January 19, 2016

Dear [Redacted]

Re: Your request for access to information under Part II of the 
Access to Information and Protection of Privacy Act
(File # NR-025-2015)

This is to confirm that on December 23, 2015, The Department of Natural Resources received your request for access to the following records/information:

Briefing materials -- in any and all formats, including paper and electronic -- prepared for, and/or provided to, the minister related to the Muskrat Falls hydroelectric project. Date range of request is Nov. 1, 2015 to the present.

I am pleased to inform you that a decision has been made by the Deputy Minister of the Department of Natural Resources to provide access to the requested information.

In accordance with your request for a copy of the records, the appropriate copies have been enclosed.

You may also further review departmental materials located on the Office of Public Engagement website. Please see file# NR-023-2015 at the following web address:

http://atipp-search.gov.nl.ca/

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.
The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P.O. Box 13004, Stn. A
St. John's, NL A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Office of Public Engagement's website within one business day following the applicable period of time.

If you have any further questions, please feel free to contact me by telephone at 729-1651 or by e-mail at reneependergast@gov.nl.ca.

Sincerely,

Renée Pendergast
Departmental ATIPP Coordinator
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Departmental Briefings • Natural Resources

Mines

1  Mining Key Facts
2  Active Mineral Exploration Projects
3  Commodity Prices – Minerals
4  Background Notes

Energy

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6  Nalcor Energy Corporate Overview
7  Muskrat Falls Overview and Status Update
8  Offshore Oil and Gas Industry Overview
9  Overview of Oil and Gas Activity in Western NL
10 Background Notes
Nalcor Energy

- Nalcor’s lines of business related to electricity include:
  - Newfoundland and Labrador Hydro (regulated)
  - Lower Churchill (Muskrat Falls and Gull Island)
  - Churchill Falls (CFLCo is co-owned by NLH and Hydro Quebec at 65.8% and 34.2%, respectively)
  - Nalcor Energy Marketing (exports)
  - Other operations include Ramea, Menihek and Exploits Generation
NP General Rate Application

- NP filed its GRA with PUB on October 16, 2015 to cover 2016-17 period and proposes rate increases averaging 3.1% effective July 1, 2016
- Last GRA was filed in September 2012
- NP’s greatest costs are power purchases from NLH
- NLH’s GRA sets the “wholesale” rate that NLH charges to NP. This is the rate that NP also uses to complete its own GRA to set retail rates for customers
- NP requesting ROE of 9.5% from 8.8% currently
- NP contends that medium to long-term uncertainties around MFP present financial risks that support its ROE request
- NP advises that PUB hearing is anticipated in Spring 2016 with a decision by late Spring/early Summer
Biogas

- Biogas is a combustible gas created by landfills and farms through the anaerobic (i.e. without oxygen) decomposition of organic material. Biogas generators burn the methane gas found in biogas to create heat which is used to turn a turbine and generate electricity.

- On September 2, 2014, NR announced Biogas Electricity Generation Pilot Program, administered through NLH with an aggregate cap of 5 MW.

- Interested proponents: Robin Hood Bay and New World Dairy.

- NLH currently negotiating PPA with NWD. PPAs extend one year past Muskrat when pilot program will be evaluated.
Muskrat Falls Project

- MF Project sanctioned in December 2012
- Includes 824 MW generating facility and links to the North American grid through the Labrador-Island Link (LIL) and the Maritime Link
- Power available from LIL in 2017, and from MF generation in 2018
- Benefits of the Project to NL Electricity Sector:
  - Meeting the long-term electricity needs of NL and stability for electricity rates
  - NL’s electricity mix 98 per cent renewable
  - Eliminating Holyrood thermal generation
  - Improving NL electric system reliability
  - Providing a transmission route to export surplus power
Lower Churchill

- Project includes:
  - Muskrat Falls Generation – 824 MW
  - Labrador-Island Transmission Link – 900 MW capacity; 1,100 km long; 60m wide; 4500 towers; and designed to withstand 180 km/h winds
  - Maritime Transmission Link – 500 MW capacity, 180km subsea transmission under Cabot Strait

