

Muskkrat Falls – Financial Restructuring Update

February 10, 2020

Mandate

- To determine and negotiate the best possible financial structure to achieve rate mitigation
- To assemble a team that included independent external advice and analysis
 - Senior officials from Intergovernmental Affairs, Justice and Public Safety, Natural Resources, Finance and Executive Council
 - External team comprised of legal, financial, and electricity industry experts

Process

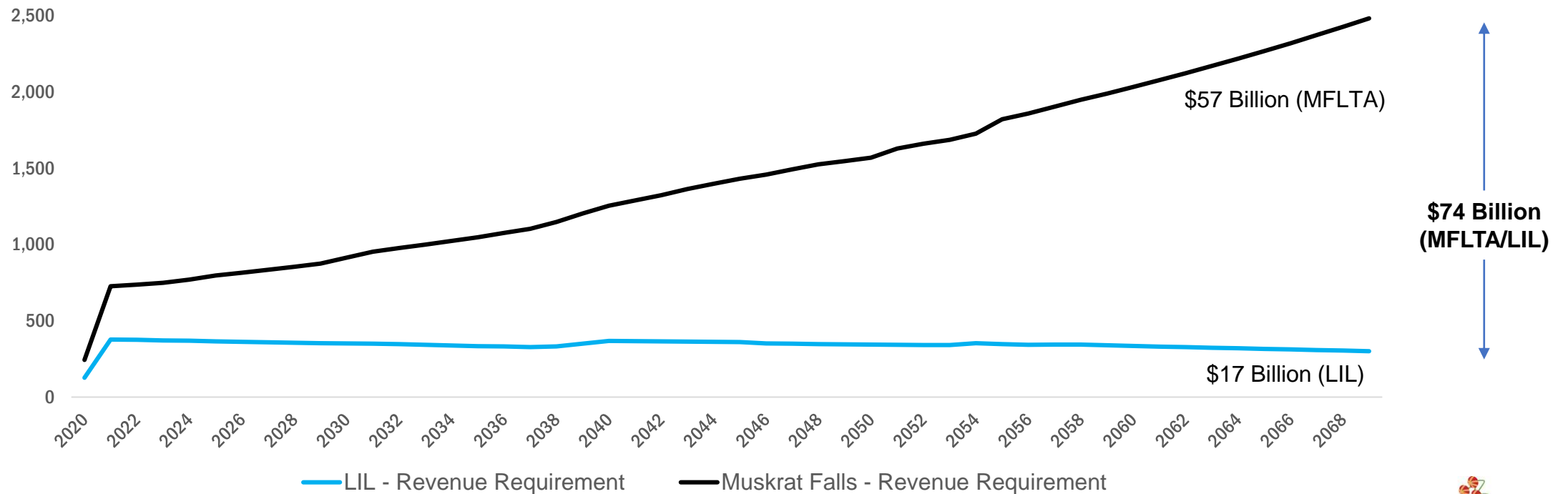
- Started in April 2019 with commitment from Federal Government to expeditiously examine the financial structure of Muskrat Falls
- Extensive information gathering and exchange
- Extensive due diligence on all information provided by Nalcor
- Weekly engagement between provincial and federal officials and external advisors
- Worked with Federal Government to arrive at a solution

