

From: Simmons, Daniel
To: [Collins, Michael](#)
Cc: [Admin](#); [Muzychka, Irene](#); [Ding, Adrienne](#); [Morry, Kirsten](#); [Martin, Dana](#)
Subject: FW: \$100 million revenue NPV increase - EAA
Date: Sunday, May 12, 2019 2:53:57 PM
Attachments: [ATT00001.jpg](#)
[Big Benefit Scenario with UARB.xlsx](#)

Michael,

Please see Auburn Warren's message below and the attached Excel file for an explanation of the derivation of the \$100 million benefit that you inquired about.

Regards,
Dan

Daniel Simmons Q.C.
Partner
McInnes Cooper

tel +1 (709) 570 7328 | fax +1 (709) 722 1763

From: AuburnWarren@nalcoreenergy.com <AuburnWarren@nalcoreenergy.com>
Sent: Thursday, May 9, 2019 3:31 PM
To: Simmons, Daniel <daniel.simmons@mcinnescooper.com>; Martin, Dana <Dana.Martin@mcinnescooper.com>
Cc: DSturge@nalcoreenergy.com; DeanneFisher@nalcoreenergy.com; PHickman@nalcoreenergy.com
Subject: \$100 million revenue NPV increase - EAA

Hi Dan,

My apologies for delayed response with respect to the \$100 million dollar revenue increase noted throughout Commission testimony. At that time the majority of the analysis that would have been completed would have been completed by Terry O'Reilly - who has recently finished with Nalcor. As such I have worked with Gord Alexander to try and locate support for this outstanding piece - Gord would have been working closely with Terry during 2013 - but is now working with NL Hydro in its regulatory group.

From our review of emails and file folders and our recollection of process we would have followed during this time, we have been able to locate the following file related to the \$100 NPV incremental revenue related to the Energy Access Agreement (EAA) negotiated between Nalcor and Emera.

H:\Investment Evaluation\Gordo\Sharepoint Stuff\Backup\PM\2013Q2Base\Shared Documents\Emera\Big Benefit Scenario with UARB.xlsx

At a high level, the \$100 million represents NPV of the increased revenue derived from delivering Nalcor's energy to NS Delivery Point (Point Acoine) at MassHub pricing (versus flowing through NS and NB and incurring losses to get same MassHub pricing).

In the above noted file, on the "WS Summary" worksheet, cell J4 has a total Jul 1-2012 NPV increase in revenue of \$217.38 million - this reflects total increase in revenue for MF exports (cell D4 = \$46.77) and Recall sales (cell H4 = \$170.60) when selling under the EAA versus the status quo for full bid amount.

Cell D4 reflects the NPV difference between running Tom's Garner's "Revenue model" that calculated MF exports revenues by year under 2 different scenarios:

Column B - MF Exports Status Quo - assumes ML available and optimized model delivers energy based on transmission capacity constraints to markets yielding maximum net back pricing

Column C - MF Exports UARB/EAA - same as Column B however pricing for NS Delivery Point reflects EAA terms - MassHub pricing

Cell H4 reflects the NPV difference between running Recall's "Revenue model" that calculated Recall Sales by year under 2 different scenarios:

Column F - Recall Sales Status Quo - assumes ML available and optimized model delivers energy based on transmission capacity constraints to markets yielding maximum net back pricing

Column G - Recall Sales UARB/EAA - same as Column F however pricing for NS Delivery Point reflects EAA terms - MassHub pricing

My recollection is that we would have then taken a conservative 50% of the above amount to reflect the "bidding" aspect of the EAA to arrive at an estimate of \$100 million. Meaning we assumed that half of the amount we were required to bid under the EAA would actually be sold. We continue to this day to make this assumption in our forecasts our estimated export sales.

Please advise if any questions.

Regards,
Auburn



Auburn Warren, CPA, CA

General Manager (Financial Planning, Treasury & Risk Management)

Nalcor Energy

t. 709-737-1256 c. 709-725-1141

e. AuburnWarren@nalcorenergy.com

w. nalcorenergy.com

Notice This communication, including any attachments, is confidential and may be protected by solicitor/client privilege. It is intended only for the person or persons to whom it is addressed. If you have received this e-mail in error, please notify the sender by e-mail or telephone at McInnes Cooper's expense. **Avis** Les informations contenues dans ce courriel, y compris toute(s) pièce(s) jointe(s), sont confidentielles et peuvent faire l'objet d'un privilège avocat-client. Les informations sont dirigées au(x) destinataire(s) seulement. Si vous avez reçu ce courriel par erreur, veuillez en aviser l'expéditeur par courriel ou par téléphone, aux frais de McInnes Cooper.

NOTE

The attachment to this email is an Excel spreadsheet which has not been printed.

The native Excel spreadsheet will be displayed on monitors during the hearing.