- Transmission and generation scheduled to enter service in 2017 and 2018, respectively
Energy Marketing

- Energy trading and marketing operations fully in-house in 2015.
- Revenues currently derived mostly from sales of available recall energy – will add surplus Muskrat Energy, transmission through Maritimes and multi-year hydroelectric storage capacity
- Revenues of $74.1M in 2014 and $75.6M January – September 2015
Muskrat Falls Project
Table of Contents

• Project Benefits
• Project Summary
• Project Components and Status
  – MF Generation Facility
  – LTA
  – LIL and SOBI Crossing
• Employment and Industrial Benefits
• MF Project Oversight
• Maritime Link
Project Benefits

- Meets domestic energy needs
- 98% renewable energy supply in NL
- Long-term rate stability
- Interconnection of North American grid
  - Access to export markets
  - Enhanced reliability
- Federal loan guarantee benefit to province of ~ $1 billion
- GHG reduction
Summary of Muskrat Falls Project

- Project sanctioned in December 2012
- Construction began in 2013
- Actual project progress at August 2015 was 33.5% versus planned progress of 43.3%, a variance of 9.8%
- New Project schedule baselines being established as Project budget was adjusted in September 2015. Milestone Dates are under review
- Power available from LIL in 2017, and from MF generation in 2018
- Current facilities capital budget is $7.65B (increase from $6.99B estimate in June 2014 and $6.2B at DG3).
- As of August 2015, additional interest and other financing costs estimated at $1.4B
- Project expenditures through September 2015 totaled $3.456B:
  - MF Generating Facility ($1.813B), LTA ($0.504B) and LIL ($1.138B)
## MF Cost Summary

<table>
<thead>
<tr>
<th>Muskrat Falls Project: Sub Project</th>
<th>DG3</th>
<th>June 2014</th>
<th>September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muskrat Falls Generating Facility</td>
<td>$2.901B</td>
<td>$3.371B</td>
<td>$3.685B</td>
</tr>
<tr>
<td>Labrador-Island Transmission Link</td>
<td>$2.609B</td>
<td>$2.786B</td>
<td>$3.089B</td>
</tr>
<tr>
<td>Labrador Transmission Assets</td>
<td>$0.691B</td>
<td>$0.831B</td>
<td>$0.877B</td>
</tr>
<tr>
<td>Muskrat Falls Capital Cost Budget</td>
<td>$6.20B</td>
<td>$6.99B</td>
<td>$7.65B</td>
</tr>
</tbody>
</table>

- **Cost Drivers**
  - Competitive market factors
  - Design changes during construction
  - Contractor performance and additional project management
## Summary – Project Schedule

### August 2015 Oversight Committee Report

<table>
<thead>
<tr>
<th>Muskrat Falls Project: Sub Project</th>
<th>August 2015</th>
<th>Variance June 2015</th>
<th>Variance March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned Schedule Progress</td>
<td>Actual Schedule Progress</td>
<td>Variance</td>
</tr>
<tr>
<td>Muskrat Falls Generating Facility</td>
<td>48.8%</td>
<td>34.8%</td>
<td>-14.0%</td>
</tr>
<tr>
<td>Labrador-Island Transmission Link</td>
<td>33.4%</td>
<td>27.1%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Labrador Transmission Assets</td>
<td>57.1%</td>
<td>51.8%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Total</td>
<td>43.3%</td>
<td>33.5%</td>
<td>-9.8%</td>
</tr>
</tbody>
</table>
Muskrat Falls Project (MFP) Components

Muskrat Falls Generating Facility
- 824 megawatt (MW) hydroelectric development at Muskrat Falls

Labrador Transmission Assets (LTA)
- Two 315 kilovolt (kV) High Voltage alternating current (HVac) transmission lines between Muskrat Falls and Churchill Falls

Labrador-Island Transmission Link (LIL)
- 1,100 km long High Voltage direct current (HVdc) transmission line between Muskrat Falls and Soldiers Pond

