

Date : 3/17/2015 1:37:43 PM

From : AuburnWarren@nalcorenergy.com

To : "Brewer, Donna"

Cc : "Bown, Charles W." , "Martin, Craig" , "DaveJones@nalcorenergy.com" , "DSturge@nalcorenergy.com" , "JamesMeaney@lowerchurchillproject.ca" , "Tulk, Jennifer" , "Myrden, Paul"

Subject : RE: Minister Request - Updates

Attachment : Minister Request Updated Mar 17 2015 (final updated).pdf;ATT00001.jpg;ATT00002.jpg;

Please see my comment in **RED** below

Auburn



Auburn Warren, CPA, CA
 General Manager (Commercial, Treasury, Risk & Technology)
 Nalcor Energy
 t. 709-737-1256 c. 709-725-1141
 e. AuburnWarren@nalcorenergy.com
 w. nalcorenergy.com

From: "Brewer, Donna" <dbrewer@gov.nl.ca>

To: "'AuburnWarren@nalcorenergy.com'" <AuburnWarren@nalcorenergy.com>

Cc: "Bown, Charles W." <cbown@gov.nl.ca>, "DSturge@nalcorenergy.com" <DSturge@nalcorenergy.com>, "Myrden, Paul" <pmrden@gov.nl.ca>, "DaveJones@nalcorenergy.com" <DaveJones@nalcorenergy.com>, "JamesMeaney@lowerchurchillproject.ca" <JamesMeaney@lowerchurchillproject.ca>, "Tulk, Jennifer" <JenniferTulk@gov.nl.ca>, "Martin, Craig" <CMartin@gov.nl.ca>

Date: 03/17/2015 11:35 AM

Subject: RE: Minister Request - Updates

Thanks Auburn

I will review with the Minister prior to the House opening. But I have a few questions / need for clarification. Please see below.

1. He will ask why you have included \$150 million contingency, if we have not moved from the \$6.99 and financing is known.
 - **Good point... I wanted to ensure the analysis included the full 2015-16 budget ask amount as the \$150 million is included therein. We have updated schedule below but the \$150 million should remain as part of the 2015/16 budget ask to ensure adequate coverage in case of contingency requirements**

2. Please remind me of the acronyms

IDC – interest during construction

Correct

AFDUC – available funds during construction

AFUDC - Allowance for Funds Use During Construction -- this is similar to IDC but also includes the capitalized return on the equity contributions

Soft costs – include legal – anything else of note

Soft costs include costs relating to legal & financial advisory fees, rating agencies, collateral agent & trustee fees, underwriting fees paid to TD at financial close and the independent engineer

Please clarify again the reserves

3. Is Class C – debt or equity

Class C is equity contributed by Nalcor/NL that has been attributed as not earning a return - this is the class shares that are provided under the CIAC scenario (as presented) - this is when Province is funding the cost overruns and ratepayer isn't - thus Province is not earning a return of or on equity for Class C

4. How much of the 2,812.3 equity is GNL vs. Nalcor internally generated.

Please see 7. b. below

5. What is the true up & COREA settlement at commissioning

This \$10.5 million amount represents the amount of money forecasted to be received by Nalcor from Emera once commissioning occurs and we true up per the Emera Formal Agreements the capital accounts between the 2 partners (Nalcor and Emera) -- this amount would be then be likely sent as a "refund" to the Province

The COREA settlement is actually under the "Class C" line and is shown as a refund in 2019 of \$36.5 million therein. This description would likely better be True Up and remove the COREA reference (updated in version above)

6. What is AFUDC on Equity (Not Contributed)

Please see above

7. He will need to know in simplest terms possible

a. What is total project cost (capital cost is \$6.99 b) – have we released publicly the total project cost of 8.23 b

We have disclosed publicly the prior version (see link below) - at that time it rounded to \$8.3 billion which links to the \$8.266b from the Sept version of the Minister's Request

<http://muskratfalls.nalcorenergy.com/wp-content/uploads/2013/03/Muskrat-Falls-Project-Sources-Uses-Overview-November-2014.pdf>

b. How much is GNL equity

Equity	GNL	Nalcor (int gen)	Total
To date	\$713.7 million	\$277 million	\$990.7 million
Future	\$1671.6 million		\$1671.6 million
Total	\$2385.3 million	\$277 million	\$2662.3 million

- important to note this represents the equity contributed - not total debt plus equity

c. What has been paid to date vs. GNL equity to come....

Please see 7. b. above

From: AuburnWarren@nalcorenergy.com [<mailto:AuburnWarren@nalcorenergy.com>]

Sent: Tuesday, March 17, 2015 10:13 AM

To: Brewer, Donna

Cc: Bown, Charles W.; DSturge@nalcorenergy.com; Myrden, Paul; DaveJones@nalcorenergy.com; JamesMeaney@lowerchurchillproject.ca

Subject: RE: Minister Request - Updates

Hi Donna,

Attached below please find latest view of LCP equity.

