

Nalcor's Evolution

The path to long term sustainability

Boundless Energy



Purpose

- Describe Nalcor Energy – Past, Current, and Future
- Provide investment, dividend and financial outlook
 - Up to 2025, current assets and projects only
 - Up to 2045, with reasonable growth assumptions

Context

- Energy is a globally strategic resource
- NL's extensive wealth of energy resources, both renewable electricity and non-renewable oil/gas will form a critical basis of our future
- We are 500,000 people, with proximity to the one of the largest electricity market in the world, as well as excellent port access to world oil and gas markets
- Leadership and control is essential for ensuring full benefits accrue to people of NL
- We are well positioned for a step change in prosperity

Key Messages

- Significant progress achieved – much more to come
- Projections indicate unprecedented dividend potential from Nalcor
- The Province is at a key energy transition point
 - CF post 2041 becoming a current issue
 - MF/LIL/ML and connection to North America imminent
 - Oil and gas potential set for significant positive change
- Positioning next steps for success is essential

Actions Completed

- Created Nalcor
- Equity ownership in oil and gas projects
- Muskrat Falls/Labrador Island Link/Maritime Link Project
- Selling excess energy into North America market place
- Offshore exploration foundation in place and being executed
 - fiscal regimes
 - Scheduled land sales and land tenure system
 - geoscience investments
- Improved asset management, addressing aging assets
- Strategic investments in electricity infrastructure
- Positioned to advance additional developments

Opportunities Going Forward

- Slope and Deepwater exploration
- Bay du Nord development and much more
- Gull Island Project
- Additional hydro developments
- Wind
- Upper Churchill – time is rapidly approaching

What is Nalcor?

- Newfoundland and Labrador's energy company
 - Provincially based; globally focused
 - Business principles, goals and methods
- Wholly owned by the province and tasked to take a lead role in the development of our energy resources
- Long term value generator
 - profit focus with social and economic objectives
- Strategic advisor to Government

Corporate Structure



Our Vision

“To build a strong economic future for successive generations of Newfoundlanders and Labradorians”

Nalcor has a clearly defined long term plan

THE ROADMAP - 5 STAGES OF EVOLUTION

Phase 1 - The Plan

“Begin With The End In Mind”

- Right People in the Right Seats
- Nalcor’s Vision/Values/Goals/Obj./Perf. Mgmt.
- Set the Long Term Strategy
- Clear Focus Areas
 - Safety
 - Asset Management
 - High Performing Organization

Phase 2 – The Foundation

“Setting the Table – Preparing for Growth”

- Improve processes and performance in the existing operating businesses in preparation for growth
- Initiate first tranche of growth opportunities
 - Hebron
 - White Rose Extension
 - Muskrat Falls/LIL/ML
 - Federal Loan Guarantee
 - Innu “New Dawn”
 - Hibernia South
 - Bull Arm
 - Emera Partnership
 - Energy marketing
 - 2D Seismic Offshore

Phase 3 - The Consolidation

“Execute Phase 2 Growth and Transition to the Next Level”

- Continue to improve and sustain performance in the existing operating businesses
- Focus on effective execution growth projects initiated in Phase 2
- Period of high capital investment – capital intensive
- Take advantage of growth “targets of opportunity”
- Prepare for Phase 4 Growth

Phase 4 – The Next Level of Growth

“Harvest the Wins and Initiate Further Growth”

- Strong dividend flow available to shareholder
- Sustained high performance in the existing operating businesses
- Initiate next level of growth
 - 2-3 Oil/Gas Developments
 - Gull Island
 - Expand Exploration Strategy
 - Incremental Wind
 - Other Hydro
- Early and well-planned prep for 2041 – CF(L)CO

Phase 5 – Long Term Sustainability

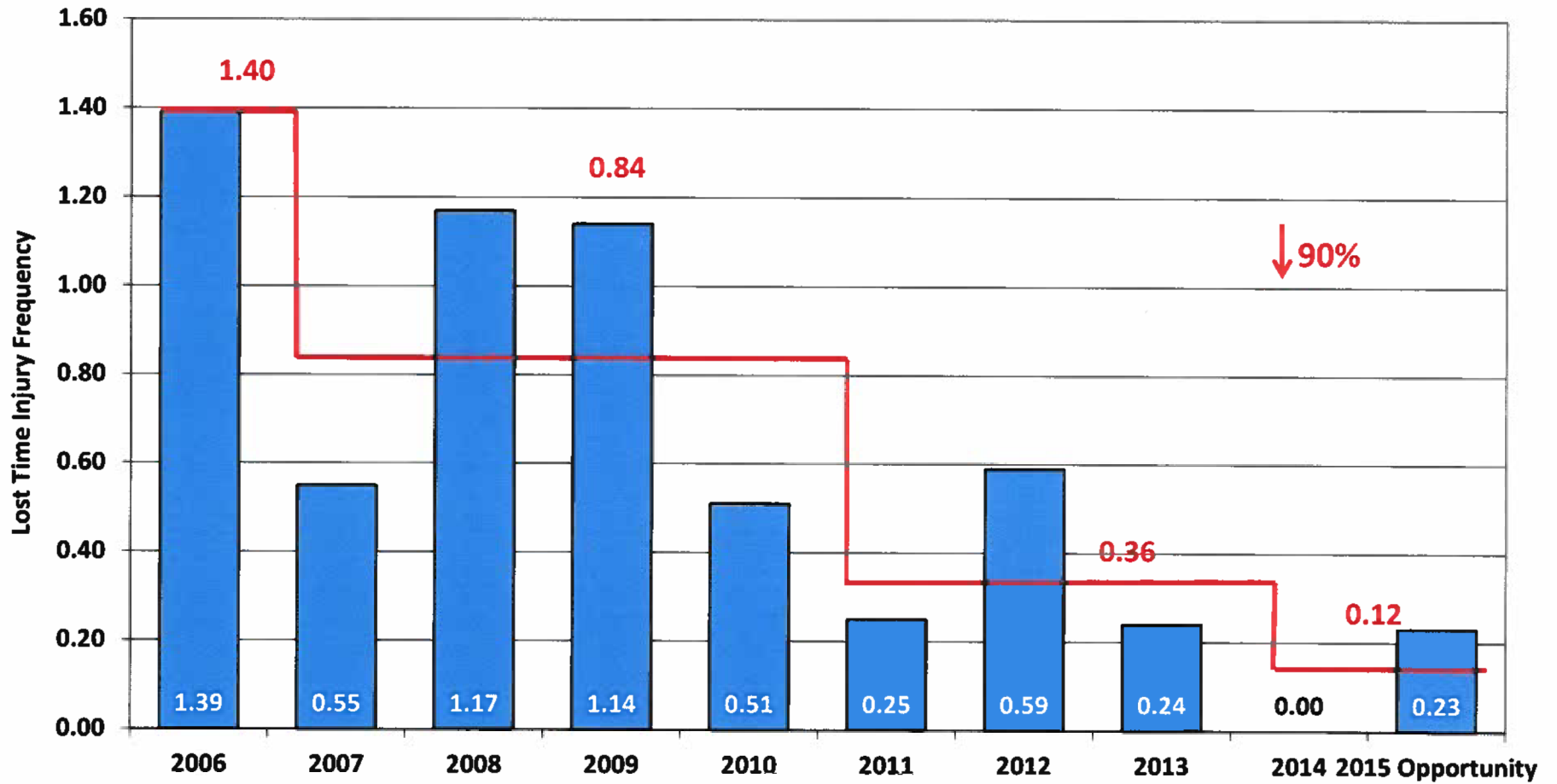
“Sustained Long Term Operating Performance and Growth”

- Annual, very substantial, sustained dividend stream
- Continued growth, supported by excellent financial position
- Provincial, National and International opportunities pursued aggressively to sustain long term value to the Province.

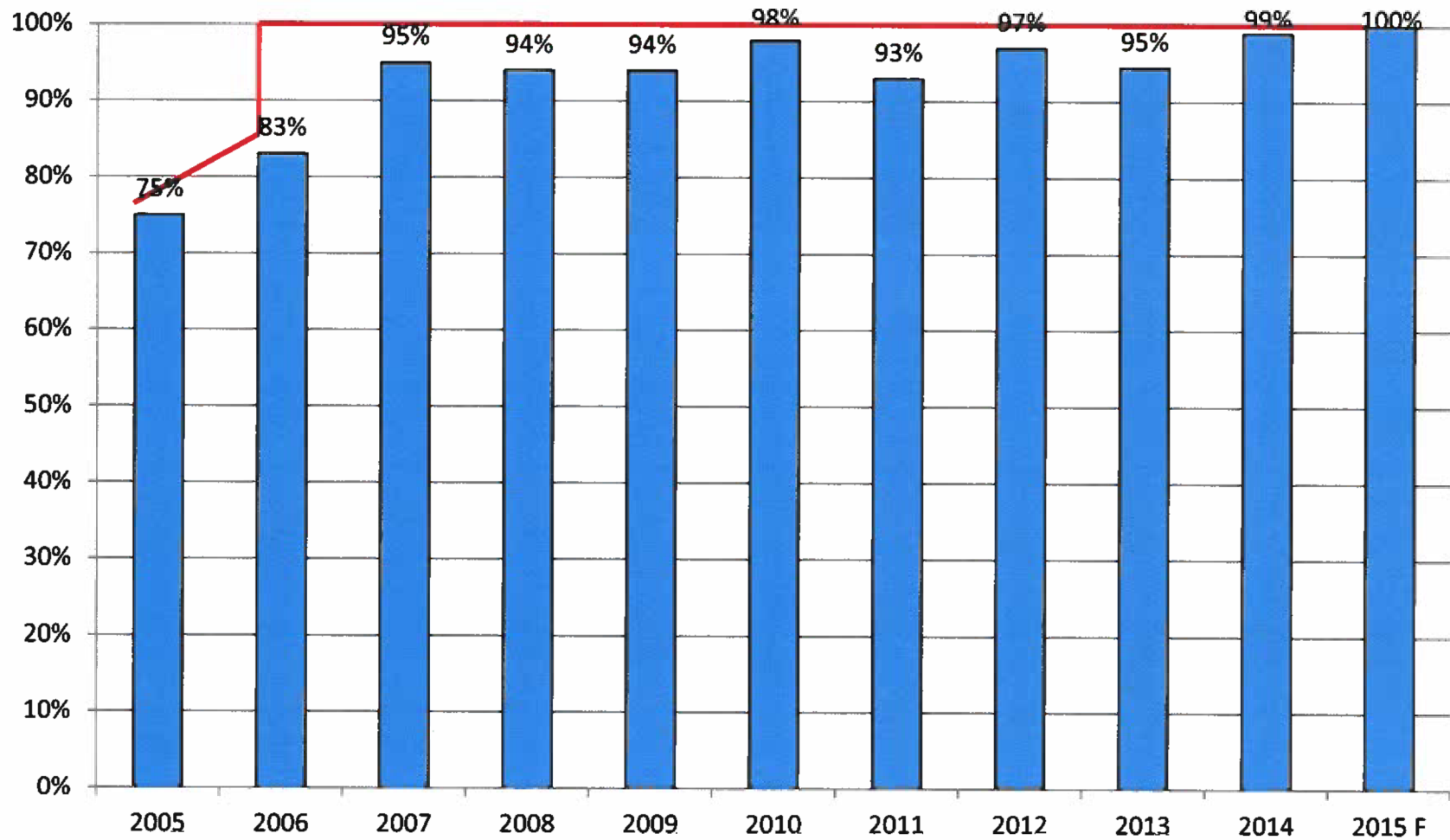
- Operating performance similar to other Canadian jurisdictions
- Significant growth projects under development
- Post 2018;
 - Net Income growth 6x
 - Asset growth 6x
 - Continued debt/equity stability

