

Date : 11/12/2013 5:21:58 PM

From : "Bown, Charles W."

To : "Burt, Paula"

Cc : "Harvey, Michael" , "English, Tracy"

Subject : RE: Cabient PResentation

Attachment : FLG Presentation November 2013 (2).ppt;

Sorry...

CIMFP Exhibit P-02681

Page 1

From: Burt, Paula

Sent: Tuesday, November 12, 2013 5:22 PM

To: Bown, Charles W.

Cc: Harvey, Michael; English, Tracy

Subject: RE: Cabient PResentation

No attachment Charles – try again!

Paula Burt

Deputy Clerk/Associate Secretary to Cabinet

East Block, Confederation Building

St. John's, NL

709-729-2844

From: Bown, Charles W.

Sent: Tuesday, November 12, 2013 5:21 PM

To: Burt, Paula

Cc: Harvey, Michael; English, Tracy

Subject: Cabient PResentation

Paula;

I've attached a copy of my presentation to Cabinet on Thursday.

Charles

Requirements to Satisfy Conditions Precedent for Federal Loan Guarantee

Presentation to Cabinet

November 14, 2013

Submissions

- Intergovernmental Agreement for the Lower Churchill Loan Guarantee
- NL Equity Support Agreements and Guarantees
- Land Use and Expropriation Regulations

Intergovernmental Agreement for the Lower Churchill Loan Guarantee

Intergovernmental Agreement

Purpose

- Indemnifies Canada for any costs it may incur under the FLG as a result of a regulatory decision or regulatory change (including through legislation or policy) that prevents a Borrower from recovering project costs and fully servicing the guaranteed debt.
- Satisfies a condition precedent of the FLG

Intergovernmental Agreement

Key Components

- A number of NL Commitments, including:
 - Creation of subsidiaries
 - Provision of base level and contingent equity
 - Ensuring regulated rates for NLH to collect sufficient revenue
- Provides Legislative Stability
- Establishes a dispute resolution mechanism whereby disputes will be resolved by arbitration
- Indemnification for Canada of any costs, losses or damages as a result of NL Government Action that prevents cost recovery and debt servicing

Intergovernmental Agreement - Indemnification

- Province indemnifies Canada for any costs under the FLG, where those costs are a result of a failure of the Province to:
 - Fund Project equity to completion
 - Maintain the legal and other structures guaranteeing the Projects generate revenues during operations

Intergovernmental Agreement – Indemnification

- If the FLG were to be triggered because of a breach of these IGA commitments by the Province, the Province will be liable for all Canada's FLG-related costs.
- This risk is entirely in the Province's control, as breach of the IGA only occurs if the Province:
 - Fails to fund equity to Project completion
 - Changes legislation or otherwise alters the established legislative structures for repayment

Intergovernmental Agreement

Recommendations

- Approve the Intergovernmental Agreement as negotiated between the Province and Canada
- Authorize the ministers to sign the agreement when finalized

NL Equity Support Agreements and Guarantees

NL Equity Support Agreement and Guarantee

Purpose

- Authorize Nalcor to sign separate NL Equity Support Agreements for each of Muskrat Falls, Labrador Transmission Assets, and the Labrador-Island Link with Canada.
- Authorize the Minister of Finance to sign separate Guarantees for the NL Equity Support Agreements for each of Muskrat Falls, Labrador Transmission Assets, and the Labrador-Island Link with Canada.

NL Equity Support Agreements

- Separate agreement for MF, LTA and LIL with the responsible subsidiaries and Canada
- Nalcor commits to provide base equity sufficient to meet max debt to equity ratios for each project set out in FLG
- Nalcor also commits to provide contingent equity for any cost overruns and as required to achieve commissioning

NL Equity Support Guarantees

- The Province guarantees Nalcor's equity commitment to the Project under the ESG.
- There are actually 3 ESG document sets; one for each of the Projects.
- The Provinces guarantees Nalcor's payment of:
 - Base Equity (the expected equity contribution per project)
 - Contingent Equity (to cover all cost overruns to Commissioning over Base Equity)
 - Contributions to debt servicing and liquidity accounts, required as preventative elements by Canada and credit rating agencies.
- Through the ESG, the Province is providing a completion guarantee for each Project.

NL Equity Support Agreements and Guarantees

Recommendations

- Authorize Nalcor to sign separate NL Equity Support Agreements for all projects
- Authorize Minister of Finance to sign Guarantees for the Equity Support Agreements

Land Use and Expropriation Regulations

Land Use and Expropriation Regulations

Purpose

- Seek authorization to approve the Muskrat Falls Project Land Use and Expropriation Regulations made under the authority of the Muskrat Falls Land Use and Expropriation Act.
- Regulations are related to statutory easements, expropriation and land use and permitting.
- The regulations also include the protocol to be followed for any expropriation of land required for the Project.
- Assigns Ministerial Responsibility for each section of the Act and Regulations

Land Use and Expropriation Regulations

- Statutory Easement:
 - Minister of ENVC will enter into statutory easements and retain final authority over terminations of all easements.
 - Right to enter the statutory easement
 - Right to clear trees and shrubbery
 - Payment of rent and other obligations
 - Establishes the grounds for the termination of a statutory easement

Land Use and Expropriation Regulations

- Expropriation Protocol and Arbitration Panel
 - Negotiation in good faith with landowners to determine compensation
 - If negotiation fails, Minister of Transportation and Works can approve an expropriation
 - Payment of compensation determined by arbitration panel

Land Use and Expropriation Regulations

- Land Use and Permitting Regulations:
 - Minister of Service NL responsible for issuance of land use and development permits in the transmission corridor
 - Permits can be issued for commercial, agricultural and personal uses
 - Permits expire according to terms set by the Minister and may be cancelled for breaches of permit conditions and applicable laws
 - Permit holder can be compelled to return land to its original form when permit is cancelled.

Land Use and Expropriation Regulations

Recommendations

- Provide authority to make the Muskrat Falls Project Land Use and Expropriation Regulations
- Assign Ministerial Responsibility for the Muskrat Falls Project Land Use and Expropriation Act and that portion of the Regulations to the appropriate Ministers.

Other Items for Cabinet Consideration

- Maritime Link Exemption
- Land Use and Joint Management Agreements for the Subsea Components
- Assignment of Water Rights