With respect to COREA payments, the LIL Project Finance Agreement ("PFA") initially contemplated that the COREA would be held in an account at the level of the LIL LP in which both Nalcor and Emera hold limited partnership interests. However, upon release by Nalcor of the Muskrat Falls Project Cost Update in June 2014 and calculation of the LIL Cost Overruns amount, it was determined that holding these funds at the LIL LP level would be an issue in context of complying with tax shelter rules associated with Emera's participation in the LIL LP. As a result, it was determined and agreed to with the Government of Canada, the Government of Newfoundland & Labrador and the Collateral Agent that the LIL COREA funds would be held in an account at the level of LIL Holdco, the wholly owned holder of Nalcor's limited partnership interest in the LIL LP, until such time as the LIL debt proceeds were fully exhausted. At such time these funds would be made available to the LIL LP to fund construction costs through a cash call to LIL Holdco. Based on current projections, this is expected to occur in mid-to-late 2017. These arrangements are set out in the Undertaking and Consent agreement dated December 10, 2014.

In addition to addressing the tax shelter considerations, having the COREA held at the LIL Holdco level also means a decision on whether Emera will be eligible to participate in LIL Cost Overruns is not required until such time as the LIL debt is fully exhausted and these funds are called upon for use by the LIL LP. This additional time also allows for the potential impact of Emera's participation in LIL Cost Overruns to be fully evaluated along with other factors in the context of overall ratepayer impact once the Muskrat Falls Project assets are brought into service.

We are pulling together as requested a briefing presentation that will outline Nalcor's 2015 Budget along with an updated view of our long term financial plan. In this document we intend to provide overview of our oil prices series and view on production.

Thanks!

Auburn



Auburn Warren, CPA, CA
 General Manager (Commercial, Treasury, Risk & Technology)
 Nalcor Energy
 t. 709-737-1256 c. 709-725-1141
 e. AuburnWarren@nalcorenergy.com
 w. nalcorenergy.com

From: "Brewer, Donna" <dbrewer@gov.nl.ca>
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Cc: "Bown, Charles W." <cbown@gov.nl.ca>, "DSturge@nalcoreenergy.com" <DSturge@nalcoreenergy.com>, "Myrden, Paul" <pmyrden@gov.nl.ca>
Date: 03/16/2015 05:33 PM
Subject: RE: Minister Request - Updates

Hi
Here in the office now. On my way to budget committee meetings.
What is status of the schedule?

From: AuburnWarren@nalcoreenergy.com [<mailto:AuburnWarren@nalcoreenergy.com>]
Sent: Friday, March 13, 2015 2:28 PM
To: Brewer, Donna
Cc: Bown, Charles W.; DSturge@nalcoreenergy.com; Myrden, Paul
Subject: Re: Minister Request - Updates

Will get you update asap

Cheers
auburn

Sent from my iPhone

On Mar 13, 2015, at 2:02 PM, Brewer, Donna <dbrewer@gov.nl.ca> wrote:

Hi
Sorry for late notice but Minister would like to have these schedules updated in preparation for House opening on Tuesday.

If there have not been any revisions please advise.

Has a decision been made with respect to EMERA in or out COREA?

As well, Minister will be seeking, Charles, a meeting with Nalcor to discuss financials and budget. As he is doing a five year plan to return to surplus by 2020/21 we will need information on years 2014 to 2020.

Donna

From: AuburnWarren@nalcoreenergy.com [<mailto:AuburnWarren@nalcoreenergy.com>]
Sent: Monday, September 29, 2014 3:11 PM
To: Brewer, Donna; Bown, Charles W.
Cc: DSturge@nalcoreenergy.com; DaveJones@nalcoreenergy.com; ElizabethLewis@nalcoreenergy.com
Subject: Fwd: Minister Request - Updates

Good day all

Donna, further to your request for the mid year update please find attached the two updated summaries - one based on Emera participating in LIL cost overruns and the second based on LIL cost overrun being fully funded by province in form of contribution in aid of construction CIAC- thus no return of or return on equity

We are available to discuss the attached to walk you through if you like

Auburn Warren, CA
General Manager (Commercial, Treasury & Risk)
Nalcor Energy
tel: 709.737.1256
mob: 709.725.1141

Nalcor LCP Update for Minister

March 17, 2015

Boundless Energy



Confidential and Commercially Sensitive

Purpose

Purpose

- ❑ Provide a financial update of the Lower Churchill Project with comparison to the prior report.

