



## Nalcor Energy provides update on Muskrat Falls Project

June 23, 2017, St. John's, NL - Stan Marshall, CEO, Nalcor Energy, today provided an update on the Muskrat Falls Project, acknowledging the challenges and achievements experienced over the past year, committing to strong completion of the project.

"Over the past year we have continued to address and manage challenges on the project. We have achieved significant progress," said Stan Marshall, CEO Nalcor Energy. "We were faced with construction issues including cofferdam and transmission conductor repairs, and impacts from worksite delays and interruptions. We settled one of the biggest risks facing the generation project as we finalized an agreement with Astaldi, who performed very well over the past year. Today, more than 75 per cent of all construction work on the entire project is complete, up from 48 per cent this time last year."

As announced in December 2016, the completion of the agreement with Astaldi added \$270 million to the construction costs. As previously indicated, the issues related to the cofferdam and conductor repairs and costs associated with worksite delays and interruptions in October further increased capital costs on the project at the end of 2016.

"Since we finalized the agreement with Astaldi we have been engaged in settling claims with all other contractors for all delays and changes which have occurred since the beginning of the project. We are currently finalizing a settlement with the primary contractor for the overland transmission project for \$140 million," said Marshall. "In this year's update we allowed an additional \$400 million in our estimate to settle all remaining claims."

With these additional costs the forecasted capital cost for the Muskrat Falls Project is \$10.1 billion.

Following execution of the additional federal loan guarantee agreement, in May of this year Nalcor secured \$2.9 billion in debt financing for the project. This additional financing reduces the equity required from the Provincial Government to the project by \$2.7 billion and reduces projected residential customer electricity rates.

Nalcor also updated the future annual operations and maintenance costs required to safely and reliably operate the addition of the new generation and transmission assets that will be added to the provincial electricity grid in the coming years. A review of these costs revealed that the 2012 estimate was significantly below today's industry standards, and an additional \$75 million would be required per year.

The overall projected rate increase for residential customers resulting from these changes is estimated at 1.1 cents per kilowatt hour.

Marshall indicated that going forward Nalcor must take all reasonable measures to minimize the impact on customers. Nalcor is on target to bring power from Churchill Falls to the island by this time next year. Completion of the transmission system ahead of Muskrat Falls generation will mean lower-cost recapture power from upper Churchill Falls will be used to displace oil-fired generation at the Holyrood plant and savings will be available to reduce electricity rates for customers.

“We remain focused on finishing the remaining 25 per cent of the construction while pursuing ways to further reduce the electricity rate impact to customers from this project.”

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