PROGRESS TO DATE

Safety – Lost-Time Performance



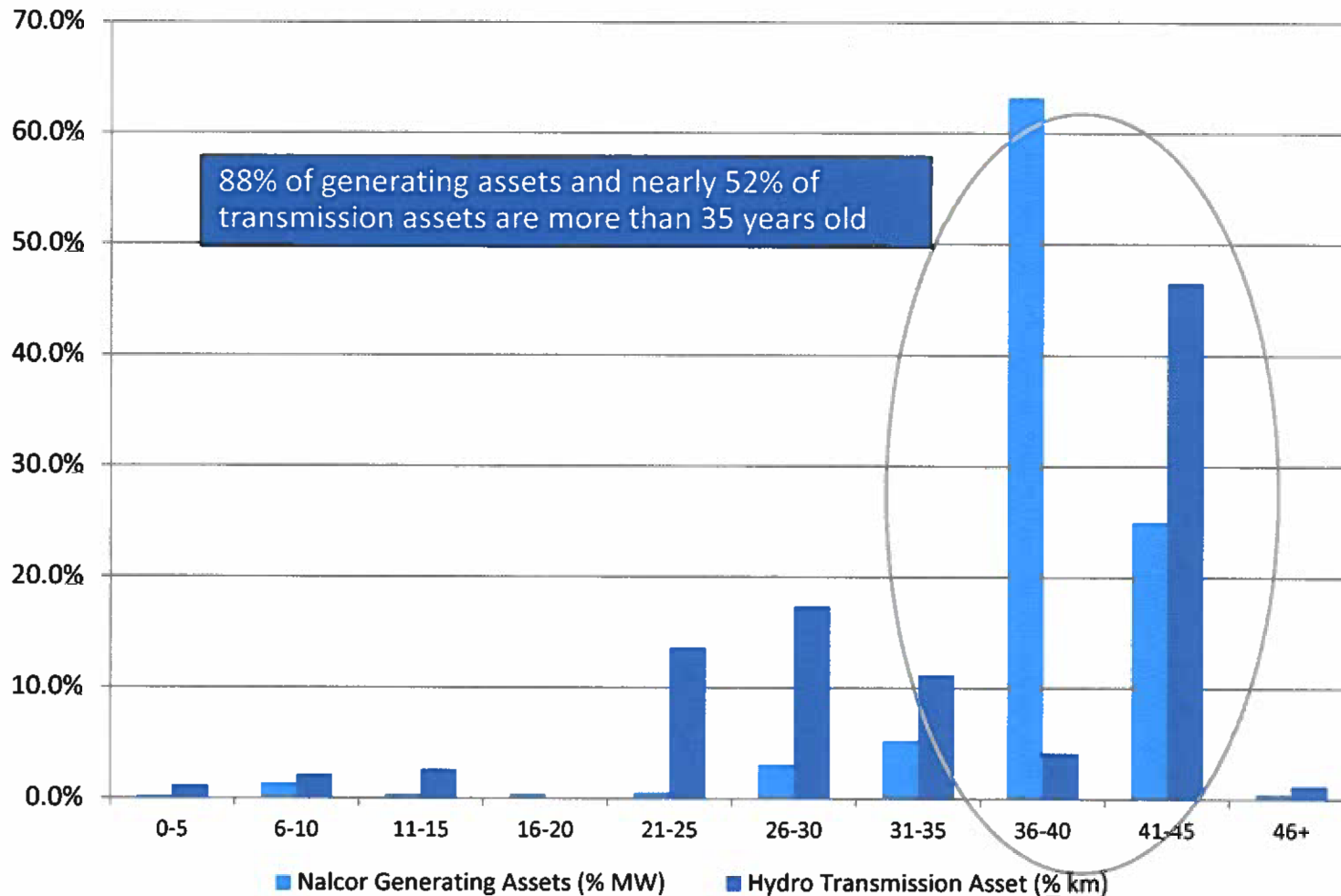
Environmental Performance



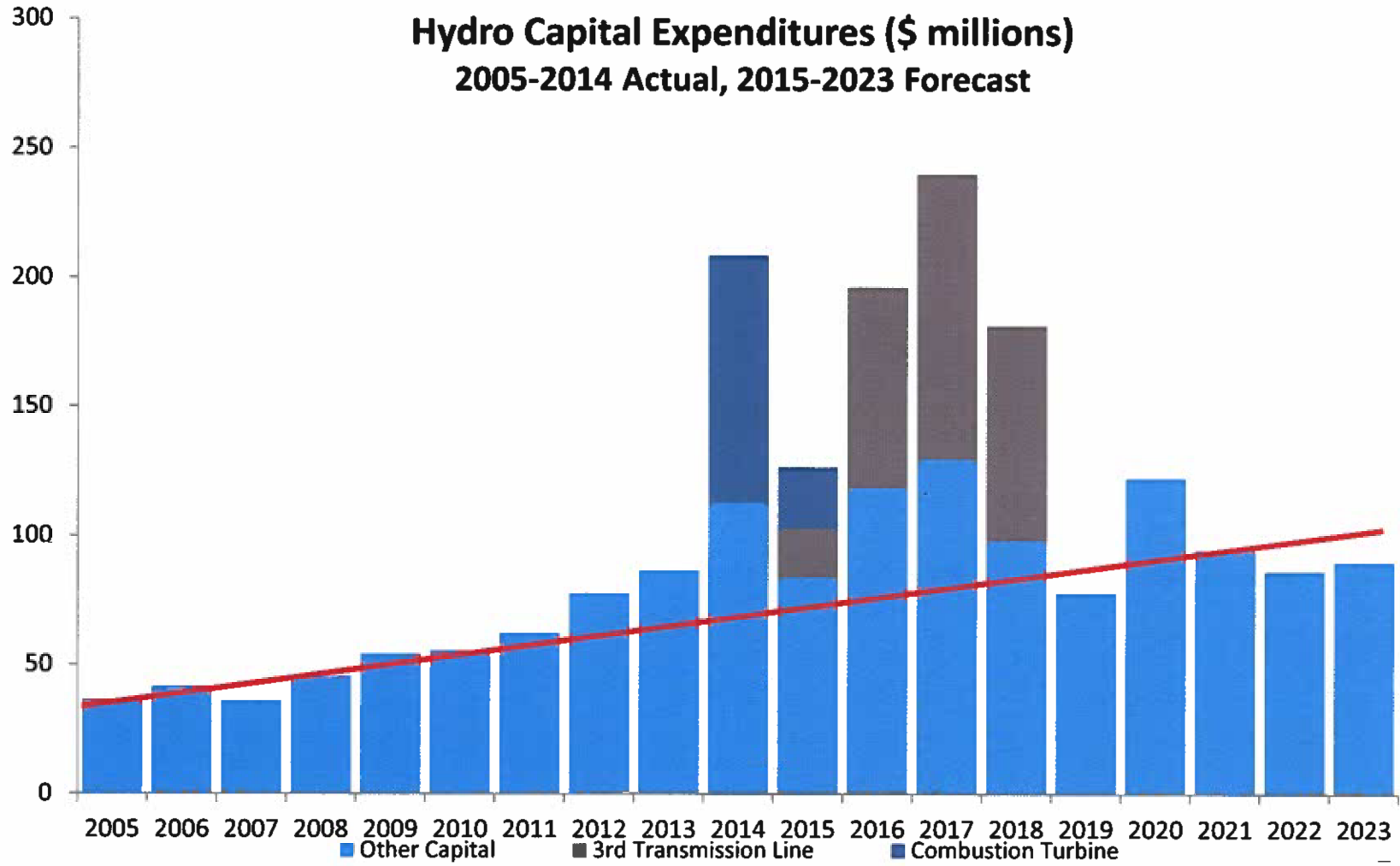
Asset Management

- Issue identified in 2006 - broad and aging asset infrastructure require best practise, robust asset management processes – change required
- Nalcor since has comprehensively restructured to focus on asset management
 - Organization structure has been changed
 - People, whose sole focus is asset management, have been put in positions throughout the organization
 - Planning and project execution processes have been strengthened
 - Ensuring right work, on right assets, at right time