LCP Financial Update

Updated View – March 17, 2015

in millions CAD	MF/LTA				Labrador Island Link					Total				
Project Costs:														
MF	\$3,372.0											\$3,372.0		
LTA	831.9											831.9		
LIL									\$2,786.5			2,786.5		
Total Project Budget	\$4,203.9								\$2,786.5			\$6,990.4		
IDC/AFUDC, financing and other soft costs	437.5								576.6			1,014.1		
Reserves and other	156.1								70.1			226.2		
Total to be funded	\$4,797.6								\$3,433.2			\$8,230.7		
Funding Split	Nalcor					Nalcor		Emera		Total		Total		
Capital Account Ownership	100%					42.1%		57.9%		100%		100%		
Equity	\$2,197.6	46%				\$349.1	15%	\$480.2	45%	\$829.4	24%	\$3,026.9	37%	
Debt	2,600.0	54%				1,813.1	77%	586.9	55%	2,400.0	70%	5,000.0	61%	
Class C - NL Contribution in Aid of Construction (CIAC) for LIL						203.8	9%		0%	203.8	6%	203.8	2%	
Total	\$4,797.6	100%				\$2,366.0	100%	\$1,067.1	100%	\$3,433.2	100%	\$8,230.7	100%	
Equity Injections	MF	LTA			Total Nalcor	Nalcor Cash		Emera Cash		LIL Total		Total	Total Emera	Total Nalcor
Equity Required to Financial Close	\$576.5	\$86.3			\$662.8	\$122.3		\$67.7		\$190.0		\$852.7	\$67.7	\$785.0
Equity Required Financial Close to In-Service	1,156.1	378.7			1,534.8	128.1		313.2		441.3		1,976.1	313.2	1,662.9
Nalcor & Emera True-up at commissioning						10.5		(10.5)		(0.0)		(0.0)	(10.5)	10.5
Class C - NL Contribution in Aid of Construction (CIAC) for LIL						203.8		-		203.8		203.8	-	203.8
Subtotal	\$1,732.6	\$465.0			\$2,197.6	\$464.7		\$370.4		\$835.1		\$3,032.6	\$370.4	\$2,662.3
AFUDC on Equity (Not Contributed)						88.3		109.8		198.1		198.1	109.8	88.3
Total Equity	\$1,732.6	\$465.0			\$2,197.6	\$553.0		\$480.2		\$1,033.2		\$3,230.7	\$480.2	\$2,750.5
Equity Contributions Required for the Project Government Fiscal Year (March 31, 20XX)	MF	COREA	LTA	COREA	Total Nalcor	Nalcor Cash	COREA	Emera Cash	COREA	Total		Total Project	Total Emera	Total Nalcor
Prior	633.3	-	105.4		738.6	122.3	-	67.7		190.0		928.6	67.7	860.9
2015	13.0	26.7	2.1	27.9	69.8	-	60.1	-		60.1		129.8	-	129.8
2016	274.5	26.7	75.7	27.9	404.8	11.5	60.1	229.4		301.0		705.8	229.4	476.4
2017	243.1	26.7	104.3	27.9	401.9	83.4	60.1	83.7		227.2		629.1	83.7	545.4
2018	207.9	26.7	51.9	27.9	314.4	33.2	60.1	-		93.3		407.7	-	407.7
2019	254.1	-	14.0	-	268.1	10.5	(36.5)	(10.5)		(36.5)		231.6	(10.5)	242.1
Total Equity Contributions	\$1,625.9	\$106.7	\$353.3	\$111.6	\$2,197.6	\$260.9	\$203.8	\$370.4	\$0.0	\$835.1		\$3,032.6	\$370.4	\$2,662.3

