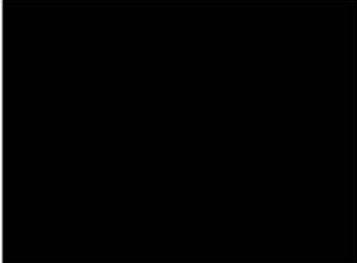


March 13, 2020



**Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-115-2020)**

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On March 2, 2020, the Department of Natural Resources received your request for access to the following records/information:

**All key messages or Q&A documents prepared by natural resources in February 2020**

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The responsive records are attached.

As set out in section 42 of the Act you may ask the Information and Privacy Commissioner to review the department's decision to provide access to the requested information. 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. Your request should identify your concerns with the department's response and why you are requesting a review.

The request for review may be addressed to 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

Pursuant to section 52 of the Act, you may also appeal directly to the Supreme Court Trial Division within 15 business days after receiving the department's decision.

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 Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

For further details about how an access to information request is processed, please refer to the Access to Information Policy and Procedures Manual at <http://www.atipp.gov.nl.ca/info/index.html>.

If you have any questions, please feel free to contact me at 709-729-0463 or [rhynes@gov.nl.ca](mailto:rhynes@gov.nl.ca).

Sincerely,

A handwritten signature in cursive script that reads "Rod Hynes".

Rod Hynes  
ATIPP Coordinator

**Natural Resources  
February 21, 2020**

**ISSUE: NL Hydro's Short-Term Borrowing Limit**

**ANTICIPATED QUESTION:**

- Why did NL Hydro have to increase its short-term borrowing?

**KEY MESSAGES:**

**Newfoundland and Labrador Hydro has increased its short-term borrowing limit from \$300 million to \$500 million.**

**This is to ensure the utility has available funds to cover short term requirements such as fuel for Holyrood.**

**The \$300 million borrowing limit was established over 30 years ago and is outdated from an inflationary perspective.**

**Prepared by: Lisa Lawlor, Communications Manager  
Approved by: Diana Quinton, Director of Communications  
Corey Snook, Director of Energy Policy  
Ted Lomond, DM**

**Key Messages  
Natural Resources  
February 7, 2020**

**ISSUE: Mobil Investments Canada Inc. v. Government of Canada**

In January 2015, Mobil Investments Canada Inc. filed a second notice of arbitration against the Government of Canada, alleging that the application of the 2004 Guidelines for Research and Development Expenditures to the investor's Hibernia and Terra Nova offshore oil projects breached Canada's NAFTA obligations.

Mobil was seeking damages for the application of the Guidelines to its projects from 2012-2015 and later amended its claim seeking future damages until the life end of the two projects.

On January 7, 2020, the parties jointly requested the Tribunal to issue a Consent Award, confirming the settlement of the Mobil Investments Canada Inc. v. Canada claim by the parties.

On February 4, 2020, the NAFTA Tribunal issued the Consent Award to the parties, which is now publicly available on the web page for the International Centre for Settlement of Investment Disputes.

**ANTICIPATED QUESTIONS:**

Q. What is the provincial government's reaction to the settlement?

**KEY MESSAGES:**

**We are pleased that Mobil Investments Canada Inc. and Canada have reached a settlement. This was with regard to a challenge under NAFTA for guidelines on spending for research and development for oil and gas companies in offshore activities.**

**The Governments of Newfoundland and Labrador and Canada have been working together to support global competitiveness in our offshore oil industry. Settling this claim helps provide certainty to operators investing in our industry.**

**ExxonMobil Canada Ltd. is contributing substantially to the economy of Newfoundland and Labrador through the Hibernia and Hebron projects and is currently drilling the Harp exploration well in EL 1135 in the Central Ridge, just south of the Flemish Pass as part of its exploration/appraisal program offshore Newfoundland and Labrador.**

**Through Advance 2030, we are positioning Newfoundland and Labrador as an internationally preferred location for oil and gas exploration and development, driven by an innovative, sustainable, local industry that is globally competitive, environmentally responsible, and maximizes benefits to the people of the province.**

**Key Messages  
Natural Resources  
February 19, 2020**

**ISSUE: Innovation and Business Development Fund – Score**

**ANTICIPATED QUESTIONS:**

Q. What does this mean for our oil and gas industry?

**KEY MESSAGES:**

Today the Provincial Government announced \$750,000 through the Innovation and Business Development Fund for a project led by Score Canada Limited.