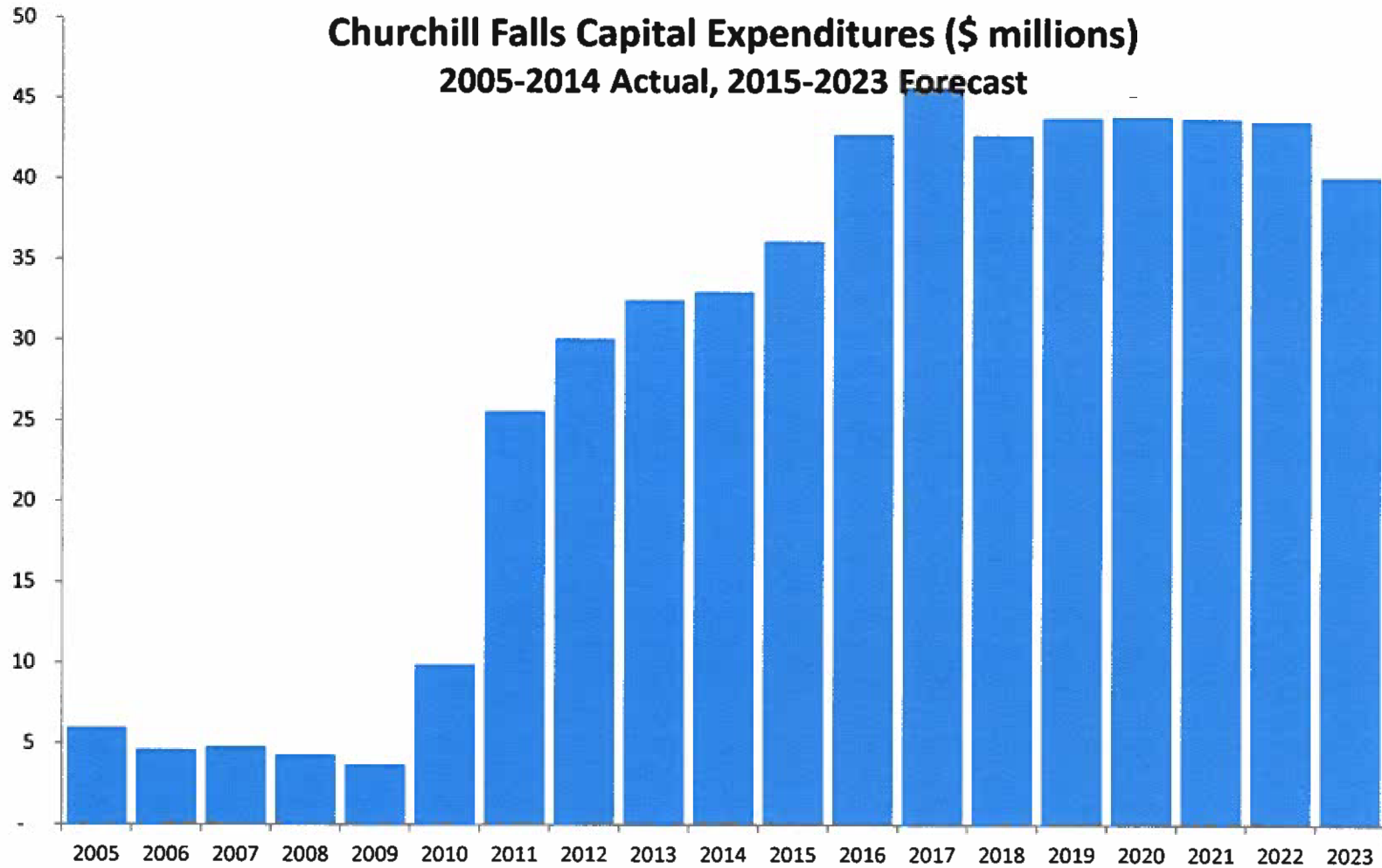
Generation and Transmission Assets



Hydro Capital Expenditure

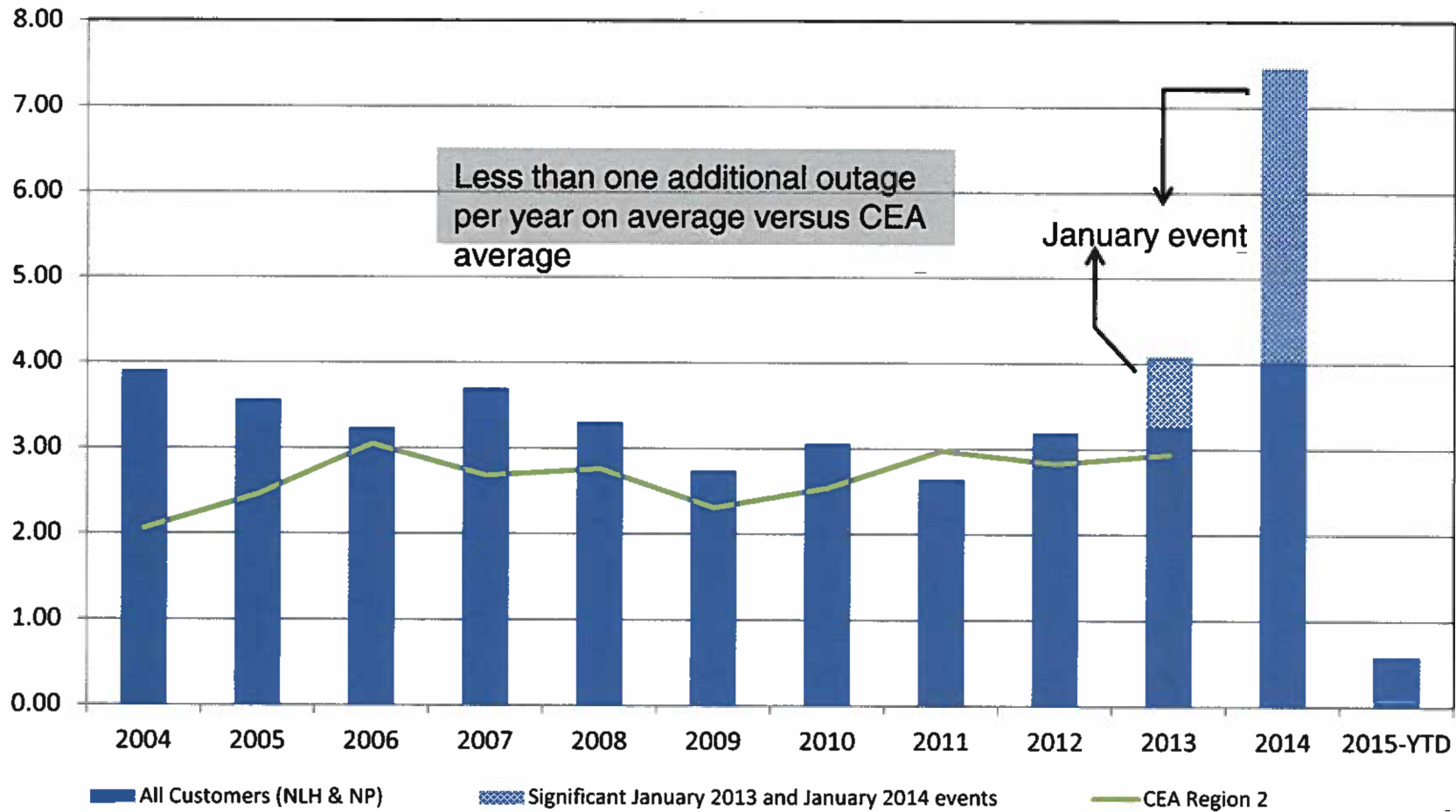


Churchill Falls Capital Expenditures



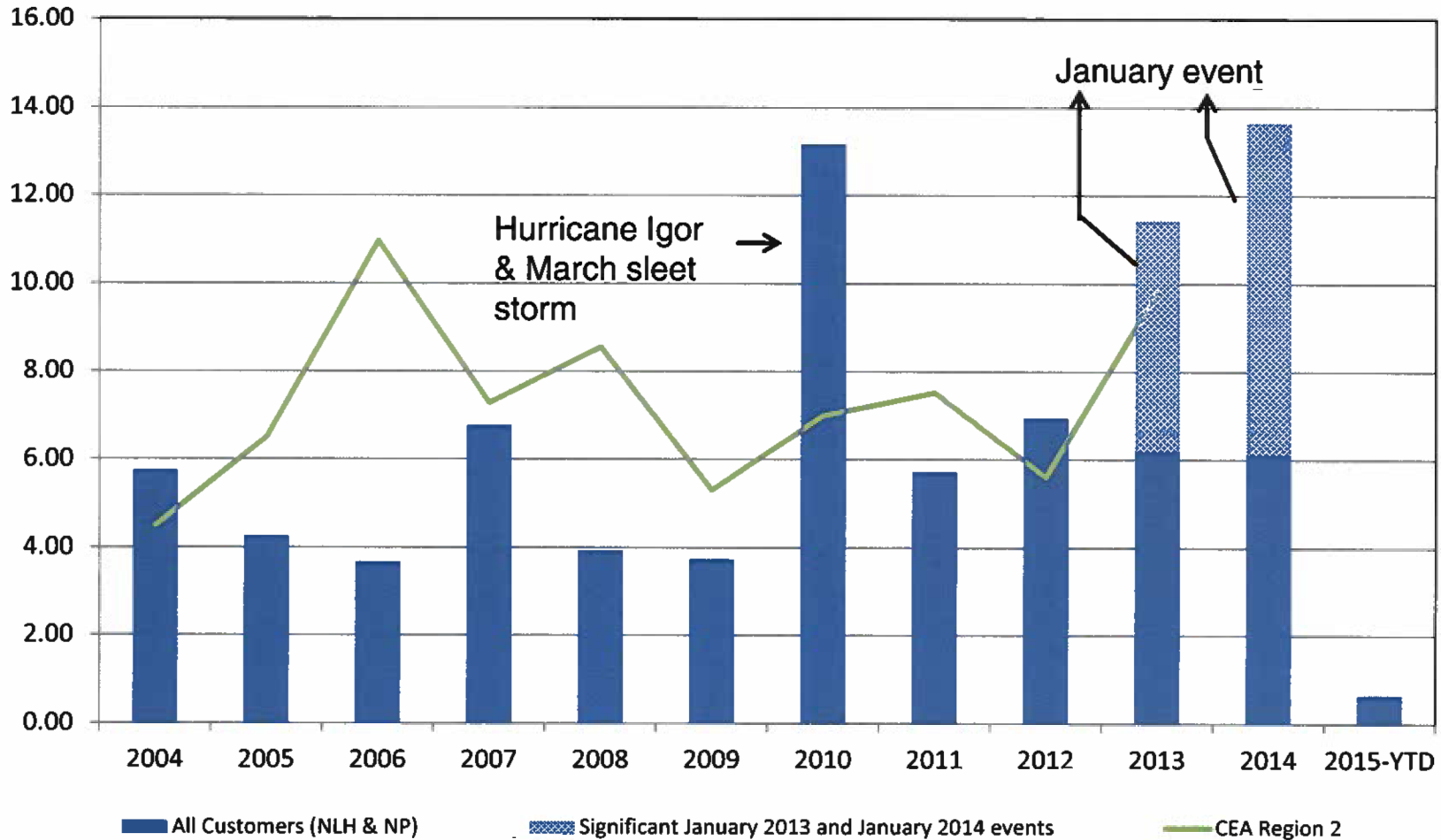
Reliability – Outage Frequency (SAIFI)

Customer Interruptions per Year (All Newfoundland and Labrador Customers)