Prior View – September 26, 2014

CADMM	MF/LTA		LIL						Total			
Project Costs:												
MF	\$3,372.0											\$3,372.0
LTA	\$831.9											\$831.9
LIL							\$2,786.5					\$2,786.5
Total Project Budget	\$4,203.9						\$2,786.5					\$6,990.4
IDC/AFUDC, financing and other soft costs	\$442.0						\$607.9					\$1,050.0
Reserves and other	\$156.1						\$69.6					\$225.7
Total to be funded	\$4,802.1						\$3,464.0					\$8,266.1
Funding Split	Nalcor		Nalcor		Emera		Total			Total		
Ownership (Limited Units)	100%		38.6%		61.4%							100%
Capital Account Ownership	100%		40.2%		59.8%				100%			100%
Equity	2,202.1	46%	\$330.9	14.3%	\$492.8	42.9%	\$823.7	23.8%	\$3,025.8			36.6%
Debt	2,600.0	54%	\$1,742.9	75.3%	\$657.1	57.1%	\$2,400.0	69.3%	\$5,000.0			60.5%
Class C - NL Contribution in Aid of Construction (CIAC) for LIL			\$240.3		\$240.3	6.9%	\$240.3		\$240.3			2.9%
Total	4,802.1	100%	\$2,314.1	89.6%	\$1,149.9	100.0%	\$3,464.0	100.0%	\$8,266.1			100.0%
Equity Injections	MF	LTA	Total Nalcor	Nalcor Cash	Emera Cash	LIL Total	Total	Total Nalcor				
Equity Required to Financial Close	\$656.7	\$95.8	\$752.5	\$126.6	\$67.7	\$194.3	\$946.8	\$879.1				
Equity Required Financial Close to In-Service	\$1,077.3	\$372.3	\$1,449.6	\$115.9	\$318.2	\$434.1	\$1,883.7	\$1,565.4				
Class C - NL Contribution in Aid of Construction (CIAC) for LIL				\$240.3		\$240.3	\$240.3	\$240.3				
AFUDC on Equity (Not Contributed)	\$0.0	\$0.0	\$0.0	\$88.4	\$106.8	\$195.3	\$195.3	\$88.4				
Total Equity	\$1,734.0	\$468.0	\$2,202.1	\$571.2	\$492.8	\$1,064.0	\$3,266.1	\$2,773.3				
Equity Ask from the Province												
Government Fiscal Year (March 31, 20XX)	MF	LTA	Total Nalcor	Nalcor Cash	Emera Cash	LIL Total	Total Project	Total Emera	Total Nalcor			
Prior - Internally generated Nalcor							385.5	67.7	317.7			
2015 - Internally generated Nalcor							24.3	-	24.3			
Prior (funded by the Province)							599.0	-	599.0			
2015	61.9	35.9	97.8		60.1	-	133.5	-	133.5			
2016	220.1	85.7	305.9	8.2	60.1	206.6	580.8	206.6	374.1			
2017	296.3	83.5	379.8	73.4	60.1	94.0	607.2	94.0	513.3			
2018	220.5	116.6	337.1	34.3	60.1	17.6	449.1	17.6	431.5			
2019	254.5	37.0	291.5	-	-	-	291.5	-	291.5			
Total Equity	\$1,053.3	\$358.7	\$1,412.0	\$115.9	\$240.3	\$318.2	\$3,070.9	\$386.0	\$2,684.9			

Change from Prior View

in millions CAD	MF/LTA		LIL			Total		
Project Costs:								
MF	(\$0.0)	\$0.0					(\$0.0)	
LTA	0.0	\$0.0					0.0	
LIL					\$0.0		0.0	
Total Project Budget	\$0.0	\$0.000			\$0.0		\$0.0	
IDC/AFUDC, financing and other soft costs	(4.5)	\$0.0			(31.3)		(35.8)	
Reserves and other	-	\$0.0			0.4		0.4	
Total to be funded	(\$4.5)	\$0.0			(\$30.8)		(\$35.4)	
Funding Split	Nalcor		Nalcor	Emera	Total		Total	
Ownership (Limited Units)							100%	
Capital Account Ownership							100%	
Equity	(\$4.5)		\$18.3	(\$12.6)	\$5.7		\$1.1	
Debt	-		70.2	(70.2)	-		-	
Class C - NL Contribution in Aid of Construction (CIAC) for LIL			(36.5)	-	(36.5)		(36.5)	
Total	(\$4.5)		\$51.9	(\$82.8)	(\$30.8)		(\$35.4)	
Equity Injections	MF	LTA	Total Nalcor	Nalcor Cash	Emera Cash	LIL Total	Total	Total Nalcor
Equity Required to Financial Close	(\$80.2)	(\$9.5)	(\$89.7)	(\$4.4)	\$0.0	(\$4.4)	(\$94.1)	(\$94.1)
Equity Required Financial Close to In-Service	78.8	6.4	85.2	12.2	(5.1)	7.2	92.4	97.4
2015 - Additional Contingency	-	-	-	-	-	-	-	-
Nalcor & Emera True-up at commissioning	-	-	-	10.5	(10.5)	(0.0)	(0.0)	10.5
Class C - NL Contribution in Aid of Construction (CIAC) for LIL	\$0.0	\$0.0	-	(36.5)	-	(36.5)	(36.5)	(36.5)
Subtotal	(\$1.5)	(\$3.1)	(\$4.5)	(\$18.1)	(\$15.6)	(\$33.7)	(\$38.2)	(\$22.6)
AFUDC on Equity (Not Contributed)	\$0.0	\$0.0	\$0.0	(0.1)	3.0	2.9	2.9	(0.1)
Total Equity	(\$1.5)	(\$3.1)	(\$4.5)	(\$18.2)	(\$12.6)	(\$30.8)	(\$35.4)	(\$22.8)

- The timing differences for equity contributions is offset by refund of \$36.5 million in LIL COREA payments upon LIL commissioning