The project provides Score Canada with further capability to bring cutting-edge valve management technologies to the Newfoundland and Labrador oil and gas sector.

This project enhances the company's capacity to bring cutting-edge valve management technologies to the Newfoundland and Labrador oil and gas sector.

This funding will allow the company to digitalize its process for offshore valve maintenance to make it more efficient.

It will allow the company to eliminate manual processes and move all valve maintenance activities to digital processes - ensuring all maintenance will be in real time. This will ultimately contribute to a safer offshore for workers and the environment.

As a result, the company will hire 15 new skilled positions locally and secure the necessary equipment to expand operations. The new hires are being provided with customized training in valve management, exclusive to Score Canada, which has been developed through decades of experience in leading oil and gas countries throughout the globe.

**SECONDARY MESSAGES:**

Score Canada supplies, installs, inspects and maintains industrial valves for offshore operators. Valves are critical to offshore production and are used to control and isolate the flow of petroleum products.

The Innovation and Business Development Fund is focused on investments to grow and diversify our province's oil and gas supply and service capabilities.

With an annual budget of \$6 million, this fund plays a key role in facilitating the necessary collaboration, investment and industry growth required to position this province globally as a preferred location for oil and gas development.

We encourage other local companies to find out more about the fund and its benefits – and work with us to grow Newfoundland and Labrador's oil and gas industry

The Department of Natural Resources and Department of Tourism, Culture, Industry and Innovation are collaborating on the delivery of the Innovation and Business Development Fund.

The program supports priorities outlined in Advance 2030 by investing in innovation and business development opportunities, enhancing supply and service capabilities and infrastructure that leads to local business growth, joint ventures, and export opportunities.

**IBDF Stats:**

- 11 project approved since fund was announced in September 2018
- Total Value of all Projects is \$15,549,010
- Total IBDF funding committed \$5,662,804
- Leveraged funding from industry partners is \$5,614,188

**Prepared by:** Lisa Lawlor, Media Relations Manager

**Approved by:** Diana Quinton, Director of Communications

Ted Lomond, DM

**Key Messages  
Natural Resources  
February 13, 2020**

**ISSUE: Innovation and Business Development Fund – Virtual Marine**

**ANTICIPATED QUESTIONS:**

Q. What does this mean for our oil and gas industry?

**KEY MESSAGES:**

Today the Provincial Government announced \$524,000, through the Innovation and Business Development Fund for a project led by Virtual Marine Technology Incorporated.

The project involves an opportunity for market growth for Virtual Marine, resulting in the company securing 20 new high-skilled positions locally – with the capability of bringing cutting-edge technologies to export markets.

Over a three-year period, Virtual Marine will build three life boat simulators, which bring together the realism of being in a lifeboat cabin, with the sensation of movement replicating a lifeboat in emergency scenario sea states. These simulators will be built and shipped using local Newfoundland and Labrador suppliers that are part of Virtual Marine's supply chain.

The company will install these offshore training simulators in three locations globally (Scotland, Qatar and Trinidad). These simulators will offer a library of training programs that are available to guide the development from basic to advance for offshore trainees.

This project will allow for an inflow of capital to Newfoundland and Labrador from Virtual Marine's training sales abroad, and result in increased opportunities for additional research with Newfoundland and Labrador post-secondary institutions.

The three simulators will also be satellites to the main hub in St. John's, allowing the new data from the simulators to be used to create customized training – ultimately enhancing available offshore emergency training for the oil and gas and other marine sectors locally and globally.

**SECONDARY MESSAGES:**

This project demonstrates globally the international competitiveness of Newfoundland and Labrador firms and the leading-edge technology being developed in our province.

Virtual Marine is delivering an innovative project in offshore safety and training that is helping to build our supply and service industry here at home and our expertise around the world.