* Maritime Link is separate from MFP
Muskrat Falls Generating Facility

- 824 MW hydroelectric generation facility on lower Churchill River
- ~30 km west of Happy Valley-Goose Bay
- Includes two dams and a powerhouse
- Second-largest hydroelectric facility in Atlantic Canada and the province when complete
- 560,000 m³ of concrete is required to build the structures at Muskrat Falls – equivalent to 3 Hebron gravity-based structures (GBS)
- Powerhouse structure will be taller than the Confederation Building
- Turbine efficiency at Muskrat Falls will be one of the highest ever obtained in North America
Muskrat Falls Generating Facility
Muskrat Falls Generating Facility – Current Status

- As of August 2015, actual progress for the facility was 34.8% compared to planned progress of 48.8%.

- Variance mainly due to:
  - a change in the North Spur Works Ready for Diversion Milestone from November 2015 to September 2016.
  - progress on the Powerhouse and Intake continuing to fall behind Astaldi’s original schedule.
  - progress on the Reservoir Preparation slowing.

- Stabilization of North Spur is progressing well; geotechnical conditions are as expected.

- Discussions are ongoing with Astaldi to determine timelines for completing remaining work on Powerhouse and Intake.

- Critical Path for River Diversion in 2016 remains on track, however, risk of delays are high due to powerhouse concrete placement rates.

- Focus now on installing Spillway Gates in preparation for River Division in 2016 which is on the Critical Path.
North Spur, Powerhouse and Spillway
Labrador Transmission Assets

- Two 315kV HVac transmission lines from Muskrat Falls to Churchill Falls, ~ 250km each
- New switchyard at Churchill Falls and connecting to an extension to the existing 735kV switchyard
- New switchyard at Muskrat Falls
Labrador Transmission Assets – Current Status

- As of August 2015, actual progress on the LTA was 51.8% compared to planned progress of 57.1%
- Slippage mainly due to transmission line installation
- Challenging geotechnical conditions and spring thaw caused severe working conditions, resulting in temporary lay-offs
- In September, work continued on foundation assembly and installation, tower assembly and erection, and conductor stringing
- Civil works and building services at MF switchyard continued with all transformer units shipped and arriving this fall
- First two units for CF switchyard arrived in September
AC transmission line from Muskrat Falls to Churchill Falls
Labrador-Island Transmission Link

- HVdc transmission system will include:
  - 1,100 km long, 60 m wide right-of-way running from central Labrador, crossing the Strait of Belle Isle (subsea cable), and extending to Avalon Peninsula
  - Converter station at Muskrat Falls and Soldiers Pond, switchyard and synchronous condenser at Soldiers Pond, and electrodes at L’Anse au Diable and Dowden’s Point
  - Approximately 4,500 towers, 460,000 insulators and 6,000,000 meters of conductor
Labrador-Island Transmission Link – Current Status

- As of August 2015, actual progress was 27.1% compared to planned progress of 33.4%
- Slippage due to challenging geotechnical conditions and spring thaw causing severe working conditions and resulting in temporary lay-offs
- Right-of-way clearing, foundation assembly and installation, and tower assembly and erection continuing
- The first HVdc transmission tower for southern Labrador was erected in Forteau in September
- Construction commenced in September on the synchronous condenser building at Soldiers Pond
- In October 2015, conductor stringing for the transmission line began
Labrador-Island Transmission Link – Strait of Belle Isle Crossing (SOBI)

- 35km marine cable crossing connecting transmission line from Forteau, Labrador to Shoal Cove, Newfoundland
- Includes 3 subsea marine cables along the seabed and 7 land cables
- Two of the three land cables for Shoal Cove were installed in September and land cables for Forteau arrived in September
- Installation of land cables will be completed this fall
- Following 3 years of manufacturing in Japan, the last of the three marine cables was completed in October 2015
- Marine cables will be placed along the sea floor and covered by rock berms to protect against marine traffic
- Installation is scheduled for 2016
SOBI Marine Cable and LIL
Employment and Industrial Benefits

• In September 2015:
  – 5,383 people were working on all Project components
  – 84% of the total persons employed were from NL
  – 4,358 people were working in Labrador – 1,230 were Labrador residents of which 489 self-identified as a member of a Labrador Aboriginal group
  – 640 women were working on all project components, 589 of which were NL residents

