

- 1 Q. Regarding the LIL forecasts for dividends, please provide the calculations of the
2 following components of the “Cash Inflow” for each year from 2020-2039. Please
3 also provide specific references in agreements for the costs calculated.
- 4 a. “Return on Equity” components;
 - 5 b. “Interest Earned”;
 - 6 c. “Coupon Payments”;
 - 7 d. “Depreciation”;
 - 8 e. “Operating Costs”;
 - 9 f. “Sustaining Capital”; and
 - 10 g. “Taxes”.
- 11
12
- 13 A. The information provided in this response is based on Nalcor’s January 2019
14 forecast. PUB-Nalcor-203, Attachment 1 attached provides the detail components
15 of the cash available for dividends for each year from 2020 to 2039. The “Cash
16 Inflow” components, as requested above, are part of the “Rent” as per Section 3.1
17 of the Transmission Funding Agreement (TFA), and as defined in more detail in the
18 definition section of the TFA. With respect to the specific provisions that pertain to
19 each component in PUB-Nalcor-203, Attachment 1, it is important to note that in
20 most cases there is no single provision that is determinative but that the
21 agreements must be looked at in totality. While the agreements referenced below
22 are the primary source for each of the individual components required in
23 determining the LIL dividends, consideration must be given to all agreements as
24 provided in Nalcor’s responses to PUB-Nalcor-016 to PUB-Nalcor-019, as well as the
25 other relevant agreements noted below, in order to obtain a fulsome
26 understanding of factors considered in determining cash available for dividends in
27 any given year.

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- 1 a. Refer to PUB-Nalcor-203, Attachment 1. The return on equity amount is the
2 return on the capital account balances and is based on the assumed rate of
3 return as per Section 3.9 of the TFA.
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- 5 b. Refer to PUB-Nalcor-203, Attachment 1. The interest earned is comprised of
6 following items:
- 7 1) Interest income on Sinking Fund as per Section 8.10 of the Second Amended
8 and Restated LIL Project Finance Agreement (LIL PFA), as provided in
9 Nalcor's response to PUB-Nalcor-019 (vi), whereby the cash balance is
10 invested based on the criteria as per Schedule "Y" of the LIL PFA.
- 11 2) Interest income on Prepaid Rent Account as per Section 8.4 of the Second
12 Amended and Restated LIL PFA.
- 13 3) Interest income on Debt Service Reserve Account (DSRA) as per Section 8.3
14 of the Second Amended and Restated LIL PFA.
- 15 4) Interest income on Debt Service Escrow Account (DSEA) as per Section 8.17
16 of the Second Amended and Restated LIL PFA.
17
- 18 c. Refer to PUB-Nalcor-203, Attachment 1. The obligation to make periodic
19 payments, as required under Section 8.17, to fund the Coupon and Guarantee
20 fee payments as per Section 3.1, of the Second Amended and Restated LIL PFA.
21
- 22 d. Refer to PUB-Nalcor-203, Attachment 1. The annual depreciation is based on
23 the definition of "Annual Depreciation on the LIL" in the Definitions Section of
24 the LIL Limited Partnership Agreement (LPA), provided in Nalcor's response to
25 PUB-Nalcor-017, with the current working assumption being a service life of 50
26 years.

1 e. Refer to PUB-Nalcor-203, Attachment 1. Operating Costs as presented in Table 1
2 represents the “Operating and Maintenance Costs” as defined in the Definitions
3 Section of the TFA.

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5 f. Refer to PUB-Nalcor-203, Attachment 1. Sustaining Capital as presented in Table
6 1 represents the “Annual Depreciation on Sustaining Costs” as defined in the
7 Definitions Section of the TFA.

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9 g. Refer to PUB-Nalcor-203, Attachment 1. “Taxes” as presented in PUB-Nalcor-
10 203, Attachment 1 represent the “Tax Adjustment Amount” as defined in the
11 Definitions Section of the LPA.

LIL Dividend Detail Breakdown in response to PUB-Nalcor-203 and PUB-Nalcor-204
Based on the Nalcor January 2019 Forecast

	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
In Response to:																					
Cash inflow																					
PUB-Nalcor-203 (a) Return on Equity	2,108	42	125	123	122	120	118	117	115	113	111	110	108	107	105	102	99	97	94	92	89
PUB-Nalcor-203 (b) Interest Earned	(229)	(1)	(5)	(7)	(8)	(10)	(12)	(14)	(16)	(17)	(19)	(21)	(22)	(24)	(12)	(4)	(5)	(6)	(7)	(8)	(9)
PUB-Nalcor-203 (c) Coupon Payments	2,129	41	124	124	123	123	122	122	121	121	120	120	119	118	102	90	89	88	88	87	86
PUB-Nalcor-203 (d) Depreciation	1,874	32	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
PUB-Nalcor-203 (e) Operating Costs	933	12	39	40	40	41	43	44	45	46	47	48	49	50	52	53	54	56	57	58	60
PUB-Nalcor-203 (f) Sustaining Capital	41	-	-	-	-	-	-	-	-	-	3	-	-	-	1	1	1	1	-	7	26
PUB-Nalcor-203 (g) Taxes	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
Total Cash Inflows	6,858	127	380	377	374	371	368	365	362	360	359	354	351	348	344	339	335	333	328	333	351
In Response to:																					
Cash outflow (Flow through)																					
PUB-Nalcor-204 (a) Net Interest Expense	(1,918)	(59) ⁽¹⁾	(119)	(117)	(115)	(112)	(110)	(108)	(106)	(103)	(101)	(99)	(97)	(94)	(89)	(86)	(84)	(82)	(81)	(79)	(77)
PUB-Nalcor-203 (e) Operating Costs	(933)	(12)	(39)	(40)	(40)	(41)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(52)	(53)	(54)	(56)	(57)	(58)	(60)
PUB-Nalcor-203 (f) Sustaining Capital	(41)	-	-	-	-	-	-	-	-	-	(3)	-	-	-	(1)	(1)	(1)	(1)	-	(7)	(26)
PUB-Nalcor-203 (g) Taxes	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)
Net operating Outflows	(2,895)	(72)	(158)	(156)	(155)	(154)	(152)	(151)	(150)	(149)	(151)	(147)	(146)	(145)	(142)	(140)	(140)	(139)	(138)	(145)	(165)
Cash available for Sinking Fund Requirements	3,963	55	222	220	219	217	215	213	212	210	208	207	205	204	202	199	196	194	191	189	186
PUB-Nalcor-204 (b) Sinking funds and Principal Payments	(1,447)	(38)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(73)	(69)	(69)	(69)	(69)	(69)	(69)
PUB-Nalcor-204 (c) Release of DSRA	24	-	-	0	0	0	0	0	0	0	0	0	0	0	0	18	0	0	0	0	0
Net Cash Available for Dividends	2,540	17	145	144	142	141	139	137	135	134	132	130	129	127	129	148	127	125	122	120	118