The Agreement with Canada

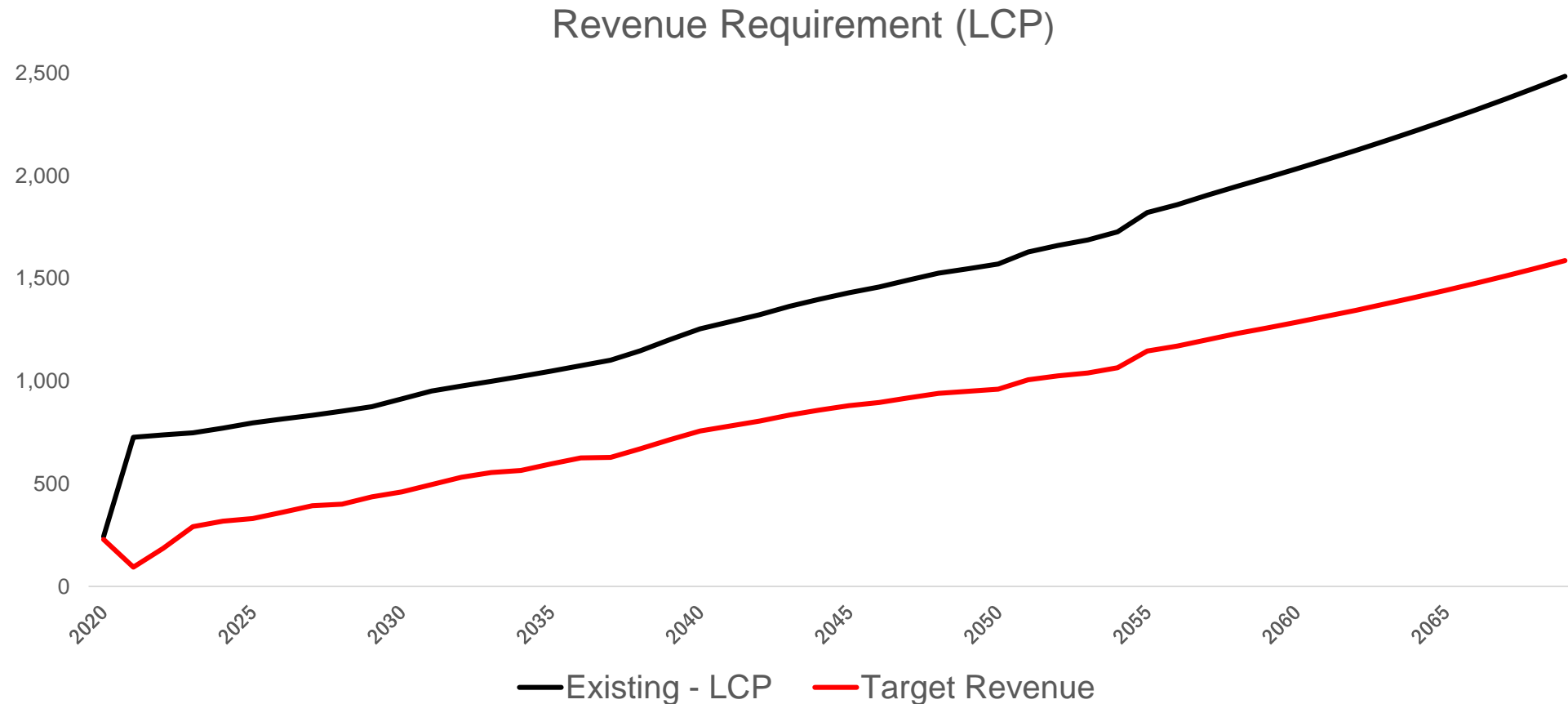
- A substantive financial restructuring
 - Shift to a traditional cost of service model for establishing revenue requirements
 - Monetize suitable assets from the Lower Churchill Projects
- To prioritize further electrification and decarbonization
- Deferral of sinking fund and Cost Overrun Escrow Account payments, if required

Understanding the problem

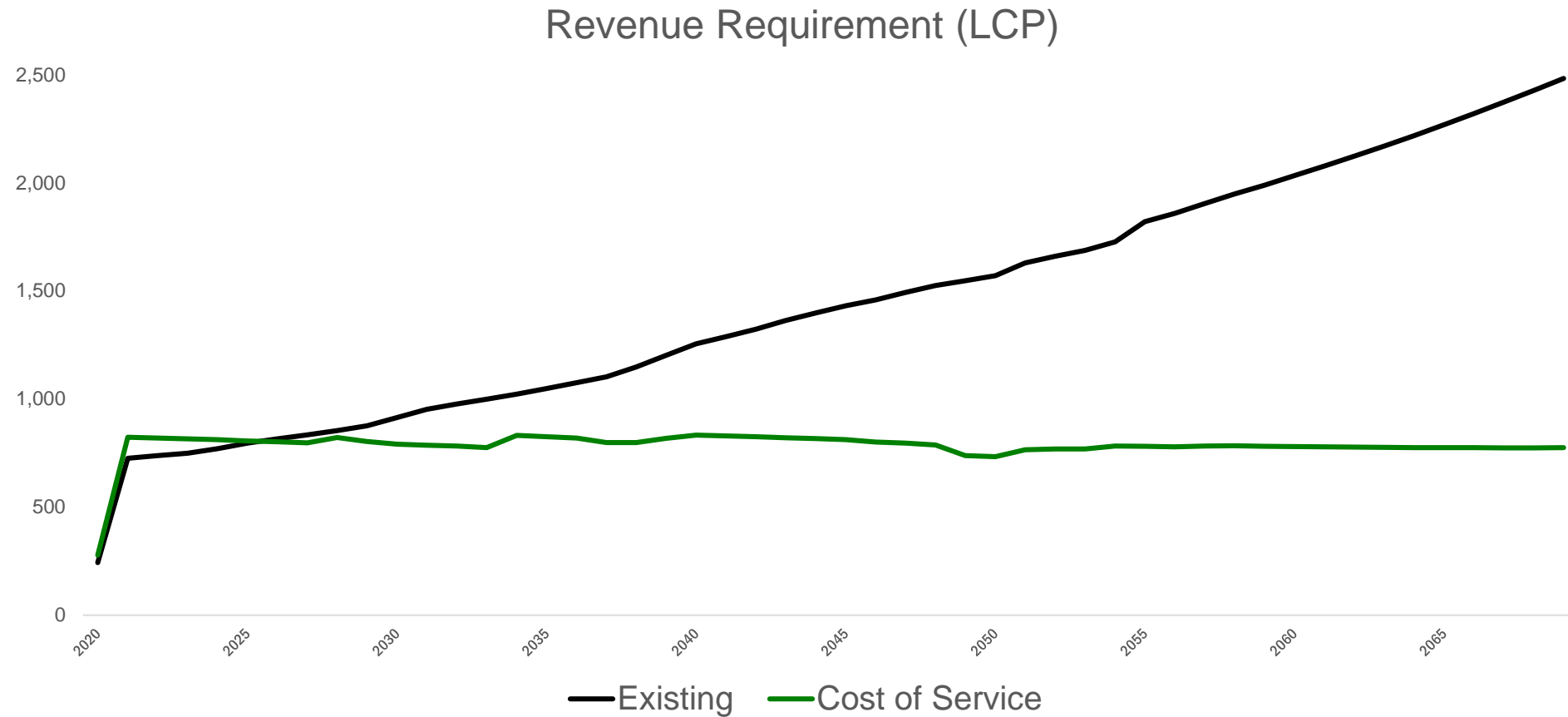
Revenue Requirement for Lower Churchill Projects (LCP)
Muskrat Falls & Labrador Transmission Assets (MFLTA)
Labrador Island Link (LIL)



