

1 Q. Further to PUB-Nalcor-201, MFLTA forecast for dividends, please provide the “delta
2 impact” on revenue requirements and on dividends for the 2019-2039 forecasts for
3 MFLTA, assuming an additional \$1 Billion in CAPEX is spent in 2022 post-
4 commissioning, and the plant is out of service for 12 months at this time. Please
5 also give an explanation of how this change specifically impacts the calculation of
6 revenue requirements and dividends for MFLTA and LIL (if any for LIL).

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9 A. The information and “delta impact” provided in this response is based on Nalcor’s
10 January 2019 forecast, as aligned to the information provided in Nalcor’s response
11 to PUB-Nalcor-201.

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13 Refer to PUB-Nalcor-259, Attachment 1 for the “delta impact” on revenue
14 requirements and dividends for the 2020 to 2039 MFLTA forecast with an additional
15 \$1 Billion in CAPEX spend in 2022, and the Muskrat plant being out of service for
16 the full 12 months of 2022.

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18 Based on current interpretations of the agreements provided in Nalcor’s responses
19 to PUB-Nalcor-016 to PUB-Nalcor-019, and assuming the additional \$1 Billion in
20 CAPEX spend is for a “Sustaining Activity” as defined in the definitions section of the
21 Power Purchase Agreement (PPA) and is not covered by any warranty, insurance or
22 other third party claim, the additional CAPEX would be treated as a flow through
23 and included in the revenue requirements in the year incurred. As a result, the 2022
24 revenue requirement is assumed to include the additional \$1 Billion for that year.

1 With the additional CAPEX being treated as a flow through in the year incurred, the
2 funds collected through the revenue requirement will fund the additional CAPEX
3 and will therefore not impact dividends in 2022 or any other years.

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5 This scenario would have no impact on the LIL revenue requirement or dividends.

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7 The 12 month outage of the Muskrat Falls plant is assumed to be a result of a
8 “Force Majeure” event, as defined in the definitions section of the PPA. Under this
9 assumption, Hydro would continue to be obligated to make the required Base Block
10 payments over the outage period as per section 4.2(d) of the PPA and any energy
11 required to be supplied from Muskrat Falls would be delayed/deferred to future
12 years. There would be no impact on forecasted revenue requirement and
13 dividends.

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15 This response deals exclusively with the impact on MFLTA revenue requirement and
16 dividends, and does not consider any other potential operational or financial
17 impacts on Nalcor, Hydro or Emera for the 2022 operating year. Also, this response
18 does not consider the potential impacts on contractual energy deliveries or export
19 revenues as a result of the loss of energy from the Muskrat Falls plant during 2022.

PUB-Nalcor-259, Attachment 1
Rate Mitigation Options and Impacts Reference, Page 1 of 1

MFLTA Revenue Requirement and Dividends Impact
Based on the Nalcor January 2019 Forecast

\$ Millions		Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
In Response to:																						
Revenue Requirement																						
PUB-Nalcor-201 (a) & PUB-Nalcor-202 (d)																						
PUB-Nalcor-201 (a)	Energy Sales ⁽¹⁾	9,729	121	288	304	319	344	372	392	413	435	457	495	535	560	586	613	640	669	698	728	760
PUB-Nalcor-201 (b)	Operating Costs	905	12	37	38	39	40	41	42	43	44	45	47	48	49	50	51	53	54	55	57	58
PUB-Nalcor-201 (c)	Water Power Rental	362	5	16	16	16	17	17	17	18	18	18	19	19	19	20	20	21	21	22	22	22
PUB-Nalcor-201 (d)	IBA	116	2	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
PUB-Nalcor-201 (f)	Sustaining Capital	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	10	13
Revenue Requirement		11,137	140	346	364	381	407	436	458	480	503	527	567	608	635	662	690	720	750	781	823	860
Revenue Requirement Impacts																						
\$1 Billion Additional Capex in 2022		1,000	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Revenue Requirement		12,137	140	346	1,364	381	407	436	458	480	503	527	567	608	635	662	690	720	750	781	823	860
Dividend Impacts																						
Dividends as per PUB-Nalcor-201		5,097	4	29	48	65	92	123	145	169	193	228	358	292	320	349	378	409	440	455	484	518
\$1 Billion Additional Capex in 2022		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Dividends		5,097	4	29	48	65	92	123	145	169	193	228	358	292	320	349	378	409	440	455	484	518

(1) Includes Revenues and PPA/GIA adjustments (repayments) as stated in PUB-Nalcor-201 Attachment 1.

Assumptions:

The \$1 Billion spend is assumed to be incurred entirely in the Muskrat Falls assets and no change in the LTA capital assets.
Assumes "Force Majeure" as defined in the PPA. Full revenue requirement required to be paid by NLH during the 2022 out of service period.
Assumes no insurance or warranty funds available to assist in funding the \$1 Billion additional CAPEX.
No change to the operating and maintenance expenses during the 2022 out of service period.