The Innovation and Business Development Fund is focused on investments to grow and diversify our province's oil and gas supply and service capabilities.

With an annual budget of \$6 million, this fund plays a key role in facilitating the necessary collaboration, investment and industry growth required to position this province globally as a preferred location for oil and gas development.

We encourage other local companies to find out more about the fund and its benefits – and work with us to grow Newfoundland and Labrador's oil and gas industry

The Department of Natural Resources and Department of Tourism, Culture, Industry and Innovation are collaborating on the delivery of the Innovation and Business Development Fund.

The program supports priorities outlined in Advance 2030 by investing in innovation and business development opportunities, enhancing supply and service capabilities and infrastructure that leads to local business growth, joint ventures, and export opportunities.

**Prepared by:** Lisa Lawlor, Media Relations Manager

**Approved by:** Diana Quinton, Director of Communications  
Ted Lomond, DM

**Natural Resources  
February 10, 2020**

**ISSUE: Provincial and Federal Governments Collaborate to Protect Residents from Increasing Electricity Rates**

**Summary:**

Today, the Honourable Dwight Ball, Premier of Newfoundland and Labrador, and the Honourable Seamus O'Regan, Minister of Natural Resources, Government of Canada, announced a sustainable, long-term solution to protect ratepayers from the negative impacts of the Muskrat Falls Project today and into the future.

**KEY MESSAGES:**

Since being elected, my government has been clear that electricity rates in Newfoundland and Labrador would not increase as a result of the poorly planned Muskrat Falls Project.

The Muskrat Falls Project is a legacy of the previous administration - sanctioned in 2012. Poorly conceived, this project has created an urgent issue facing the province today. If left unaddressed, this would have a devastating impact on Newfoundlanders and Labradorians, who would face unprecedented electricity rate increases and economic hardship.

Today, we joined the Government of Canada to announce a sustainable, long-term solution to protect ratepayers from the negative impacts of the Muskrat Falls Project today and into the future.

The solution involves transitioning the Muskrat Falls/Labrador Transmission Assets revenue model to a cost of service model which will ensure that equity returns from Nalcor are redirected to ratepayers. The cost of service model reflects the approach used for regulated utilities throughout North America.

**Secondary Messages**

With the Government of Canada's involvement, monetizing suitable assets, such as our dividends from the Labrador Island Link, is also required to ensure a sustainable long-term solution. Related discussions are ongoing.

To reduce cash requirements related to servicing the project's debt, the Government of Canada is allowing a deferral of Sinking Fund and Cost Overrun Escrow Account payments if required.

The formal agreement with both levels of government will be implemented prior to project commissioning. Residents will be further updated once the specifics have been finalized.

Canada is also prepared to work with the provincial government to consider opportunities for further electrification and decarbonization.

In addition to discussions with the federal government, work is continuing on government's rate management plan.

### **Background Information:**

In April 2019, the Government of Newfoundland and Labrador and the Government of Canada agreed to enter into a formal process to examine the financial structure of the Muskrat Falls Project.

An expert team of senior officials from across government, and a team of legal, financial, and electricity industry experts has been analyzing the underlying reasons for projected rate increases, considering all available options to resolve cost drivers, and providing independent advice to advance further rate mitigation measures.

As a result of work undertaken, both governments have agreed to a financial restructuring so the projects are financially stable over the long-term and ratepayers are protected. This involves changing the revenue model for the Muskrat Falls/Labrador Transmission Assets to a cost of service model and redirecting equity returns from Nalcor to ratepayers. The cost of service model reflects the approach used for regulated utilities throughout North America.

The Muskrat Falls/Labrador Transmission Assets currently uses an internal rate of return financing structure - not normally used for such projects. Under this model, revenue requirements start low but escalate every year until 2070. Consequently, electricity rates would continually increase over time. Ratepayers could not bear such costs.

By contrast, the cost of service model is traditionally used to compensate regulated utilities for the costs of providing electrical service, which includes a prescribed return on equity. The model has evolved over more than 100 years of utility regulation across Canada and the United States. Newfoundland Power and Newfoundland and Labrador Hydro use this approach, along with other regulated utilities providing electricity service across Canada and the US. This model is also used for the Labrador Island Link component of the Lower Churchill Project.

