

Nalcor Energy - Lower Churchill Project
Financial Returns: Muskrat Falls, Serving Island Load Only
Summary Level Annual (75% Debt Scenario)

\$ millions except for per-unit

Assumptions

Cap Ex / Op Ex:

Capital expenditure

O&M expenses

CPI

Production:

Muskrat Falls maximum energy, GWh

Average

Firm

Pct of firm energy in year prior to Full Power

Load (GWh):

Energy required from Labrador

Energy required from Muskrat Falls (maximum of average production)

Revenue Rate:

Root supply price, January 1, 2010 \$/MWh

Escalation to Full Commercial Power (years)

July 1, 2017 rate (\$/MWh)

Credit for power before full commercial power

Cost-out price for Muskrat falls

Innu Payments:

Minimum payment, \$ M:

Stated in (year)

Payment as pct of After Debt Net Cash Flow

Payment start date

First year pct (Project year basis 1-Oct-2011 to 30-Jun-2012)

Water Power Lease:

Water power lease (\$/MWh)

Cost Year

Water power cost, Full Power (\$/MWh)

Water Management:

Water management cost (\$/MWh)

Cost Year

Water management cost, Full Power (\$/MWh)

Water management energy (GWh)

Cash / Working Capital:

Working capital - average requirement as % of change in revenues

Cap ex defrayed by revenues before Full Commercial Power (%)

Debt:

Interest rate

Mortgage style debt amortization (years)

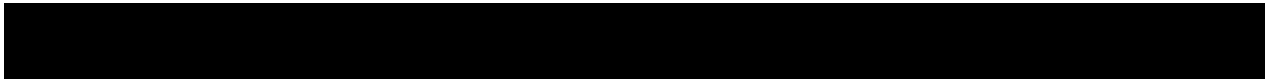
Target debt ratio

Minimum target debt service coverage ratio

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
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14.7	15.0	15.5	16.1	16.5	16.9	17.2	17.7	18.1	18.6	19.0	19.5	20.0	20.5	21.0	21.5
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2,226	2,328	2,503	2,576	2,637	2,724	2,817	2,957	3,184	3,266	3,348	3,430	3,511	3,593	3,667	3,732
2,226	2,328	2,503	2,576	2,637	2,724	2,817	2,957	3,184	3,266	3,348	3,430	3,511	3,593	3,667	3,732



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Assumptions

Cap Ex / Op Ex:

Capital expenditure

O&M expenses

2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
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22.1	22.6	23.2	23.8	24.4	25.0	25.6	26.2	26.9	27.6	28.3	29.0	29.7	30.4	31.2	32.0
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CPI

Production:

Muskrat Falls maximum energy, GWh

Average

Firm

Pct of firm energy in year prior to Full Power

Load (GWh):

Energy required from Labrador

Energy required from Muskrat Falls (maximum of average production)

3,666	3,735	3,808	3,874	3,939	4,004	4,069	4,134	4,199	4,264	4,328	4,393	4,458	4,515	4,571	4,628
3,666	3,735	3,808	3,874	3,939	4,004	4,069	4,134	4,199	4,264	4,328	4,393	4,458	4,515	4,571	4,628

Revenue Rate:

Root supply price, January 1, 2010 \$/MWh

Escalation to Full Commercial Power (years)

July 1, 2017 rate (\$/MWh)

Credit for power before full commercial power

Cost-out price for Muskrat falls

Innu Payments:

Minimum payment, \$ M:

Stated in (year)

Payment as pct of After Debt Net Cash Flow

Payment start date

First year pct (Project year basis 1-Oct-2011 to 30-Jun-2012)

Water Power Lease:

Water power lease (\$/MWh)

Cost Year

Water power cost, Full Power (\$/MWh)

Water Management:

Water management cost (\$/MWh)

Cost Year

Water management cost, Full Power (\$/MWh)

Water management energy (GWh)

Cash / Working Capital:

Working capital - average requirement as % of change in revenues

Cap ex defrayed by revenues before Full Commercial Power (%)

Debt:

Interest rate

Mortgage style debt amortization (years)