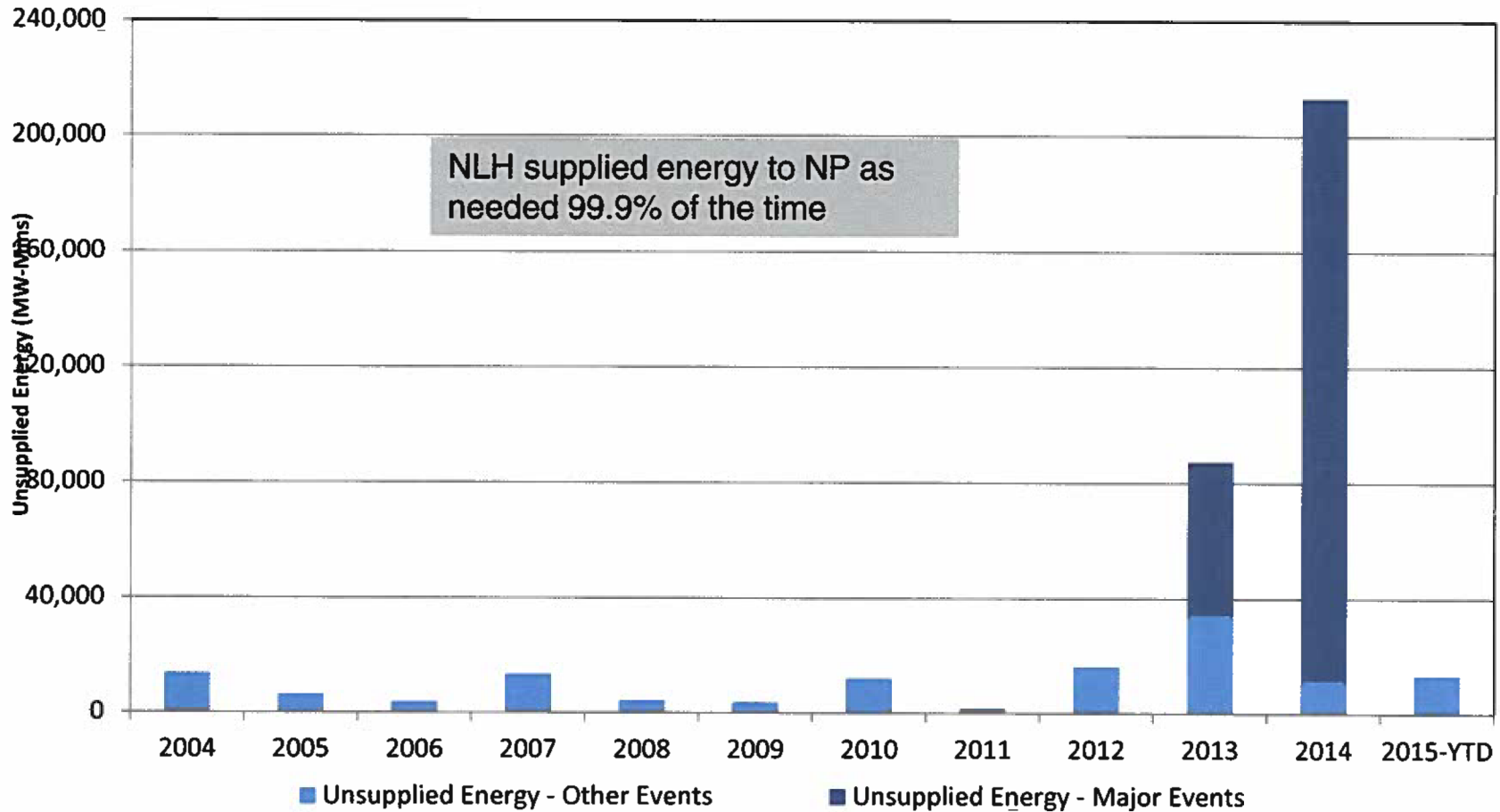
Reliability – Outage Duration (SAIDI)