The cost of service model has a revenue requirement starting slightly higher than the internal rate of return but then decreases over time as the project assets are depreciated, similar to a mortgage. Moving to a cost of service financing structure will allow costs related to the Muskrat Falls/Labrador Transmission Assets to gradually decline over time, therefore avoiding significant increases to electricity rates long-term.

As stated in the rate management plan announced last year, the Provincial Government expects consumers will be paying approximately 13.5 cents per kilowatt hour in 2021 without any impact from Muskrat Falls.

The Lower Churchill Project assets are:

- the 824 megawatt Muskrat Falls hydroelectric generating station located in Labrador;
- the Labrador Transmission Assets, two transmission lines connecting 250 kilometres between Muskrat Falls and Churchill Falls;
- the Labrador Island Link, a transmission line connecting 1,100 kilometres between Muskrat Falls and Soldiers Pond.

**Federal-Provincial Announcement: Electricity Rates**  
**February 10, 2020**  
**Questions and Answers**

**1. Does today's announcement solve our problem of mitigating the cost of Muskrat Falls? Will it help manage rates?**

Yes. As a result of this agreement, along with other activities outlined in Government's rate management plan such as converting public buildings to electricity, and reducing expenses, we are protecting ratepayers from the negative impacts of the Muskrat Falls Project today and into the future.

**2. How significant is this agreement in mitigating electricity rates?**

This is the single most significant and effective long-term measure to protect Newfoundlanders and Labradorians against rate increases attached to Muskrat Falls.

**3. Is this a Federal Government bailout?**

This is not a bailout. The province is taking steps, with federal support, to fix this project for good. The process we have undertaken with the Federal Government has been focused on fixing the unsustainable financial structure of the Lower Churchill Project. As guarantor, the Federal Government is working with us to achieve this.

**4. How did the Provincial and Federal Governments arrive at this agreement?**

The volume of work put into these negotiations has been tremendous. This is the best path forward for Newfoundlanders and Labradorians and will have far-reaching benefits. Most notably, we are protecting ratepayers from the negative impacts of the Muskrat Falls Project today and into the future. Officials, along with a team of experts, have been analyzing the underlying reasons for the projected rate increases and exploring options to address cost drivers.

**5. Where is the \$200 million federal contribution that the rate management plan referenced?**

The federal contribution will be built into this agreement. Further details are being finalized.

**6. What are we getting from the Government of Canada? It seems like we are just redistributing the financing – paying for debt by getting more debt – opening up a Mastercard to pay for the Visa.**

Yes, we are redistributing the financing over a different period to manage rates and better reflect payments over the life of the assets. The Government of Canada is supporting us in this, and we are continuing to discuss the exact details of the financial arrangement.

**7. Are you now saying this project has value? How can that be so considering how much it is costing us?**

What we are saying is that there is value in this project, as it is a source of renewable green energy, for example. However, the problems far outweighed the benefits. Today's announcement will minimize those pressures and bring a sustainable rate structure to Newfoundlanders and Labradorians.

**8. When will the terms of the agreement be finalized?**

We currently have an intergovernmental agreement in place. We are now working through technical commercial discussions, the details of which will be released when they are finalized.

**9. How can you present such a dramatic change to the project financing when the Federal Government and other consultants contributed and reviewed the Decision Gate numbers?**

To be honest, we are not sure where the previous administration arrived at the numbers at the time of sanction. It was clear then and throughout the Muskrat Falls Inquiry that there was some large holes in how information was confirmed and shared.

We have been focused on engaging with experts to confirm a sound approach and now that we are moving into the operations phase there is an opportunity to revisit financing structures to better match current realities.

**10. Will you present the changes to the financing to the House of Assembly?**

There may be proposed legislative changes brought to the House of Assembly on this approach and its implementation. We will be happy to answer questions on how we have put this project on stable footing and protected the interests of residents, businesses, and communities.