Target debt ratio

Minimum target debt service coverage ratio

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Assumptions

Cap Ex / Op Ex:

Capital expenditure

O&M expenses

2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067
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32.8	33.6	34.4	35.3	36.2	37.1	38.0	39.0	39.9	40.9	42.0	43.0	44.1	45.1	46.0
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CPI

Production:

Muskrat Falls maximum energy, GWh

Average

Firm

Pct of firm energy in year prior to Full Power

Load (GWh):

Energy required from Labrador

Energy required from Muskrat Falls (maximum of average production)

4,684	4,737	4,789	4,842	4,894	4,946	4,998	5,051	5,103	5,155	5,207	5,259	5,306	5,349	5,389
4,684	4,737	4,789	4,842	4,873	4,873	4,873	4,873	4,873	4,873	4,873	4,873	4,873	4,873	4,873

Revenue Rate:

Root supply price, January 1, 2010 \$/MWh

Escalation to Full Commercial Power (years)

July 1, 2017 rate (\$/MWh)

Credit for power before full commercial power

Cost-out price for Muskrat falls

Innu Payments:

Minimum payment, \$ M:

Stated in (year)

Payment as pct of After Debt Net Cash Flow

Payment start date

First year pct (Project year basis 1-Oct-2011 to 30-Jun-2012)

Water Power Lease:

Water power lease (\$/MWh)

Cost Year

Water power cost, Full Power (\$/MWh)

Water Management:

Water management cost (\$/MWh)

Cost Year

Water management cost, Full Power (\$/MWh)

Water management energy (GWh)

Cash / Working Capital:

Working capital - average requirement as % of change in revenues

Cap ex defrayed by revenues before Full Commercial Power (%)

Debt:

Interest rate

Mortgage style debt amortization (years)

Target debt ratio

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	Project year beginning July 1							
	Prior	2010	2011	2012	2013	2014	2015	2016
Development Phase								
Capital expenditure	(33.8)	(60.0)	(268.0)	(638.4)	(790.2)	(508.8)	(423.0)	(147.0)
Revenue before Full Power								
of which: used to defray construction expenditures								
carried forward to PY 2017								
Working capital								
Water power rental								
Debt service reserve								
Innu payments								
Funding requirement	(33.8)	(60.0)	(272.0)	(643.9)	(795.7)	(514.4)	(428.7)	(213.9)
29.8% Of which equity	(10.1)	(17.9)	(81.1)	(191.9)	(237.1)	(153.3)	(127.8)	(63.7)
Cumulative equity	(10.1)	(27.9)	(109.0)	(300.9)	(538.0)	(691.3)	(819.1)	(882.8)
70.2% Of which debt draw	(23.7)	(42.1)	(191.0)	(452.0)	(558.6)	(361.1)	(301.0)	(150.1)
IDC	(0.9)	(3.4)	(12.2)	(36.7)	(76.5)	(115.9)	(148.8)	(176.3)
Total debt	(24.6)	(70.1)	(273.2)	(761.9)	(1,397.0)	(1,874.0)	(2,323.8)	(2,650.3)
DER	70.9%	71.5%	71.5%	71.7%	72.2%	73.1%	73.9%	75.0%

Operational Phase

Island Load, GWh	
Supply price, \$/MWh	
Revenues, \$millions	
Carry-over cash from prior year	
O&M	
Debt Service	
Water power rental	
Water management	
Working capital	
Subtotal: Cash flow before Innu	
Innu payments	
Cash flow after Innu payments	

Cash Flow to Equity

	(10.1)	(17.9)	(81.1)	(191.9)	(237.1)	(153.3)	(127.8)	(63.7)
IRR	8.8%							

Debt Service Coverage Summary

Cash Flow Available for Debt Service	
Debt Service	
Surplus (Deficit)	
Debt Service Coverage Ratio	
Minimum DSCR	1.40
Minimum standard for lenders met?	