• Since project sanction, over $975M had been spent with NL-based companies

• An estimated $9M per week returned to provincial economy through local business, employment and wages
Muskrat Falls Project Oversight

- **Nalcor Oversight** – Board of Directors, internal audit committee and external independent auditor

- **NL Government Oversight** – Muskrat Falls Project Oversight Committee composed of senior officials from NR, FIN, JPS, Executive Council, and chaired by the Clerk

- **Independent Engineer** – MHW Canada Inc. retained to ensure compliance with terms of Federal Loan Guarantee. In place for construction and into operations phase
Maritime Link (ML)

- In conjunction with the MF Project, the ML will export (and import as appropriate) hydroelectricity from NL to NS
- The ML includes ~350 km of overland transmission line and two subsea cables spanning 170 km beneath the Cabot Strait with a 500 MW capacity
- It will be owned and operated by NSPML, a subsidiary of Emera NL. After 35 years, ownership transfers to Nalcor. The asset projected life is 50 years
- In exchange for building the ML and providing Nalcor with transmission access through NS, Emera will receive approximately 20% of the energy from MF over its 50 year life (delivered over first 35 years of ML)
- As of June 2015, the total project cost estimate is $1.577B, including escalation and contingency amounts
- Commissioning and first power forecasted for 2017
DEPARTMENT OF NATURAL RESOURCES
DETAILED EXPLANATORY NOTES TO THE ESTIMATES 2015-2016

Explanation of variance:

2014-15 Budget to 2014-15 Revised
(a) Professional Services - Variance due to lower than anticipated professional services expenditures during the year, primarily attributable the Electricity System review undertaken during the year costing less than originally anticipated.
(b) Purchased Services - Variance due to In-House Staff Training courses that were provided during the year on Power System Basics for Non-Engineers.
(c) Property, Furnishings & Equipment - Variance due to less than anticipated property, furnishings, and equipment requirements during the year.

2015-16 Estimates to 2014-15 Budget
(d) Professional Services - Variance due to removal of funding approved in 2014-15 for the Electricity System review ($700,000) offset by $200,000 approved in Budget 2015-16 related to professional services requirements associated with preparation for interconnection with the North American electricity grid through Muskrat Falls.

<table>
<thead>
<tr>
<th>3.1.01 (A344) ENERGY POLICY (CONT’D)</th>
<th>2015-16 Estimates</th>
<th>2014-15 Revised</th>
<th>2014-15 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Grants &amp; Subsidies</td>
<td>Funding is provided for subsidies for isolated diesel powered communities, and funding related to the legal obligations of the CF(L)Co Trust Agreement.</td>
<td>3,250,000 (b)</td>
<td>2,950,000 (a)</td>
</tr>
<tr>
<td>Amount to be Voted</td>
<td>5,190,800</td>
<td>4,600,000</td>
<td>5,539,100</td>
</tr>
<tr>
<td>TOTAL ENERGY POLICY</td>
<td>5,190,800</td>
<td>4,600,000</td>
<td>5,539,100</td>
</tr>
</tbody>
</table>

Explanation of variance:

2014-15 Budget to 2014-15 Revised
(a) Grants and Subsidies - Variance due to less than anticipated expenditures associated with the CFLCo Trust Agreement for 2014-15 ($610,000 Budget - $450,000 spent).

2015-16 Estimates to 2014-15 Budget
(b) Grants and Subsidies - Variance due to reduced requirements related to the CFLCo Trust Agreement for 2015-16 (2014-15 Budget = $610,000 vs. 2015-16 Budget = $350,000, for a reduction of $260,000), as well as additional funding ($400,000) related to the increased costs of Diesel Subsidy Grants for isolated diesel-powered communities.
### Professional Services