**11. What has Nalcor's involvement been in the negotiations with the Federal Government?**

These were government-to-government negotiations. While Nalcor officials did provide the working group with significant information and assistance, they did not participate in negotiations with the Government of Canada on this arrangement.

**12. Is Nalcor okay with the changes to the project financing?**

Nalcor recognizes the necessity of rate mitigation and has supported the province in finding the right solution. We will need to work together to implement these changes. However, the agreement announced today was negotiated by the province and will be implemented by the province.

**13. What other options were considered?**

Analysis of reasonable options were considered and closely evaluated by our officials, as well as officials from the Federal Government and a team of experts. We have put this project on stable footing. We're now positioned to ease the burden of this project on our province.

**14. Why aren't you considering other financial partners or the private sector? Is the Government of Canada our best option?**

As a part of our ongoing discussions with the Federal Government, along with our team of experts, it has become clear that the best option is for the Federal Government and the province to work together.

**15. How does this fit with the commitment provided during the Atlantic Accord announcement in 2019?**

As part of the new agreement we reached last April with the Federal Government, it was agreed that Canada further engage with Newfoundland and Labrador to expeditiously examine the financial structure of the Lower Churchill Projects so that the province can achieve rate mitigation. This is the outcome of the commitment of the federal government at that time.

**16. What is the cost of service method?**

This is the traditional practice used by regulated utilities; and has been for more than 100 years in Canada and the United States. It compensates regulated utilities for the cost of providing electrical service, which includes a prescribed return on equity capital.

**17. What is the difference between our current financing arrangements (Internal Rate of Return) and the cost of service method?**

The cost of service method is proven and used by regulated utilities throughout North America. It is also used by Newfoundland Power and Newfoundland and Labrador Hydro. The Internal Rate of Return method is not normally applied to cases like the Lower Churchill Project for the obvious reason that cost overruns can create an unsustainable situation.

**18. What is the benefit of switching to the cost of service method?**

The new financing arrangement will allow the project costs to gradually decrease over time. It eliminates significant increases to electricity rates. Ultimately, this approach better protects ratepayers. Instead of allowing dividends to stay with Nalcor, the dividends are returned to ratepayers in the form of maintained power rates.

**19. Why was the Internal Rate of Return used for the project rather than the cost of service model? The cost of service model was used for the Labrador Island Link, so why not used for both?**

That's a good question and one that we wish we could answer. You would have to ask those who designed this approach.

**20. Do you believe that Nalcor was equipped to take on a project of this size and scope at the time of sanction?**

As we stand here today, the answer is clear that they were not equipped to do so at that time.

**21. Can we get out of this deal? Do we have an off-ramp?**

We are solving this problem once and for all. We are doing this for Newfoundlanders and Labradorians today and in the future.

**22. What do you mean by monetizing suitable assets?**

This could mean selling the revenue stream from an asset for a lump sum payment up front. Alternately, it could mean borrowing money and paying it back over time using the future revenue stream of an asset.

With federal government involvement we can achieve greater value for the revenue stream than we would in a normal market transaction.

We are now working through technical commercial discussions, the details of which will be released when they are finalized.

**23. Will this mean we are giving up the assets of the Muskrat Falls Project?**

No. This agreement provides for sustainable electricity rates in the future.

**24. Are we essentially giving away \$500 million per year in dividends by switching to this model – our future return on this project?**

No. Forecasted dividends under the existing financial structure would have required significant rate increases in order to satisfy those dividends to Nalcor.

As referenced in the rate management plan, we would have to charge ratepayers 22.9 cents per kilowatt-hour as a starting rate to receive those dividends. Ratepayers could not bear such costs.

Under this proposed approach, the project will still recover its costs plus a reasonable rate of return similar to any regulated utility.

**25. Will the Muskrat Falls Project bankrupt the province?**

We have put in place a balanced financial plan AND these changes will significantly reduce the long-term revenue requirement for the Lower Churchill Project and corresponding rate impacts.

**26. How much has the province invested in the Muskrat Falls Project? Will the province recover this investment?**

We have provided approximately \$3.7 billion in equity in the Muskrat Falls Project. Under this approach, the project will recover its costs plus a reasonable rate of return.