**Customer Interruption Time (hours) per year
(All Newfoundland and Labrador Customers)**



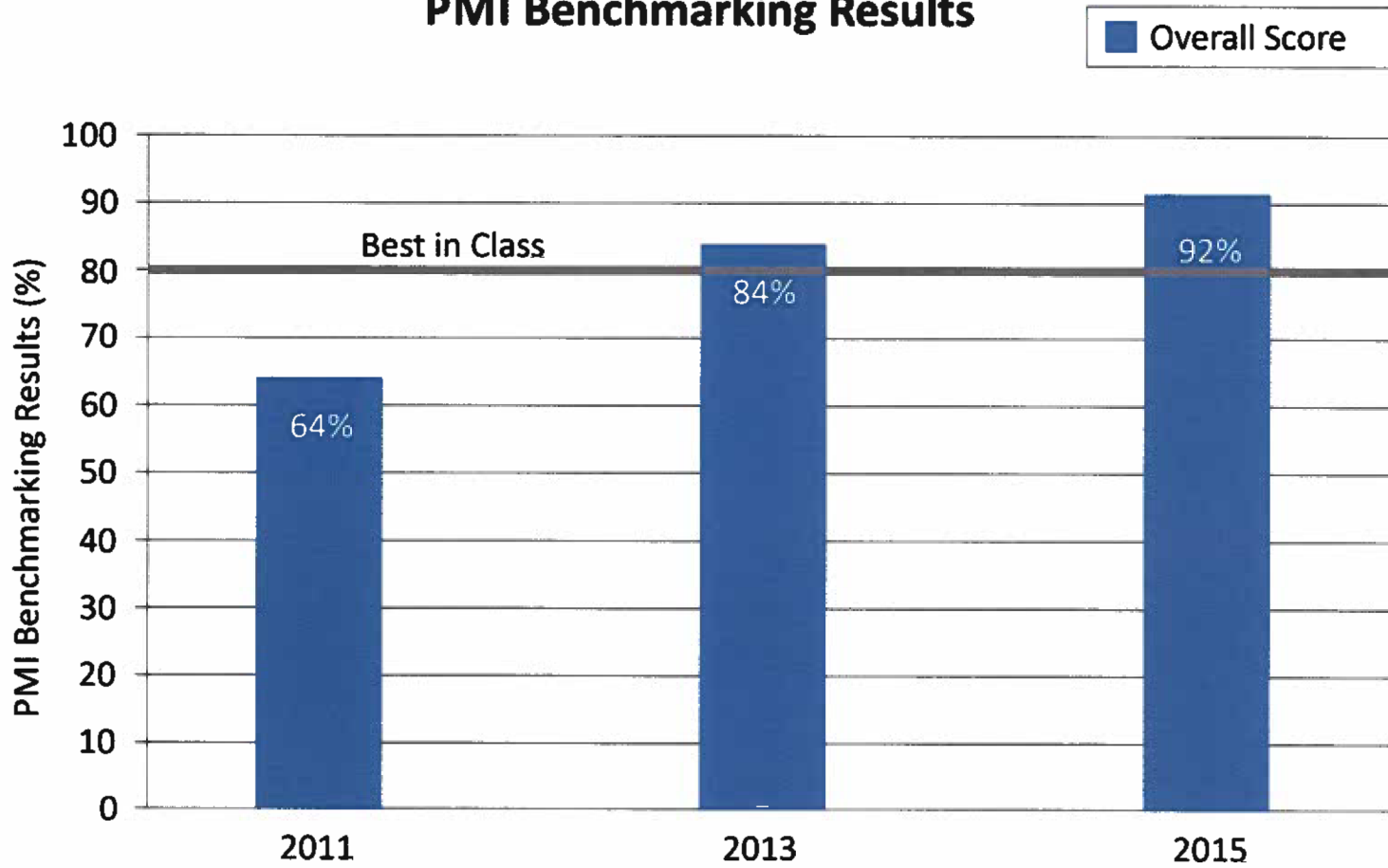
Reliability – Unsupplied Energy

Unsupplied Energy to Newfoundland Power



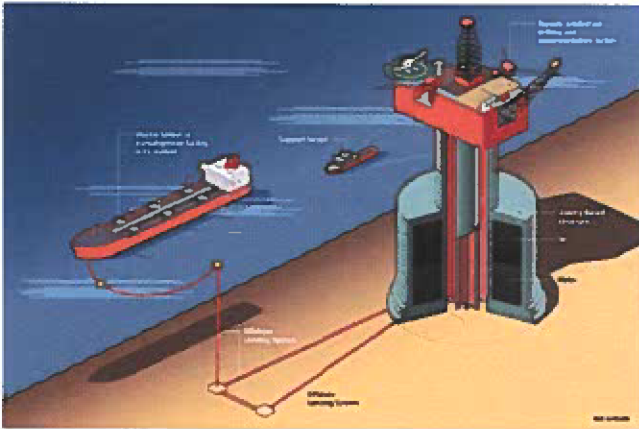
Project Management

PMI Benchmarking Results

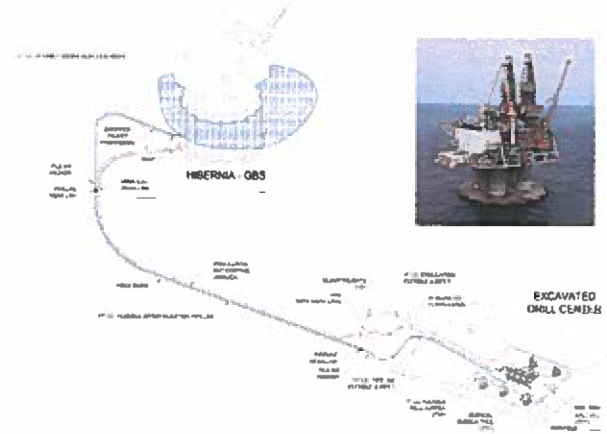


Oil and Gas

Hebron



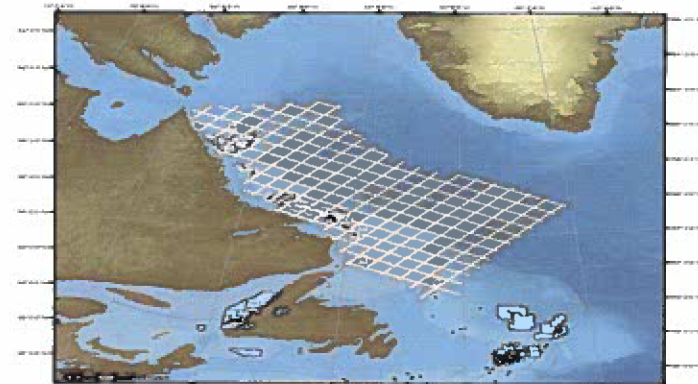
Hibernia South Ext



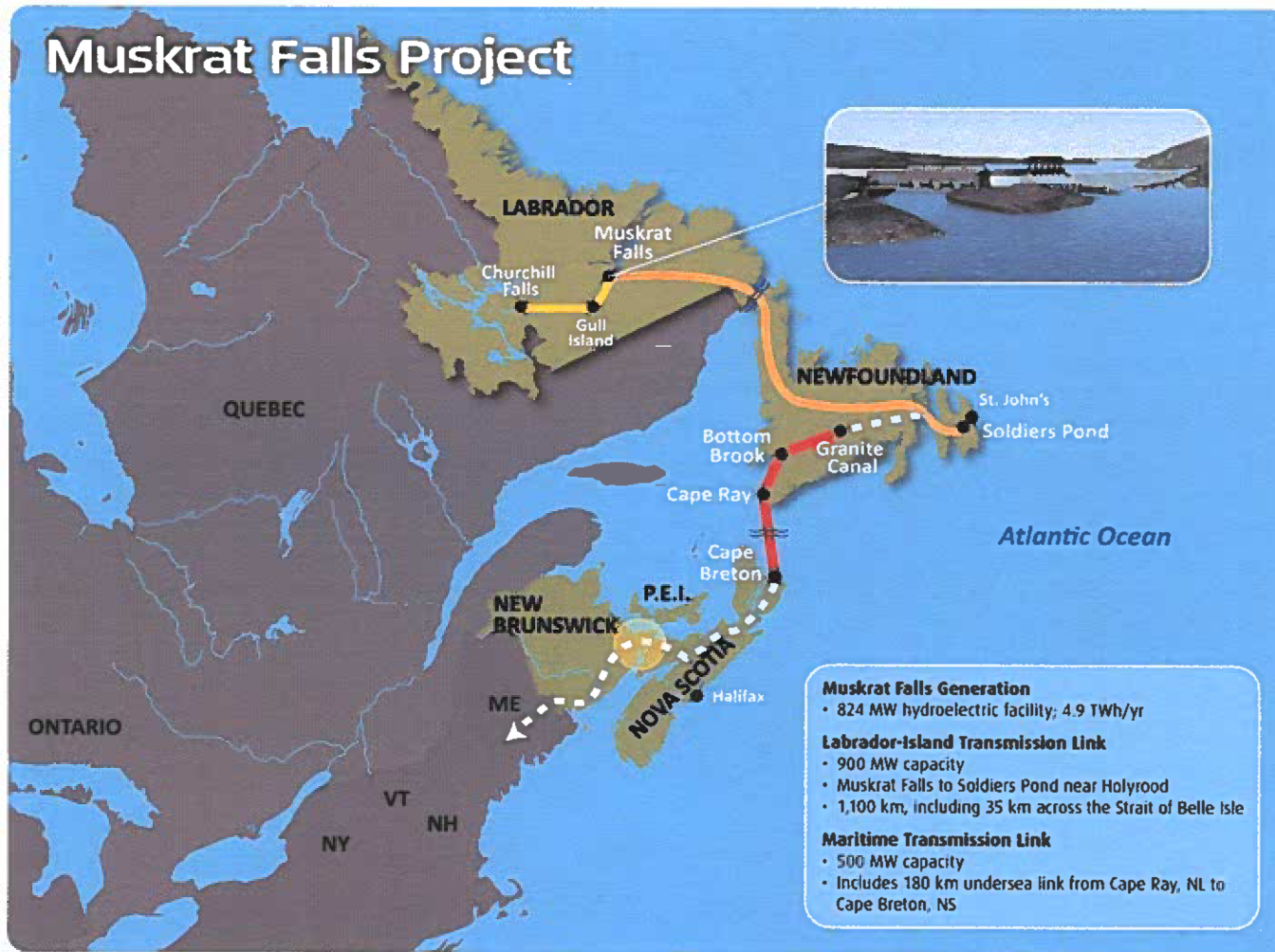
White Rose Extension



Exploration Investments



Lower Churchill Phase 1: MF/LIL/ML



Bull Arm

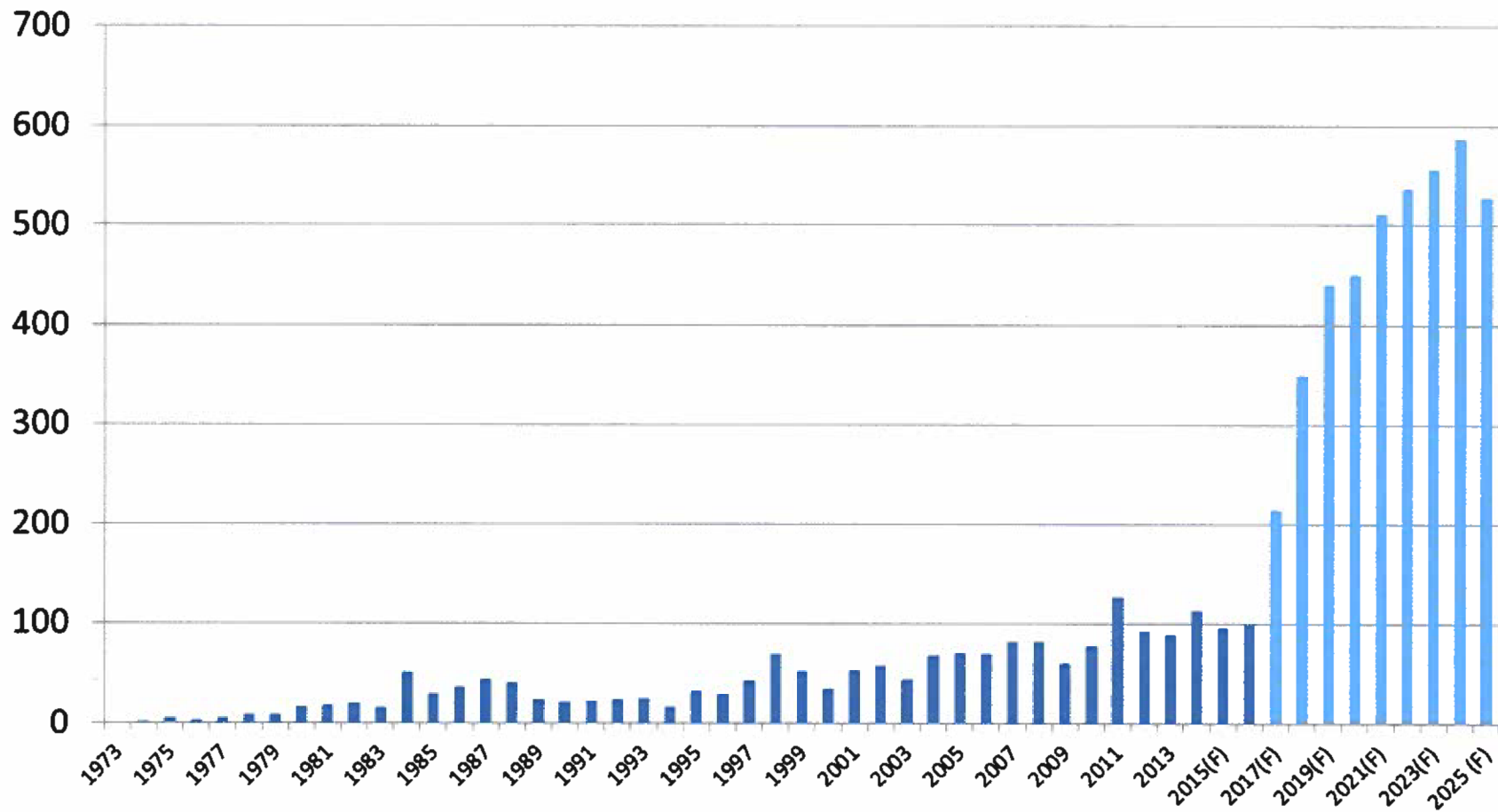


Energy Marketing



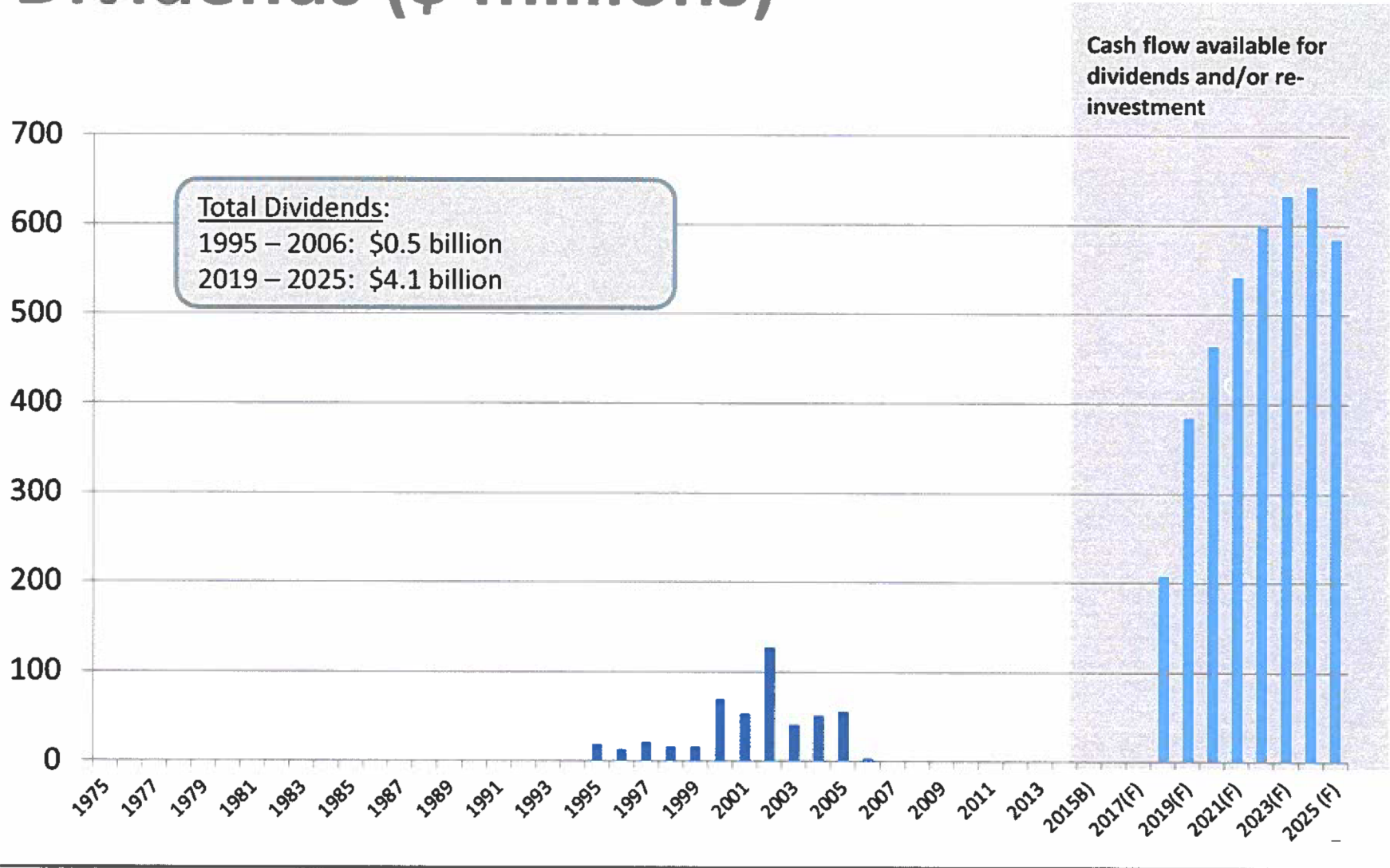
Projected Net Income, Dividends, Assets Current Portfolio Only, to 2025

