

From: Gilbert Bennett
To: [Mary Hatherly](#)
Subject: Fw: Briefing document for Firday meeting re Redress Payments
Date: Wednesday, November 30, 2011 4:39:19 PM
Attachments: [.png](#)
[settlement payments issues summary.rtf](#)
Importance: High

Hi Mary,

I need the completed IBA and UCRA for Friday's meeting.

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Mark Bradbury

----- Original Message -----

From: Mark Bradbury

Sent: 11/30/2011 04:36 PM NST

To: Carol Anne Lutz; Derrick Sturge; Elizabeth Gray; Gilbert Bennett; Kent Legge; Paul Harrington

Subject: Briefing document for Firday meeting re Redress Payments

Hi Folks

I thought the attached would facilitate discussion.



settlement payments issues summary.rtf



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REDRESS AGREEMENT SETTLEMENT PAYMENTS

Issues Summary
November 30, 2011

- **Current Nalcor Finance Position**
 - Consider the present value of the payments (\$39 m) as a Lower Churchill Project cost.
 - *“the payments made under the Upper Churchill Redress agreement should be capitalized as part of the Lower Churchill Project as the agreement would not have been negotiated if it were not for the construction of the LCP.”*
 - While allocation of the cost to the various Phase 1 LCP projects (excluding Maritime Link) is considered reasonable, there is some uncertainty as to whether allocation to Gull can be supported.
- **Alternative viewpoint to consider:**
 - No linkage in final agreements between the Redress Agreement and the Lower Churchill.
 - All release and indemnity in respect to the Lower Churchill is covered in the IBA.
 - Redress simply deals with release and indemnity for the Upper Churchill, which is a Provincial and Nalcor (CFICo) matter.
 - While there was a footnote in the initialed agreement linking Redress to the other two agreements by the Innu, that footnote is gone from the final executed agreements.
- **If not capitalized to LCP?**
 - If not capitalized to LCP, is some other form of capitalization possible?
 - If not, then the alternative accounting treatment is an immediate expense to Nalcor for 2011.
- **If treated as a 2011 expense to Nalcor?**
 - Thrust of the Cabinet support paper changes
 - Argument becomes one of why Government should protect Nalcor's bottom line
 - Forecasted bottom line for 2011 higher than historically
 - Government could argue that this would be a good year to write this off
 - Could also argue that if it is a Nalcor expense item, then why pay it over to Nalcor, only to receive it back as dividends. There is no pass thru to the ratepayer.
 - Many of the arguments made in the current Cabinet support paper fall away; i.e. rate impact, LCP cost overrun, etc...
 - Only argument we could then make in an expense scenario is to focus on the benefits to the Province; but of course there are benefits to Nalcor as well.
- **Suggested Next Steps in Order of Occurrence**
 - Finalize decision internally on appropriate accounting treatment before any Government agreement to reimburse
 - Obtain Deloitte concurrence with that position
 - Confirm accounting treatment of reimbursement amounts if Government agrees to reimburse
 - Decide on strategy
 - A decision from Government prior to year end is not possible, but a decision might be obtained prior to finalization of financial statements
 - Consider accounting/reporting implications of a Government decision to reimburse post year-end and prior to financial statement release
 - Decide on:
 - Whether to submit Cabinet support paper and
 - When to submit
 - Assuming we decide to pursue reimbursement, a delay in the decision tree above will increase the risk of not having Government agreement to reimburse prior to finalization of financial statements