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014-15 Estimates</th>
<th>2015-16 Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.1.01 Energy Resources and Industrial Benefits Management – Energy Policy (A344)</strong></td>
<td>924,800</td>
<td>424,800</td>
</tr>
<tr>
<td>Funding is provided for activities undertaken by the Energy Policy, Planning and Coordination Division for in-depth analysis of energy policy issues as they affect, or are affected by, the province’s energy sector and to ensure the Government is fully informed on provincial, regional, national and international energy issues. <em>(Policy &amp; Coordination Division)</em></td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Funding is provided for activities undertaken by Regulatory Affairs Division in the development of Framework Regulations under FORRI - The Frontier and Offshore Regulatory Renewal Initiative <em>(Regulatory Affairs Division)</em></td>
<td>59,800</td>
<td>59,800</td>
</tr>
<tr>
<td>Funding is provided for activities undertaken by Electricity and Alternative Energy Division for specialized consulting expertise for the development and implementation of policy options related to the electricity industry and for analysis of electricity sector developments in other jurisdictions <em>(Electricity and Alternative Energy Division)</em></td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td><strong>Electricity System Review</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding was provided for independent review of the Electricity System in Newfoundland. On January 9, 2014, Government announced it would seek an independent review of the electricity system in NL. <em>(Electricity and Alternative Energy Division)</em></td>
<td>700,000</td>
<td></td>
</tr>
<tr>
<td><strong>Preparation for Muskra Interconnection</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding is required for the necessary external consulting services in 2015-16 in order to ensure preparation for the interconnection with the North American electricity grid through the Muskra Falls Project.</td>
<td></td>
<td>200,000</td>
</tr>
</tbody>
</table>
Department of Natural Resources

Enhancing Newfoundland and Labrador through the promotion, exploration and development of our mineral and energy resources.
Primary Stakeholders

- Exploration and resource development companies.
- Electrical generation and supply distribution companies.
- Energy consumers (refined petroleum products and electricity for industrial, commercial and residential customers).
- Supply and service companies in the resource and electricity sector.
- Industry associations and labour groups.
- GNL departments, crown corporations and agencies.
- Other regulatory agencies.

Legislation

The department carries out its mandate, in part, through the administration of legislation and associated regulations. Legislation under the authority of the Minister of Natural Resources includes the following.

Mines

*Mineral Act.* Defines the rights of mineral explorers and developers of mineral properties; outlines the methodology to be used in obtaining such rights and the areas where government may regulate activity.

*Mineral Holding Impost Tax Act.* Taxes the holders of mineral properties that do not fall under the *Mineral Act* with the aim of motivating holders to either: a) conduct exploration, or b) surrender their land upon which it would become subject to the *Mineral Act.*
**Mining Act.** Regulates the development, operation and closure of mines in the province. The act achieves this by outlining requirements for development, operational and rehabilitation and closure plans, as well as mining licenses and financial assurance. This Act does not deal with Occupational Health and Safety matters.

**Quarry Materials Act.** Defines the rights of explorers and developers of quarry materials and areas where government may regulate activity; outlines the methods by which quarry rights may be acquired and defines royalties and rentals payable to government as a result of quarry development.

**Undeveloped Minerals Areas Act.** Enables government to arrange for the exploration of private mineral properties that, in government’s opinion, have not been adequately explored. Properties affected by this act have been identified by various orders and, generally, are not covered by the **Mineral Act.**

**Energy**

**Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act.** Sets out the mechanism for joint federal-provincial management of the Newfoundland and Labrador offshore area through the Canada-Newfoundland Offshore Petroleum Board; also defines the methods of obtaining exploration and production rights, the requirements for safety, resource conservation and environmental protection, and the activities that may be regulated. The act is mirrored in federal statutes.
Churchill Falls (Labrador) Corporation Limited Act. Authorizes the Lieutenant-Government in Council to execute and deliver an indenture, leasing certain water powers in Labrador to Churchill Falls (Labrador) Corporation Limited and to make provision respecting other related matters.

Electrical Power Control Act. Sets policy with regard to electric power rates and establishes provisions for the determination of such power rates by the Public Utilities Board.

Energy Corporation Act. Establishes the existence of, and sets out the mandate, powers and management structure of the Energy Corporation of Newfoundland and Labrador as a Crown agency.