Net Income (\$ millions)

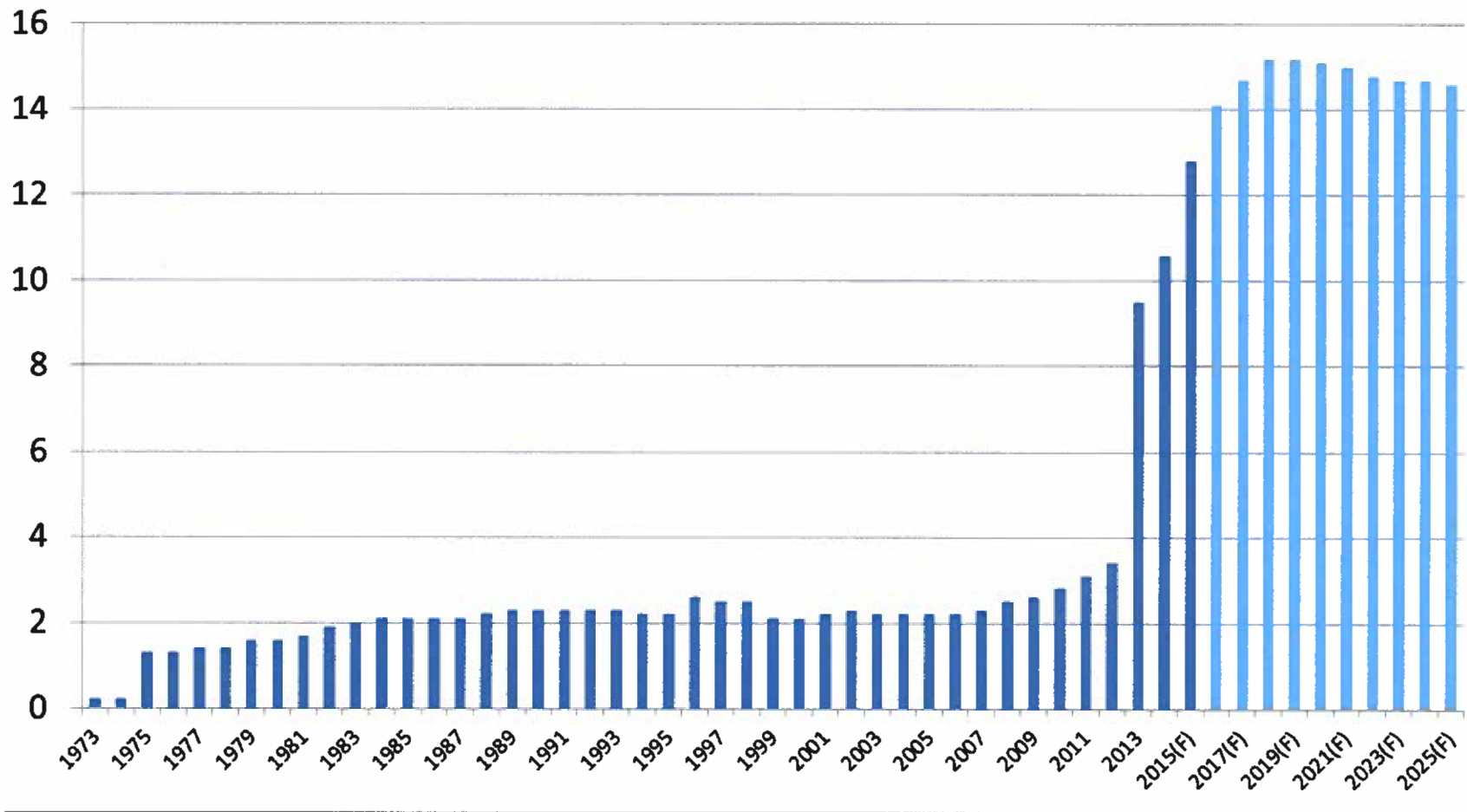


Note: Excludes a \$119 million write-off of historical LCP costs in 2003.

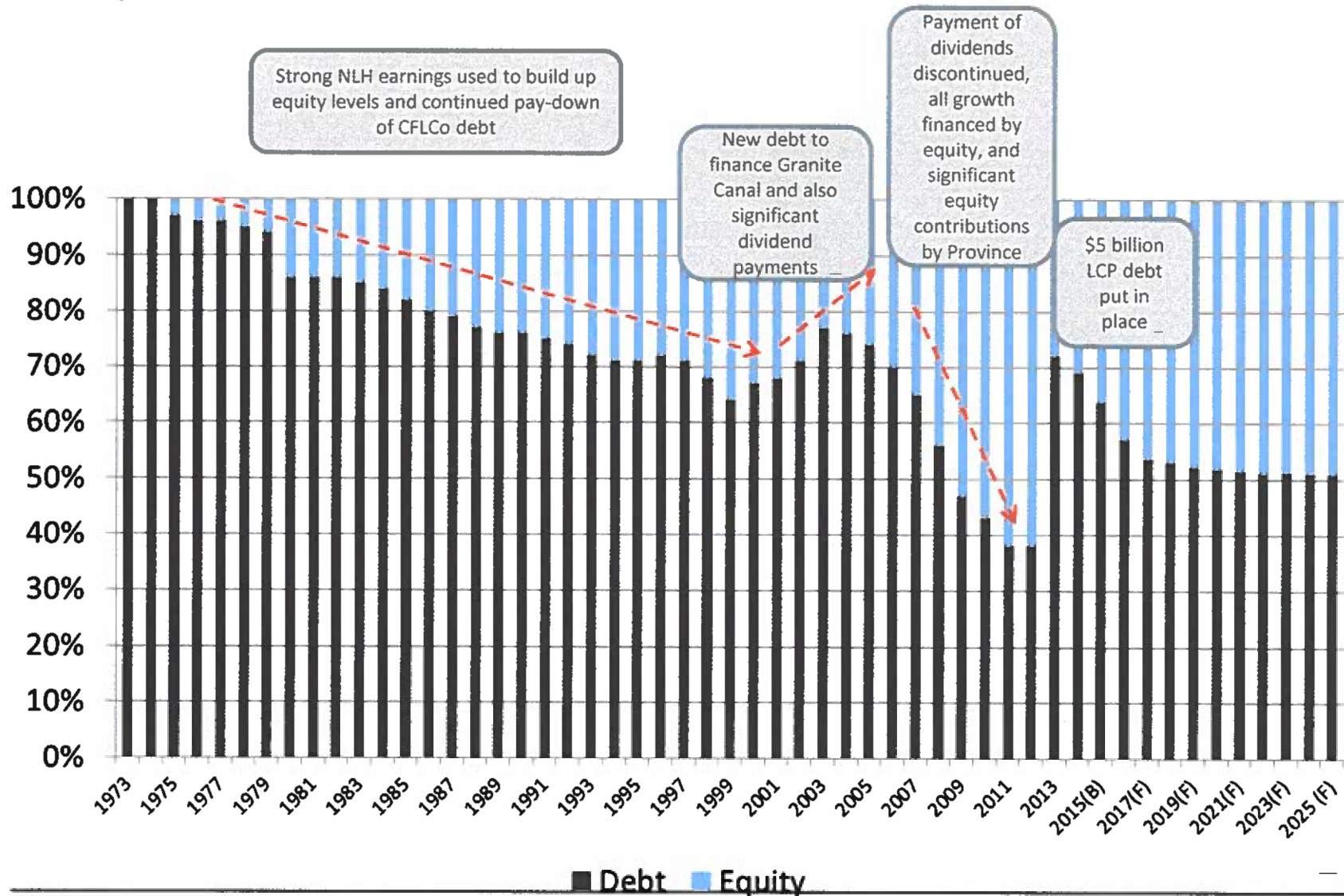
Dividends (\$ millions)



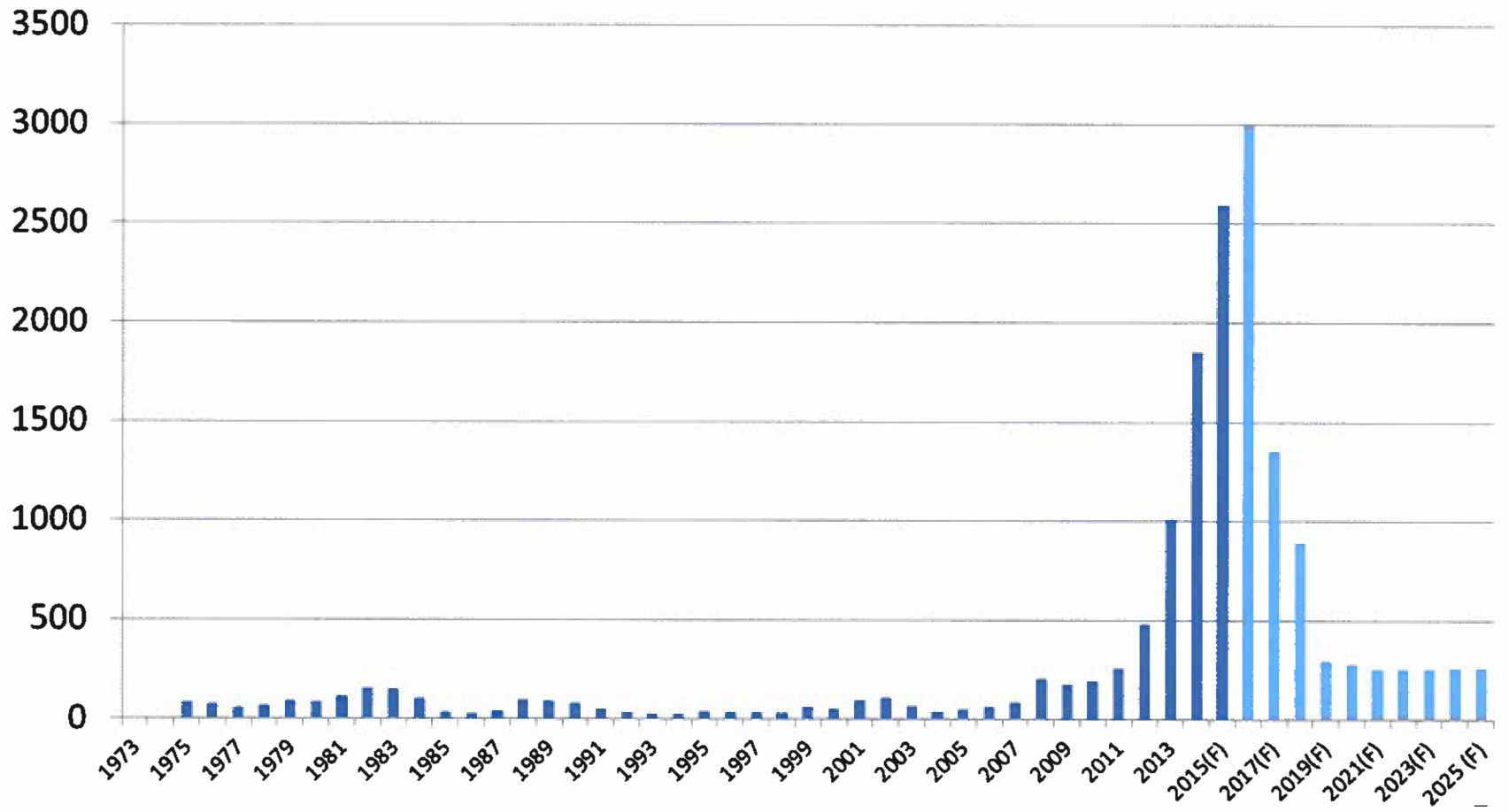
Total Assets (\$ billions)