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Full Commercial Power

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Development Phase														
Capital expenditure														
Revenue before Full Power														
of which: used to defray construction expenditures carried forward to PY 2017														
Working capital														
Water power rental														
Debt service reserve														
Innu payments														
Funding requirement														
29.8% Of which equity														
Cumulative equity														
70.2% Of which debt draw														
IDC														
Total debt						(221.1)								
DER						(110.6)								
						(110.6)								
						-								
Operational Phase														
Island Load, GWh	1,907	1,976	2,055	2,125	2,226	2,328	2,503	2,576	2,637	2,724	2,817	2,957	3,184	3,266
Supply price, \$/MWh	\$89.03	\$90.81	\$92.63	\$94.48	\$96.37	\$98.29	\$100.26	\$102.27	\$104.31	\$106.40	\$108.53	\$110.70	\$112.91	\$115.17
Revenues, \$millions	169.8	179.5	190.4	200.8	214.5	228.9	251.0	263.4	275.1	289.8	305.7	327.4	359.5	376.1
Carry-over cash from prior year														
O&M														
Debt Service														
Water power rental														
Water management														
Working capital														
Subtotal: Cash flow before Innu														
Innu payments														
Cash flow after Innu payments														
Cash Flow to Equity	(23.8)	(69.1)	(59.1)	(49.6)	(32.0)	(16.9)	3.8	15.4	26.2	40.0	54.9	75.3	104.6	119.6
Debt Service Coverage Summary														
Cash Flow Available for Debt Service	197.3	152.0	162.0	171.6	189.1	204.2	224.9	236.5	247.4	261.1	276.1	296.4	325.7	340.8
Debt Service	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1	221.1
Surplus (Deficit)	(23.8)	(69.1)	(59.1)	(49.6)	(32.0)	(16.9)	3.8	15.4	26.2	40.0	54.9	75.3	104.6	119.6
Debt Service Coverage Ratio	0.89	0.69	0.73	0.78	0.86	0.92	1.02	1.07	1.12	1.18	1.25	1.34	1.47	1.54
Minimum DSCR														
Minimum standard for lenders met?	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	YES

Note: In the year prior to Full Commercial Power, construction expenditures are incurred in the first half of the year when revenues are minimal, and revenues are mostly in the second half when there are minimal construction expenditures. Therefore, equity is required to meet construction expenditures, while revenues give rise to cash balances which are carried forward to the operational phase.

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Development Phase

Capital expenditure
 Revenue before Full Power
 of which: used to defray construction expenditures
 carried forward to PY 2017
 Working capital
 Water power rental
 Debt service reserve
 Innu payments
 Funding requirement
 29.8% Of which equity
 Cumulative equity
 70.2% Of which debt draw
 IDC
 Total debt
 DER

2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060
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Operational Phase

Island Load, GWh
 Supply price, \$/MWh
 Revenues, \$millions
 Carry-over cash from prior year
 O&M
 Debt Service
 Water power rental
 Water management
 Working capital
 Subtotal: Cash flow before Innu
 Innu payments
 Cash flow after Innu payments

2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060
4,264	4,328	4,393	4,458	4,515	4,571	4,628	4,684	4,737	4,789	4,842	4,873	4,873	4,873	4,873
\$158.10	\$161.26	\$164.49	\$167.78	\$171.13	\$174.56	\$178.05	\$181.61	\$185.24	\$188.94	\$192.72	\$196.58	\$200.51	\$204.52	\$208.61
674.1	698.0	722.6	748.0	772.6	797.9	823.9	850.7	877.4	904.9	933.1	957.9	977.1	996.6	1,016.6
[Redacted]														

last debt service payment; reserves returned to equity

Cash Flow to Equity

488.9	610.9	632.8	655.3	677.2	699.7	722.8	746.5	770.2	794.5	819.5	841.5	858.2	875.2	892.5
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Debt Service Coverage Summary

Cash Flow Available for Debt Service
 Debt Service
 Surplus (Deficit)
 Debt Service Coverage Ratio
 Minimum DSCR
 Minimum standard for lenders met?

