

From: emartin@nalcorenergy.com
Sent: Monday, February 8, 2016 8:41 PM
To: Bown, Charles
Subject: MF Bullet points
Attachments: Muskrat Falls Proceeding 2016.docx

Charles,

As requested see attached bullet points.

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Muskrat Falls Proceeding 2016.docx

Why Muskrat Falls should not be stopped or delayed?

- A. We need more power for two key reasons:
 - 1. to meet the growing demand, a demand which exceeds the ability of our current generating fleet (including Holyrood)
 - 2. Holyrood generating plant is at the end of its life and Muskrat Falls is needed to replace the power generated from this plant.

- B. Muskrat Falls expenditures and commitments to date are a sunk cost and would be a cost under any alternate scenario undertaken to meet future demand.
 - 1. Any delay would only add to this cost, while additional power sources would still be required
 - 2. >\$4.4 billion in capital plus interest/financing costs are incurred/spent (as of the end of Dec. 2015)
 - 3. >\$6 billion has been committed

- C. \$5 billion has been borrowed under a Federal Loan Guarantee, providing the Project the ability to secure AAA rated debt, resulting in very favorable long term interest rates. This amount has to be repaid with interest, regardless.
 - 1. The province has provided an equity completion guarantee to provide whatever funding required above the \$5 billion to ensure the Project achieves in-service
 - 2. If the province does not do so, then the Federal Government has the right to take over the development.

- D. The equity invested in Muskrat Falls is an investment for the province, providing > 8% returns to the province over fifty (50) years, which provides long term cash flow, that stays in province.
 - 1. When you write a cheque to pay a power bill with MF, the majority of the payment goes to pay off a mortgage on an asset you own;
 - 2. This is as opposed to paying out the majority of your power bill to outside companies to provide oil and gas to produce your electricity, forever.
 - 3. Provide Newfoundlanders and Labradorians with a return of cash to compensate for an investment of equity
 - 4. > \$25 billion in cash return directly to the Province through Nalcor 50 years
 - 5. > \$60 billion in benefits and cost savings to Newfoundlanders and Labradorians over 50 years

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- E. After 35 years, the people of the province own the generating station with no debt attached to it – generating station life span is >100 years, future generations will benefit as well.
 - F. Reliability of the electrical system increases significantly as we connect the Island of Newfoundland in two separate directions for the first time in history.
 - G. Muskrat Falls ensures we are self-sufficient in terms of energy/electricity consumption.
 - H. Increased jobs and economic benefits during a significant downturn in our economy due to oil prices.
 - 1. Estimated \$9 million invested in the NL economy weekly.
 - 2. At peak over 4,552 NL residents (84%)
 - 3. 1,291 Labrador residents at peak (Aug)
 - 4. \$835 million in estimated wages to NL workers to date
 - 5. Over \$1B spent with NL businesses since Jan'13
 - I. We will be > 98% renewable in Newfoundland and Labrador for electricity generation.
 - 1. Replacing the Holyrood plant with clean, renewable power from Muskrat Falls eliminates our reliance on burning fossil fuels for electricity generation.
 - 2. The retirement of the Holyrood thermal generation station which will result in the reduction of one million tonnes of GHG emissions annually.
 - 3. By burning fuel, the Holyrood plant emits a variety of pollutants including: sulphur dioxide, nitrogen dioxide, carbon dioxide and particulate.
 - 4. Closing Holyrood means that local residents will no longer have to be concerned over the plant and its emissions.
 - J. Strategic benefits of connecting Island to Mainland both ways – thru Atlantic Canada to U.S. markets and thru Quebec to U.S. and Canadian market breaks the stranglehold Quebec has held over our power development for the first time in history.
 - a. Lays the groundwork for development of other energy projects such as other hydro, wind and Gull Island