Capital Structure

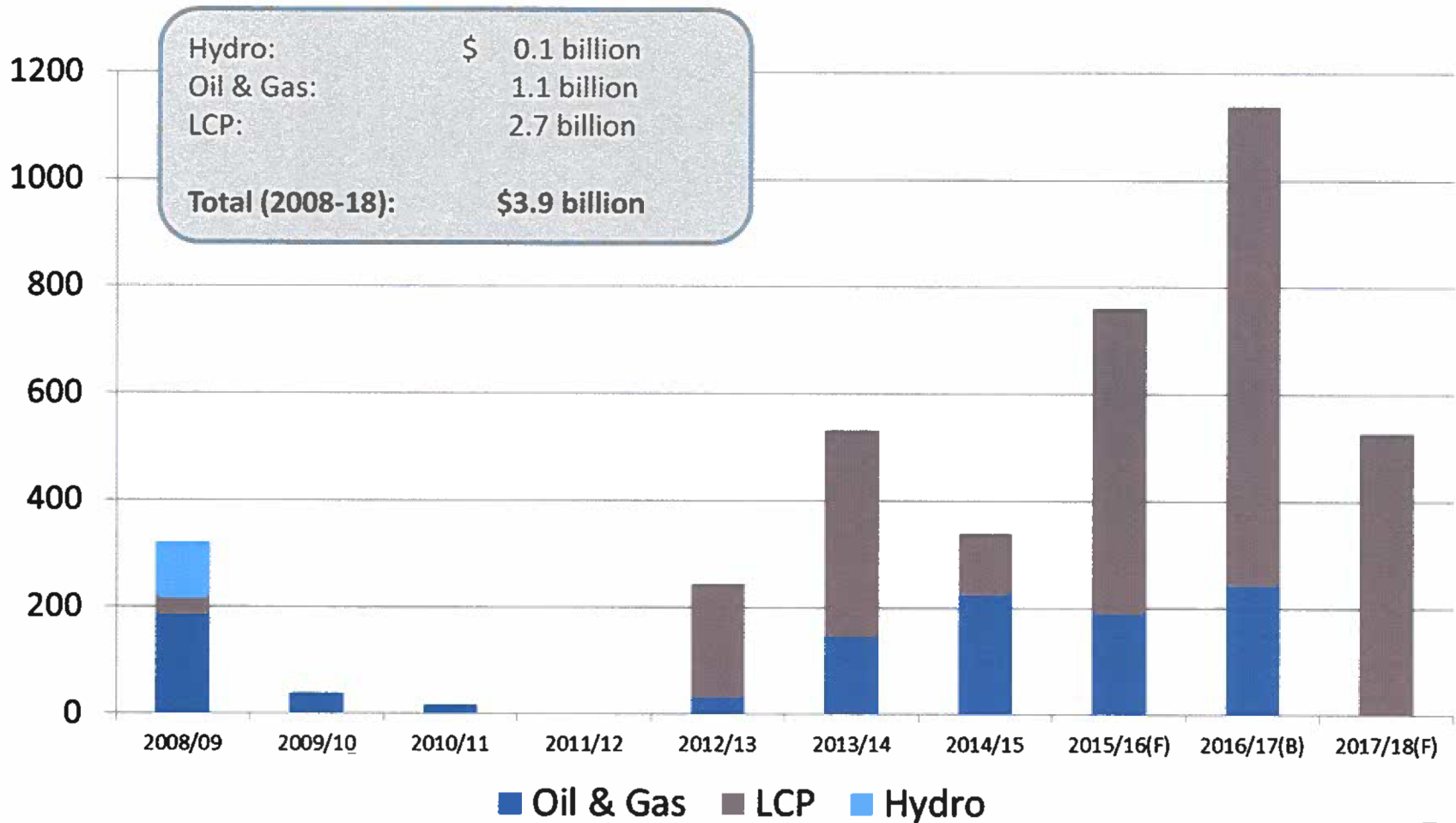


Capital Expenditures (\$ millions)



NL Equity Contributions (\$ millions)

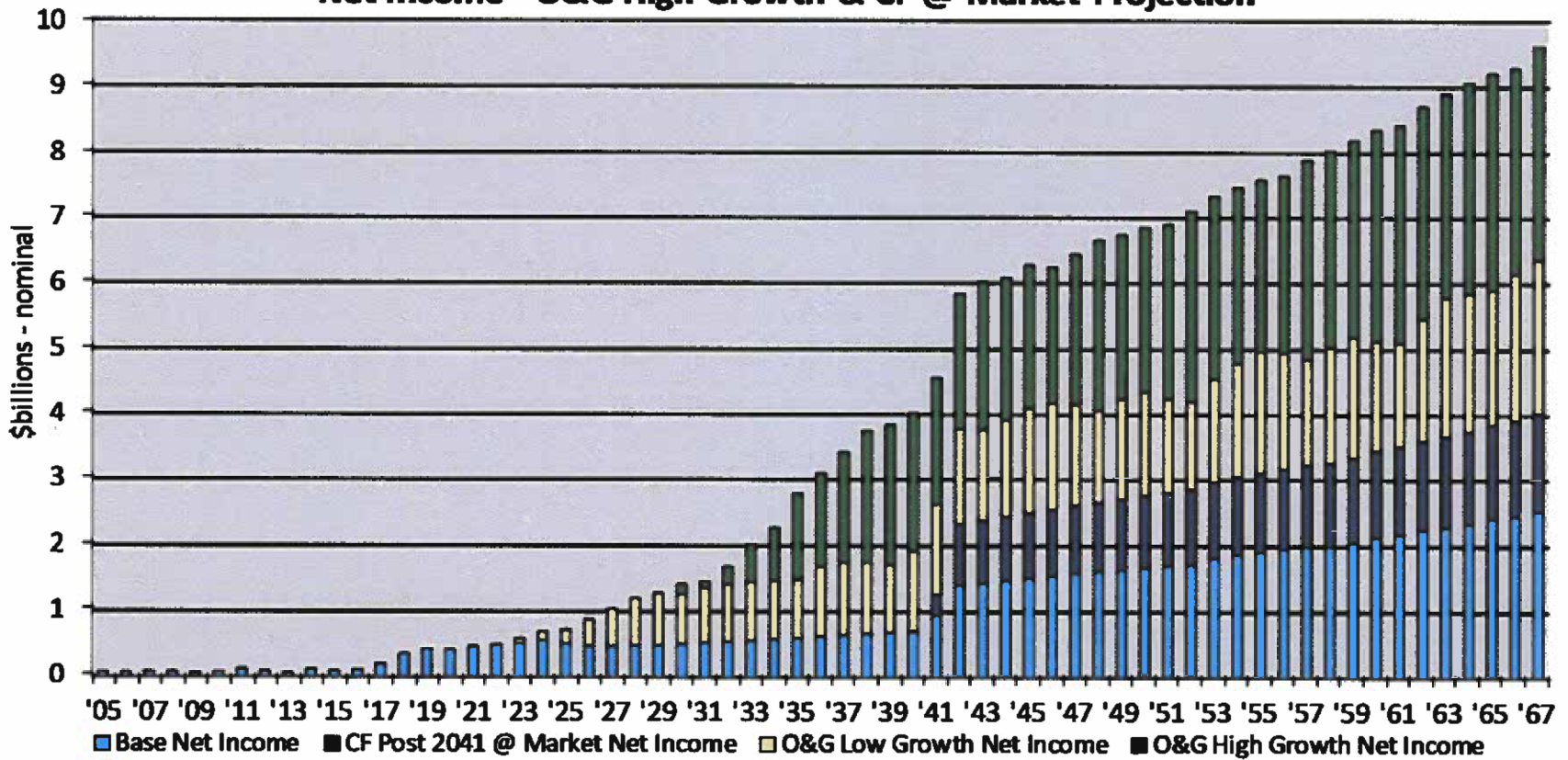
(by NL fiscal year)



Projected Net Income, Dividends, Assets Current Portfolio + Growth, to 2045

Financial Highlights – Net Income (Consolidated)

