscal year basis (LCP)			227.0	343.0
Province's fiscal year basis	530.0	552.5	373.0	406.0

16-Feb-14

**Nalcor Energy Projection 2014 - 2017**

Fiscal Year ended March 31, XX (CADMM)

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/2017</b>
Equity Requirement/(Dividend)	552	373	406
Net Income	142	242	223

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Net Income	108.4	242.2	241.4	167.7
Province's fiscal year basis (3/4 prior + 1/4 current year)	104.0	142.0	242.0	223.0
Total Equity Required (Dividends)	501.4	359.4	431.7	286.7
Province's fiscal year basis	530.0	552.5	373.0	406.0

07-Mar-13

**Nalcor Energy Projection 2012 - 2023**

Fiscal Year ended March 31, XX (CADMM)

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
Equity Requirement/(Dividend)	247	531	120	190	140	(120)	(280)	(470)	(540)	(590)	(610)
Net Income	120	120	190	280	310	390	470	400	460	520	530
Total Consolidated Net Income	102.9	165.5	273.1	296.0	350.5	502.4	386.5	441.7	515.2	533.8	527.3
Province's fiscal year basis (3/4 prior + 1/4 current year)	120.0	120.0	190.0	280.0	310.0	390.0	470.0	400.0	460.0	520.0	530.0
Total Equity Required (Dividends)	670.0	100.0	190.0	210.0	(90.0)	(210.0)	(460.0)	(530.0)	(580.0)	(610.0)	(620.0)
Province's fiscal year basis (3/4 prior + 1/4 current year)	247.0	530.0	120.0	190.0	140.0	(120.0)	(280.0)	(470.0)	(540.0)	(590.0)	(610.0)