

**From:** jamesmeaney@lowerchurchillproject.ca  
**Sent:** Wednesday, March 23, 2016 3:13 PM  
**To:** Derrick Sturge  
**Subject:** Re: Meeting - Minister

How did the meeting go?

Sent from my iPhone

On Mar 22, 2016, at 11:15 PM, Derrick Sturge <[DSturge@nalcoreenergy.com](mailto:DSturge@nalcoreenergy.com)> wrote:

Hi Jim, thanks that is very helpful. Don't worry about meeting tomorrow..... [REDACTED] no need to be waiting an hour with us. Can catch up later.

Derrick

Derrick Sturge

Vice-President, Finance & CFO

Nalcor Energy

Sent from my iPad

On Mar 22, 2016, at 10:48 PM, James Meaney <[JamesMeaney@lowerchurchillproject.ca](mailto:JamesMeaney@lowerchurchillproject.ca)> wrote:

Hi Derrick,

██████████ I could be available for 1pm if required. Will drop you a note mid morning to confirm.

You're right...if we cut a deal with a Astaldi for just 2016 but it pushes the FFC above \$7.65b AFE, it will still factor into COREA.

I think \$600m for just Astaldi might be on the high side assuming commercial settlement, but based on meeting I attended last week with Ed and LCP guys sounds like there could be some potential cost pressures in LIL ROW/access and maybe some schedule driven incentives being considered for Valard/Alstom to hit late 2017 completion....still very early days on this LIL stuff, but I think \$600m would certainly cover Astaldi, plus potential LIL impact noted above, plus some conservative additional contingency.

After the call with Craig and then seeing this note, I thought about it some more, and came at it from bit of a different angle using ranges:

1. Delay for MF full power = 12-18 mths (drives #s 3 and 4 below)...this guidance has been given to Canada/IE, OC and EY

2. Added contractor costs = ██████████ (per above)

3. Cost to carry MF camp and related support infrastructure for delay period + knock on to Andritz @ ██████████ (this from LCP guys which IE used in the delay analysis) = ██████████

4. Semi annual Bond interest + sinking fund payments @ \$150m starting in Dec 2018 until full commissioning = \$300-450m

So based on above, you'd be looking at facilities capital cost going from \$7.653b to \$8.369-8.577b under 12-18 mth delay...plus you have to add \$300-450m bond payments to determine total cost overrun of \$1.016-1.374b, divided by 3, for 2016 COREA payment of \$339-458m.

My take is they will drive MF schedule to try and get it done in 12-15 mths, plus Ed is likely going to grind Project team hard on above noted LIL cost pressures (based on my take of his reaction in that meeting), so a "risk adjusted" COREA of \$350-400m may not be unreasonable assumption.

The 2016 Forecast at end of Feb from Project Controls showed ~ \$340m of calendar 2016 capex pushing out, mostly driven by \$290m in LIL....but some of that will go into Q1 2017 and my take is this is still a bit fluid.....and when you take the equity rateable share of that and factor in Emera participation in LIL....my back of the envelope says that might bring down NL 2016/17 equity ask (before adjustments above) by maybe \$50-75m.

So if you take the current 2016/17 Nalcor equity ask of ~ \$1,300m, less the \$185m funding contingency, less \$50-75m timing, add \$350-400m new COREA....and assuming no other adjustments due to Oilco....if Finance really pushed us now for new 2016/17 figure considering full impact of LCP revised cost/schedule impact (versus waiting 1-2 months for official update)....that's a range of ~ \$1,400-1,450m for revised equity ask that could be considered depending on their risk appetite.

Not exactly sure if Ed even wants to get into above with Finance tomorrow where everything so dynamic with Shareholder, but thought I'd at least give you some perspective on a potential range for consideration....

Regards,

Jim

Sent from my iPhone

On Mar 22, 2016, at 6:36 PM, Derrick Sturge <[DSturge@nalconenergy.com](mailto:DSturge@nalconenergy.com)> wrote:

Jim, probably wouldn't hurt if you are available. I was talking to Ed. I said if we paid \$600 million for Astaldi, and incurred another [REDACTED] we would be at \$1 billion.....assume COREA period of 3 years (16, 17 and 18) and you get \$333 million per year. Ed asked if we paid amounts to Astaldi in 2016 would they also have to be pre-funded and I think the answer is yes if they resulted in an increase in FFC. Not sure how 2016 forecast Capex hold up if we crystallize a delay, would they push out somewhat?

Derrick Sturge

Vice-President, Finance & CFO

Nalcor Energy

Sent from my iPad

On Mar 22, 2016, at 6:17 PM, James Meaney <[JamesMeaney@lowerchurchillproject.ca](mailto:JamesMeaney@lowerchurchillproject.ca)> wrote:

Do you need me to attend this?

Sent from my iPhone

On Mar 22, 2016, at 5:09 PM, Derrick Sturge <[DSturge@nalconenergy.com](mailto:DSturge@nalconenergy.com)> wrote:

Ed; Craig Martin has set up meeting for 1:00pm Wednesday (tomorrow) in Finance Dept Board Room to discuss how we should address LCP schedule / equity ask in both current and future years. he wants to ensure we have enough in current year equity ask to ensure we can resolve any outstanding issues with contractors and address any COREA payments etc that could come with cost update.

Derrick

<p>&lt;0.3F4.jpeg&gt;</p>	<p><b>Derrick Sturge</b> <b>Vice-President, Finance &amp; CFO</b> <b>Nalcor Energy</b> t. 709 737-1292 c. 709 690-2545 e. <a href="mailto:dsturge@nalcorenergy.com">dsturge@nalcorenergy.com</a> w. <a href="http://nalcorenergy.com">nalcorenergy.com</a></p>
---------------------------	--