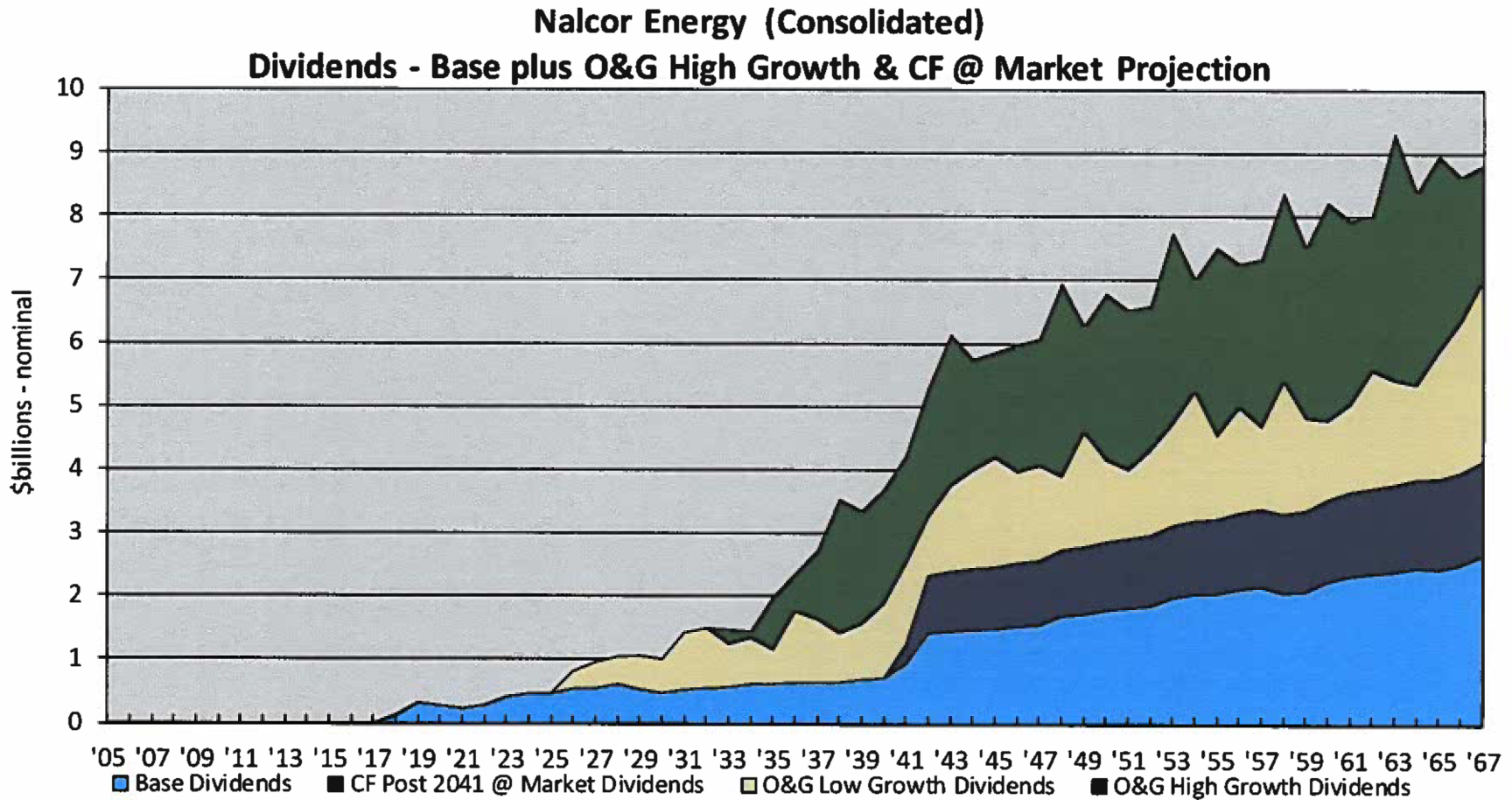
Nalcor Energy (Consolidated)
Net Income - O&G High Growth & CF @ Market Projection



1 in 20, 12 wells per year



Financial Highlights – Dividends (Consolidated)

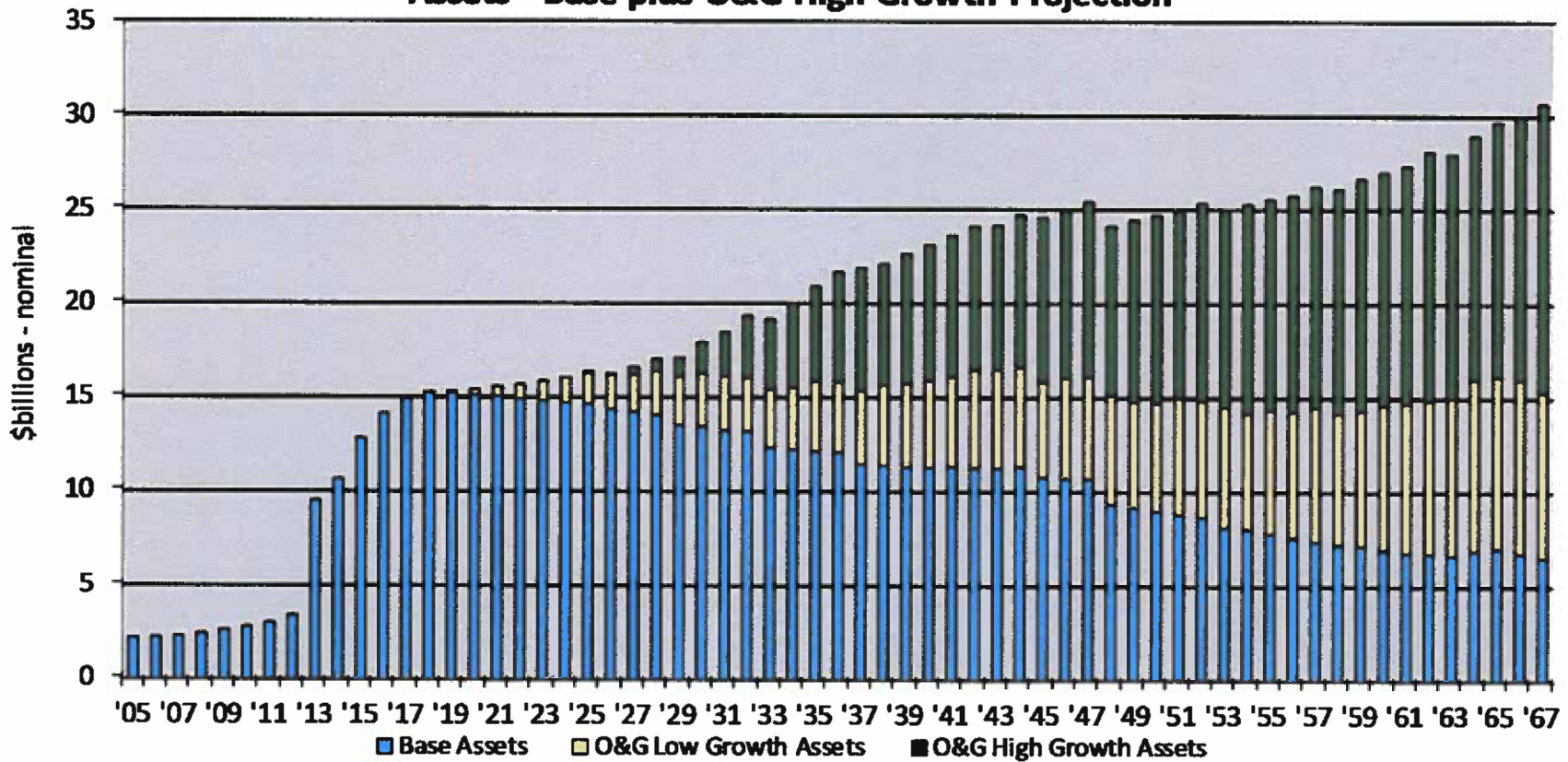


1 in 20, 12 wells per year



Financial Highlights – Total Assets (Consolidated)

Nalcor Energy (Consolidated)
Assets - Base plus O&G High Growth Projection



1 in 20, 12 wells per year

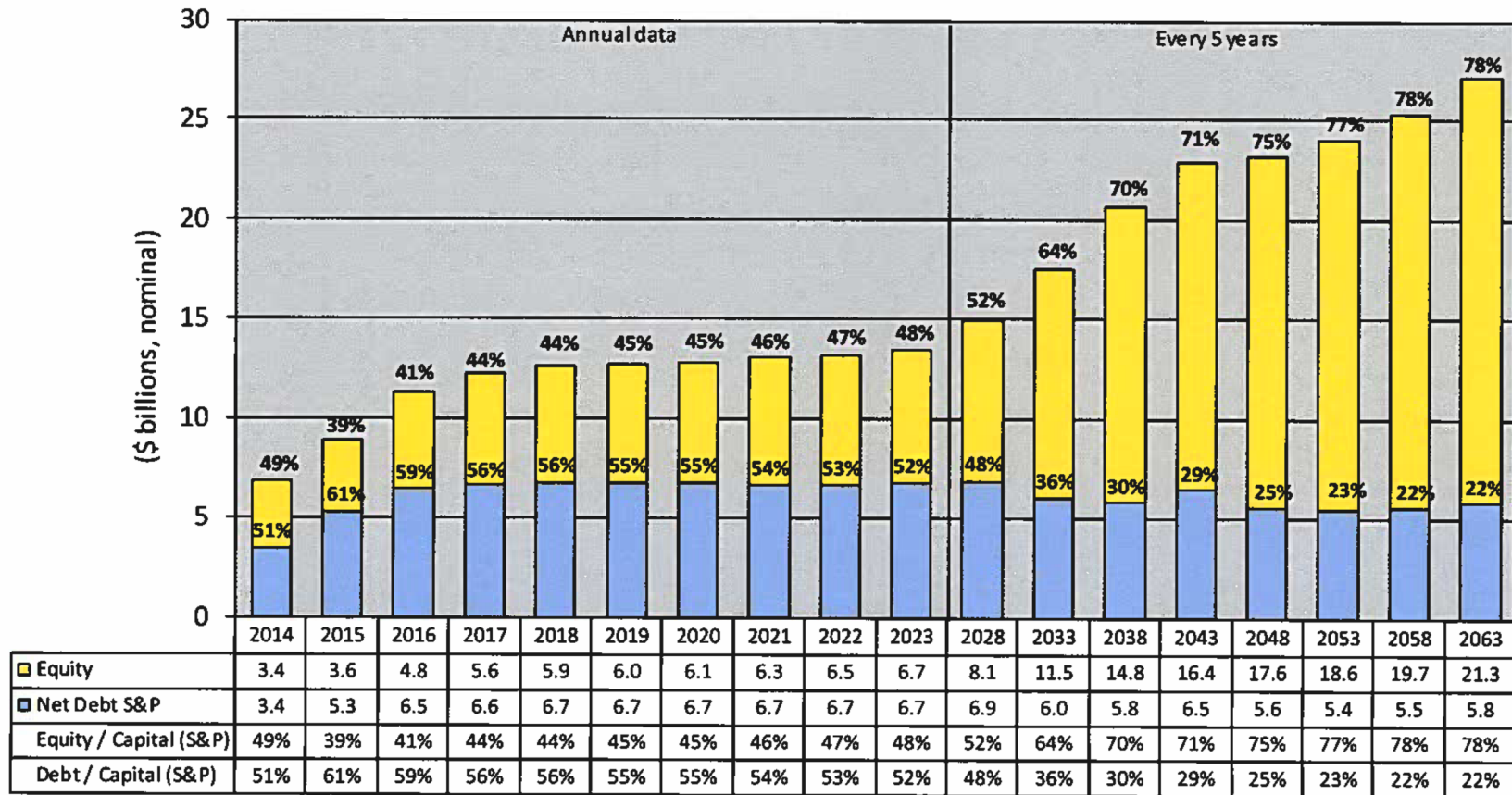


Financial Highlights – Capital Structure

Investigating dividend payout rules in model

Nalcor Energy (Consolidated)

Net Debt (S&P) to Equity - Base plus O&G High Growth & CF @ Market Projection



Net Debt (S&P) includes (i) long term debt; plus (ii) prom notes; plus (iii) employee obligations; plus (iv) accrued interest; plus (v) ARO liabilities; less (vi) sinking funds and bond holding accounts.

1 in 20, 12 wells per year



Summary

- The foundation for developing and managing our energy future is in place
- We can learn from others, like Norway, that resource development can fundamentally change a society
- Much has been done; there is more to do