710.0	610.9	632.8	655.3	677.2	699.7	722.8	746.5	770.2	794.5	819.5	841.5	858.2	875.2	892.5
221.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
488.9	610.9	632.8	655.3	677.2	699.7	722.8	746.5	770.2	794.5	819.5	841.5	858.2	875.2	892.5
3.21	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YES														

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Development Phase

Capital expenditure
Revenue before Full Power
of which: used to defray construction expenditures
carried forward to PY 2017
Working capital
Water power rental
Debt service reserve
Innu payments
Funding requirement
29.8% Of which equity
Cumulative equity
70.2% Of which debt draw
IDC
Total debt
DER

2061	2062	2063	2064	2065	2066	2067
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Operational Phase

Island Load, GWh	4,873	4,873	4,873	4,873	4,873	4,873	4,873
Supply price, \$/MWh	\$212.78	\$217.04	\$221.38	\$225.81	\$230.32	\$234.93	\$239.63
Revenues, \$millions	1,036.9	1,057.6	1,078.8	1,100.4	1,122.4	1,144.8	1,167.7
Carry-over cash from prior year							
O&M							
Debt Service							
Water power rental							
Water management							
Working capital							
Subtotal: Cash flow before Innu							
Innu payments							
Cash flow after Innu payments							

Cash Flow to Equity

	910.2	928.2	946.6	965.3	984.4	1,004.0	1,024.1
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Debt Service Coverage Summary

Cash Flow Available for Debt Service	910.2	928.2	946.6	965.3	984.4	1,004.0	1,024.1
Debt Service	-	-	-	-	-	-	-
Surplus (Deficit)	910.2	928.2	946.6	965.3	984.4	1,004.0	1,024.1
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Minimum DSCR							
Minimum standard for lenders met?							

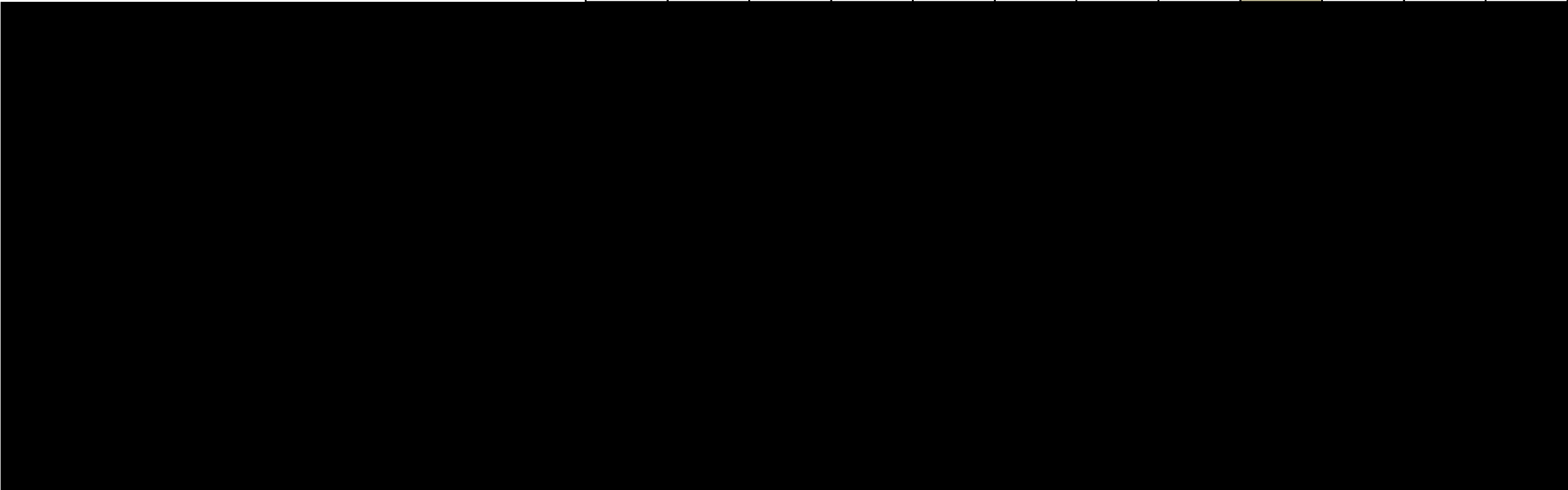
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'Note: Original screening models were based on semi-annual calculations; this summary shows annual calculations