Hydro Corporation Act. Establishes the mandate, powers and management structure of the Newfoundland and Labrador Hydro-Electric Corporation as a Crown agency.

Lower Churchill Development Act. Authorizes the Minister of Natural Resources to enter into an option agreement with the Lower Churchill Development Corporation, guaranteeing the corporation executive water rights, rights to flood land and a sole option to purchase the Gull Island hydro assets.

Miscellaneous Financial Provisions Act. Removes any restrictions elsewhere in provincial legislation on government assigning to Newfoundland and Labrador Hydro-Electric Corporation a right, title or interest in royalties and rentals in clauses 1 and 8 of Part II of the lease between government and CF(L) Co.
Muskrat Falls Project Land Use and Expropriation Act
A stand-alone, lands-related act to ensure that Nalcor and Emera have the ability to acquire the necessary land interests to advance the Muskrat Falls project.

Newfoundland and Labrador Power Commission (Water Power) Act. Extinguishes certain water power rights previously held by BRINCO and provides for their assignment to Newfoundland and Labrador Hydro (Power Commission) to facilitate financing of the Bay d’Espoir hydro-electric project.

Petroleum and Natural Gas Act. Defines how the rights to explore for and develop oil and gas properties on land may be obtained and maintained, how areas may be assigned for exploration, the scope with which government may regulate activity and the various royalties that may be due.
Budget and Expenditures for 2015-16

The 2015-16 operating budget for the divisions and sections of the department is just over $23 million. The chart below breaks out the figures for the three divisions of the Mines Branch as well as the three sections of the Energy Branch. These figures do not include $3.4 million related to executive and support services, some of which are shared with the Forestry and Agrifoods Agency as well as the Department of Fisheries and Aquaculture.

![Chart showing budget breakdown](image)

In addition to these amounts, $8.8 million was budgeted for the 2015-16 operational funding of the C-NLOPB and $760 million in capital was allotted for Nalcor Energy for the purpose of oil and gas activities and the Lower Churchill Project.
The following tables provide an overview of expenditures and revenue for the current fiscal year. The tables are based on mid-year figures.

**Budget: Mid-year October 2015**

<table>
<thead>
<tr>
<th>Division/Section</th>
<th>Budget</th>
<th>Encumbrance + Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geological Survey</td>
<td>5,640,400</td>
<td>3,423,898</td>
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<tr>
<td>Mineral Development</td>
<td>3,459,400</td>
<td>1,335,293</td>
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<tr>
<td>Mineral Lands</td>
<td>1,439,700</td>
<td>969,944</td>
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<tr>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum Development</td>
<td>1,955,900</td>
<td>990,388</td>
</tr>
<tr>
<td>Royalties &amp; Benefits</td>
<td>5,328,400</td>
<td>1,834,548</td>
</tr>
<tr>
<td>Energy Policy</td>
<td>5,196,300</td>
<td>1,807,125</td>
</tr>
<tr>
<td>C-NLOPB</td>
<td>8,835,000</td>
<td>4,417,500</td>
</tr>
<tr>
<td>Grand Total(^2)</td>
<td>31,855,100</td>
<td>14,778,696</td>
</tr>
<tr>
<td>Energy Initiatives (Capital)</td>
<td>760,000,000</td>
<td>183,868,165</td>
</tr>
</tbody>
</table>

\(^2\) Budget figures above include an additional $164,000 that was provided by the Department of Finance after the original budget was approved for the Job Evaluation System implementation.
Revenue: Mid-year October 2015

<table>
<thead>
<tr>
<th>Division/Section</th>
<th>Budget</th>
<th>Encumbrance + Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geological Survey</td>
<td>4,000</td>
<td>0</td>
</tr>
<tr>
<td>Mineral Lands</td>
<td>610,000</td>
<td>0</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum Development</td>
<td>81,000</td>
<td>62,600</td>
</tr>
<tr>
<td>C-NLOPB</td>
<td>6,626,300</td>
<td>3,310,501</td>
</tr>
<tr>
<td>Grand Total</td>
<td>7,321,300</td>
<td>3,373,101</td>
</tr>
</tbody>
</table>

