



Nalcor Energy provides update on Muskrat Falls Project

June 24, 2016, St. John's, NL - Stan Marshall, CEO, Nalcor Energy, today provided an update on the Muskrat Falls Project, including a full overview of schedule and costs for the hydroelectric development, transmission lines and associated infrastructure as well as the impact the project will have on electricity rates for the people of Newfoundland and Labrador.

The construction cost forecast for the project is currently estimated at \$9.1 billion before financing costs. Transmission lines and associated infrastructure are projected to be in service mid-2018 to transmit power from Labrador to the island. First power at Muskrat Falls is now scheduled in fall 2019, with full power expected by mid-2020.

"I have done an extensive review of the costs, schedule and related risks with the Muskrat Falls Project," said Marshall. "I've looked at the original rationale and estimates for the project, the contractual arrangements, and the financing terms. In my opinion the Muskrat Falls Project was not the right choice for meeting the power needs of this province."

Marshall added that his conclusion is based on several factors:

- the original capital cost estimate and schedule was very aggressive and overly optimistic and the risks of the project were underestimated; and
- the project was much larger than necessary to meet the energy needs of the province.

Today electricity rates to domestic customers in 2021 are forecasted to rise to 21.4 cents per kilowatt hour (kWh), which is approximately 6.3 cents per kWh more than the rate forecasted when the project was sanctioned in December 2012.

"We will continue to work with the Provincial Government to look for ways to reduce the impact of project costs," said Marshall.

The forecasted demand for electricity in the province has decreased; however, a new source of energy is still required to replace the aging Holyrood plant and meet electricity needs on the island.

To date, \$6.7 billion has been spent or is contractually committed on the project and Nalcor is contractually bound to provide Emera with a substantial amount of power for the next 35 years at no cost.

"Stopping the project is no longer a practical option. While we still face challenges and risks, I am confident that the project team is now well-positioned to successfully complete the project with a strong finish," said Marshall. "Over the next four years, my job is to reduce our requirements for

additional equity from the Province and find ways to earn additional revenues from this investment,” said Marshall.

- 30-

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