Innu

	Project year beginning July 1							Full Commercial Power				
	Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020

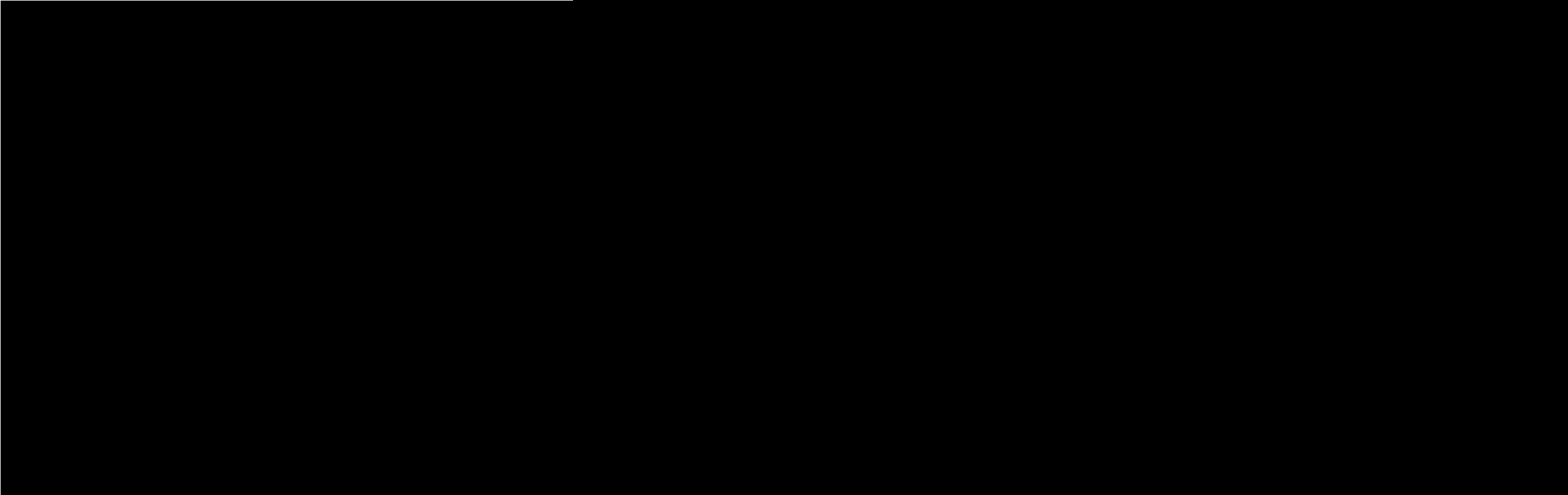


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Innu

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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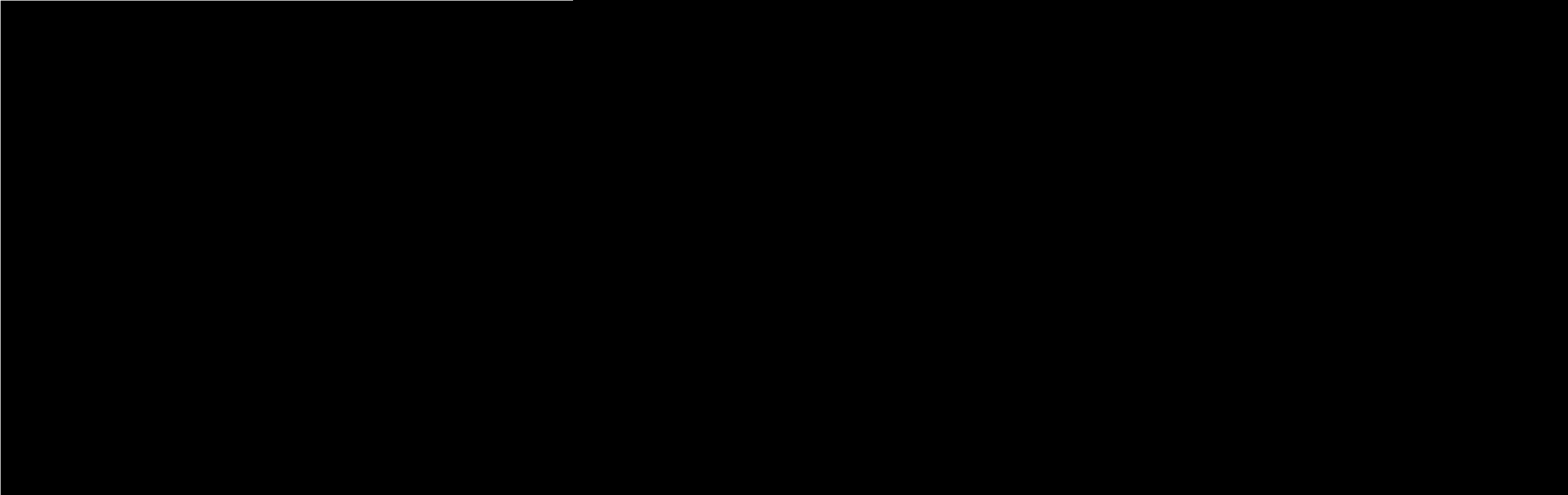