Recent Budget Reduction Initiatives

There have been a number of initiatives approved as a means of reducing the overall departmental budget. Recent reduction decisions include:

- Elimination of the Professional Services Contract for the Strategic Energy Advisor - $150,000 reduction (commencing 2016-17)
- Reduction in the Mineral Incentive Program - $303,000
- Reduction in staffing for the Geological Survey through attrition - $401,600 reduction (cumulative 5yr Total)
- Attrition Management - $717,600 reduction through attrition (cumulative 5yr Total); in addition to the above noted Geological Survey attrition
- Total savings: $1,572,200
The department has also identified ways to reduce the overall budget through increasing revenue generation. Recent revenue generation decisions include:

- Increased fees associated with staking mineral claims - $175,000 additional revenue
- Increase in Quarry Material Royalties Rate - $500,000 additional revenue
- Increased rentals for Mining Leases, Quarry Leases, and Quarry Permits - $550,000 additional revenue
- Introduced application fees for approvals under the Mining Act (various fees) - $32,500 additional revenue
Natural Resources Entities

The Department of Natural Resources has legislative oversight of the following public bodies in the mines and energy sectors.

1. Nalcor Energy, Newfoundland and Labrador Hydro and their subsidiaries:
   - Nalcor Energy Oil and Gas
   - Nalcor Energy Marketing Corporation
   - Muskrat Falls Corporation
   - Lower Churchill Development Corporation
   - Churchill Falls (Labrador) Corporation
   - Twin Falls Power Corporation
   - Gull Island Power Corporation
   - Labrador Island Link Holding Corporation
   - Labrador Island Link General Partner Corporation
   - Labrador Island Link Operating Corporation
   - Labrador Transmission Corporation
   - Lower Churchill Management Corporation
   - Bull Arm Fabrication Inc.

2. Terra Nova Reference Price Committee

3. Muskrat Falls Project Land Use and Expropriation Arbitration Panel

4. Mineral Rights Adjudication Board

5. C-NLOPB (shared jurisdiction with the Federal Government)
March 2015

Update on Muskrat Falls (Quarterly Oversight Report – Dec 2014)
The report noted that the project capital budget of $6.99 billion and the critical path to first power for December 2017 both remain unchanged. Scheduling pressures were being experienced. Production improvements were required at the Muskrat Falls Generating Facility in order to maintain the critical path and milestone schedule. Mitigation actions were being implemented.

First Call for Bids Issued Under New Land Tenure Regime
The November 2015 Call for Bids was the first under the province’s new land tenure system. The Call for Bids consisted of 11 parcels and a total of 2.5 million hectares in the Eastern Newfoundland Region. The minimum bid for each parcel offered was $10 million in work commitments.

May 2015

Provincial Government Releases Energy Plan Progress Report
The report provided an update on the first energy plan and highlighted the progress in matching the plan with the development of the province’s energy resources.

First Major Delivery of Nickel Concentrate from Vale’s Operations in Labrador to Long Harbour
A significant milestone for Vale and their operations in Long Harbour. The first shipment delivered about 2,000 tonnes of high grade nickel concentrate for Voisey’s Bay. Vale is bringing in this concentrate to be blended with nickel matte from their operations in Indonesia.
Amendments Increase Absolute Liability to $1 Billion for the Offshore Legislation was amended resulting in offshore operators being held responsible for $1 billion in clean-up costs and damages from a major spill without any proof of fault or negligence; and the establishment of the "polluter-pays" principle for the offshore.

July 2015

Provincial Government Providing Employment Supports to Employees of Teck Resources Duck Pond Operations (AES/NR News release) Officials with the Department of Advanced Education and Skills met with Teck Resources to offer employment supports and services for approximately 320 employees affected by the closure of the company’s Duck Pond mine in Millertown, which took effect June 30, 2015.

Update on Muskrat Falls (Quarterly Oversight Report – March 2015) The report noted that mitigation actions continue to be implemented to address the schedule issues at the generating facility. Nalcor Energy reported improvements by the contractor in concrete placement rates for May and June 2015. The report also noted that risk remained to the project contingency budget until two major contracts were awarded.