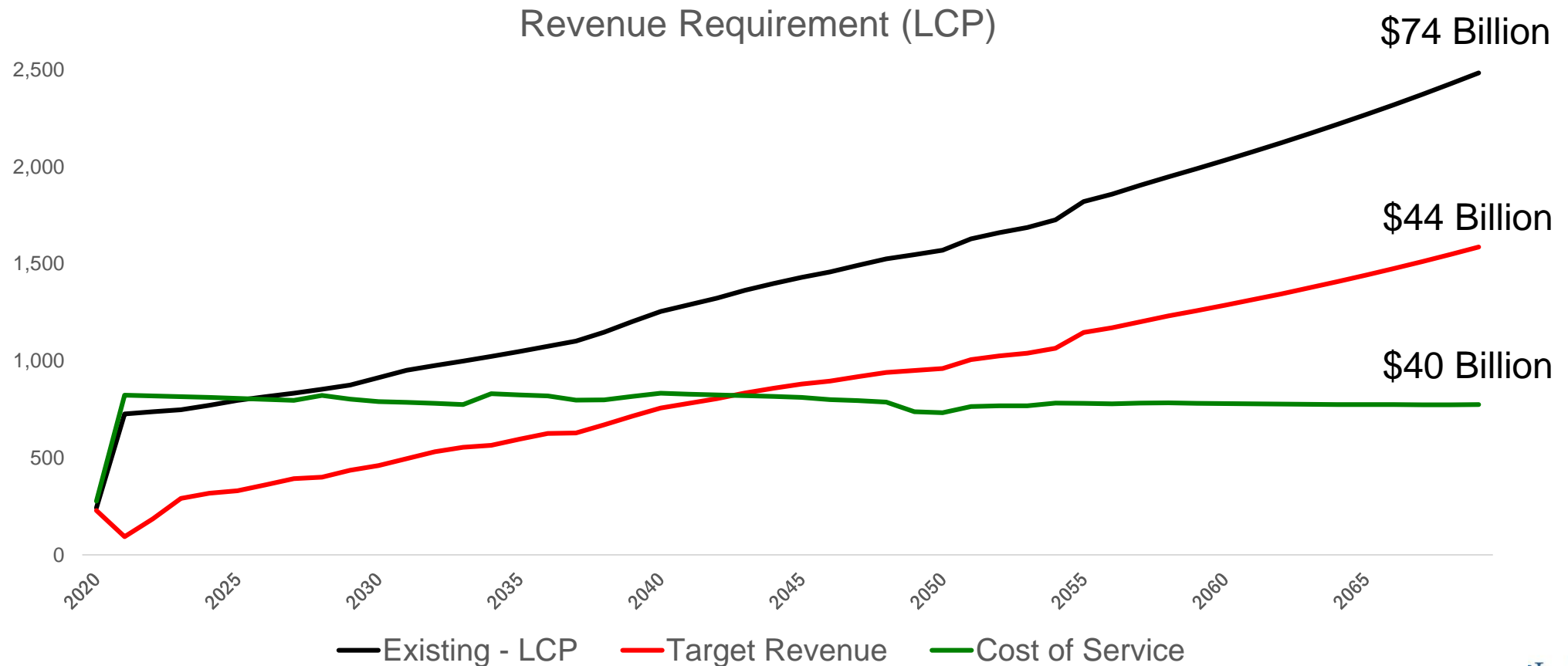
Revenue Requirement – Current and Target