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Innu

2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
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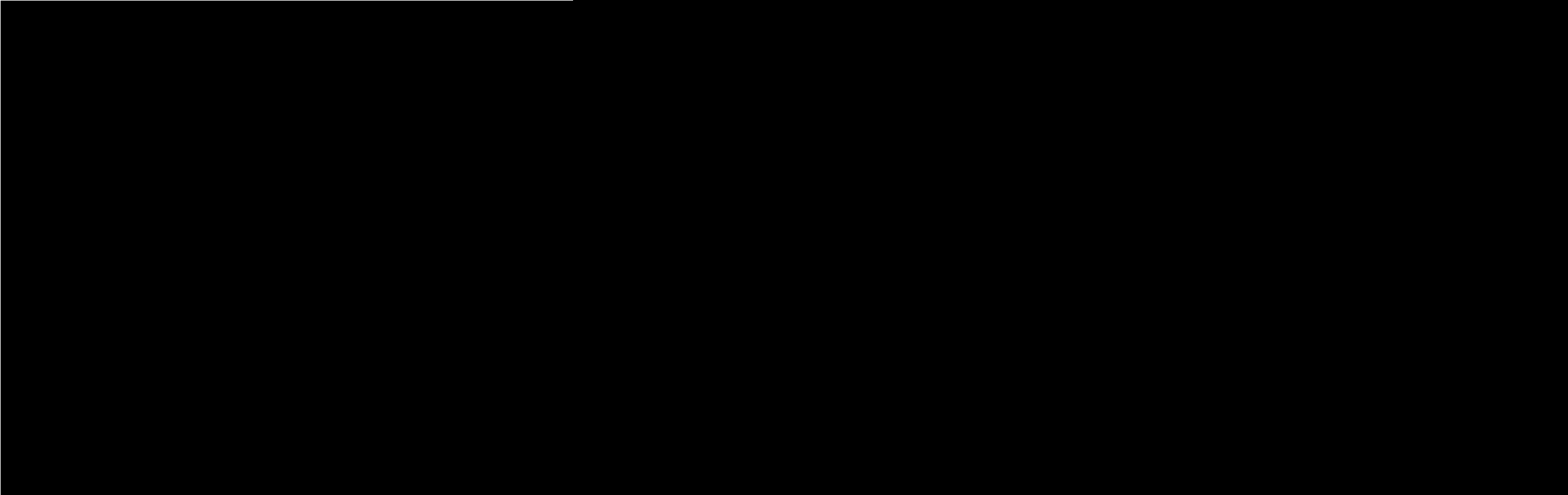


Nalcor Energy - Lower Churchill Project
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\$ millions except for per-unit

Innu

2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056
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Nalcor Energy - Lower Churchill Project
Financial Returns: Muskrat Falls, Serving Island Load Only
Summary Level Annual (75% Debt Scenario)

\$ millions except for per-unit

Innu

2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067
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