Ministers Commit to Evaluate Clean Electricity Trade Opportunities (NL/ON agreement)
The Provincial Government and the Government of Ontario committed to exploring opportunities for importing clean and reliable electricity from Newfoundland and Labrador into Ontario. The commitment was made at the 2015 Energy and Mines Ministers’ Conference currently underway in Halifax, Nova Scotia.

Partners in Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, Yukon, and Ontario to Find Opportunities to Support Remote Communities
The governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, Yukon, and Ontario established a Pan-Canadian Task Force to reduce the use of diesel fuel to generate electricity in remote communities.

Provincial Government Announces New Net Metering Policy Framework
Net metering will allow utility customers with small-scale generating facilities to generate power from renewable sources for their own consumption. Once the framework is fully implemented by the utilities, customers will be able to feed power into the distribution system during periods when they generate excess power and draw power from the grid when their generation does not fully meet their needs.

August 2015

Vale meets terms of the amended Voisey’s Bay Development Agreement (Underground Mine)
Vale met the terms of the amended Voisey’s Bay Development Agreement by formally sanctioning construction of an underground mine at Voisey’s Bay. Vale’s commitment to build an underground mine was negotiated by the Provincial Government as part of an amendment made to the agreement announced in March 2013.
September 2015

Update on Muskrat Falls (Nalcor) (Quarterly Oversight Report – August 2015)
The report noted that Nalcor has finalized the costs of the remaining major contracts for the Muskrat Falls Project and identified additional cost pressures resulting in a revised project budget from $6.99 billion to $7.65 billion. Impact on the project’s schedule is being assessed.

October 2015

Oil and Gas Resources Assessment Announcement (EC/NR news release)
The Provincial Government announced that the in-place oil and gas resource potential in the province’s offshore is 12 billion barrels of oil and 113 trillion cubic feet of gas for the area covering the 11 parcels currently on offer in the Flemish Pass. These parcels were up for bid in the first-ever scheduled license round which closed in November 2015.

Release of Power Advisory LLC Report (Review of Province’s Electricity System)
Power Advisory LLC was hired in August 2014 to complete an independent review of the Newfoundland and Labrador’s electricity system. The review was completed in three parts: an overview of the provincial electricity system; governance, legislation and regulations; and system reliability.

November 2015

Release of Framework for Province’s Generic Offshore Oil Royalty Regime
The new regime was developed to provide an internationally competitive, simplified, and transparent framework to maximize value to the province while respecting the need for oil companies to earn a fair return on investment. Within the framework, royalty rates will increase as fields become more profitable.
IV. Ministerial Briefings

Mines
1. Mining Industry Overview
2. Active Mineral Exploration Projects
3. Commodity Prices - Minerals

Energy
1. Newfoundland and Labrador Electricity Overview
2. Nalcor Energy
3. Muskrat Falls
4. Offshore Oil and Gas Industry Overview
5. Western Newfoundland and Labrador Oil and Gas Industry Overview

Departmental Budget 2015-16
1. Budget Estimates
2. Estimates and Variances Notes
Electricity and Alternative Energy

1. Sell surplus power to mitigate potential increases in electricity rates and reduce ratepayers' bills
2. Open the books on Muskrat Falls
3. Encourage distributed energy generation such as seeking out opportunities to develop wind farms and small scale hydro, prioritizing communities that are isolated from the power grid, including coastal Labrador for wind and small-scale hydro developments
4. Implement net metering programs
5. Intensively market cost-competitive electricity generated by wind and hydro to regional, national and international markets
6. Encourage investment and innovation in electrical power generation projects
7. Seek opportunities to develop the Gull Island hydro project which will include identifying potential markets and scouting potential access routes

Mines

1. Increase the annual investment in the Junior Exploration Assistance Program to $1.5M
2. Consult with industry to explore the possibility of a Venture Capital Fund for Mineral Exploration and Development
3. Continue to fund prospector grants throughout NL

Accountability

1. Improve management oversight of Nalcor by reviewing the operational structure of Nalcor to ensure accountability