Traditional Cost of Service for MF and LTA

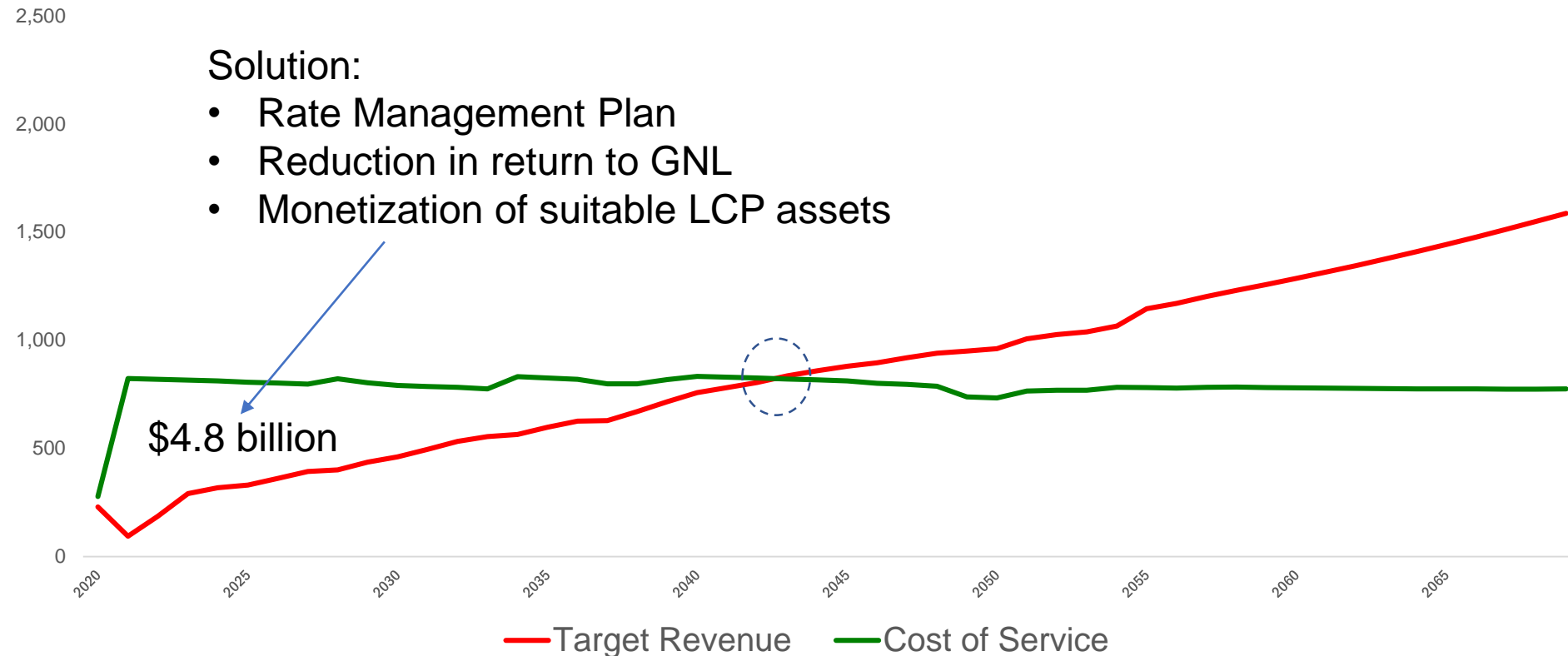


Revised Revenue Requirements



Target Revenue Requirement with Cost of Service

Revenue Requirement (LCP)



Solution:

- Rate Management Plan
- Reduction in return to GNL
- Monetization of suitable LCP assets

\$4.8 billion

Next Steps

- Transition to a traditional cost of service model
- Finalize the monetization of the suitable LCP assets
- Modify agreements as required
- Advance electrification and decarbonization initiatives with the support of the Federal Government

Questions?