**27. How much has Canada already provided the Government of Newfoundland and Labrador through the two federal loan guarantees?**

Canada has provided two federal loan guarantees for the Lower Churchill Project. The support has lowered the cost of borrowing – it has not been direct investment to Newfoundland and Labrador. In 2013, Canada provided a total of \$5 billion in loan guarantee support for the Lower Churchill Projects, \$2.6 billion for the Muskrat Falls and Labrador Transmission Assets and \$2.4 billion for the Labrador-Island Link. In 2016, Canada provided additional loan guarantee support for the Lower Churchill Projects of up to an additional \$2.9 billion.

**28. Who pays if the project cannot meet its loan obligations?**

Through this process, the intention is that the project can meet all its financial loan obligations now and in the future.

**29. Who is on the provincial working group?**

We established a working group with senior officials across government and a team comprised of legal, financial and electricity industry experts (Bordon Ladner Gervais LLP and EY).

**30. How much money did we pay external consultants?**

We have a team of legal, financial and electricity industry experts in place to provide advice on this important matter. We will provide an updated total cost once available. The cost of paying for external consultants to do this the right is less than doing this the wrong way.

**31. What is required to make this agreement a reality?**

Teams are in place to guide us through the required financial, legal, legislative and regulatory changes. This will be done by the time the project is commissioned.

**32. What is happening with the Muskrat Falls Project? Are the costs and schedule still on track?**

As of June 2017, Nalcor has estimated \$12.7 billion. This includes the capital cost of \$10.12 billion and financing costs of \$2.6 billion. At this time, the project is facing significant timeline pressures. We are closely monitoring this situation. No matter what happens, the agreement we announced today with the federal government will be able to deal with any changes to timelines. Quite frankly, I do have concerns.

**33. Does this impact the work of the Public Utilities Board?**

This work complements the work of the Public Utilities Board. The board suspended its work on the analysis of options to mitigate rates that may arise from Muskrat Falls financing given both governments' commitment to engage on this issue. All options are being considered to achieve rate mitigation, as was committed.

**34. What is the impact of these changes for bondholders?**

This arrangement will ensure that all financial commitments will be fulfilled, better protecting bondholders.

**35. How do you expect bond rating agencies to react to this plan?**

This will provide a sustainable solution in the long-term and will provide stability for the project, which has been a concern raised by credit rating agencies. We are hopeful that this will remove the uncertainty with respect to the project.

**36. What will these changes mean to the financial position of the province? Will they satisfy the concerns of the Auditor General and credit-rating agencies?**

This will provide a sustainable solution in the long-term and will provide stability for the project, which has been a concern raised by credit rating agencies and the Auditor General.

**37. Don't these changes just pass the costs on to future generations?**

No. The cost of service method will ensure that we are creating a sustainable rate structure now and in the future. This did not exist under the current financial arrangements. What we are doing is better matching the cost of the assets to the users of the assets.

**38. What strings are attached to the money you are receiving from the Federal Government?**

This discussion does not involve anything outside of the existing Lower Churchill Project.

**39. What are the Lower Churchill Project assets?**

The assets are:

- the 824 megawatt Muskrat Falls hydroelectric generating station located in Labrador;
- the Labrador Transmission Assets, two transmission lines connecting 250 kilometres between Muskrat Falls and Churchill Falls;
- the Labrador Island Link, a transmission line connecting 1,100 kilometres between Muskrat Falls and Soldiers Pond.

**40. What assets are we selling?**

We are not selling assets. We are discussing monetizing revenue streams, but we will still control these physical assets and the interests of Newfoundlanders and Labradorians will be protected.

**41. Is this agreement another Upper Churchill mistake?**

Neither governments are prepared for this to be another Upper Churchill. The agreement will put in place an asset for future generations of Newfoundlanders and Labradorians.

**42. What is the status of changes to the Federal Fiscal Stabilization Program?**

There is a lot of good working occurring on that file. I continue to use every opportunity to highlight the importance of changes to the Fiscal Stabilization Program to Premiers, the Prime Minister and Federal Ministers. Current indications from the Federal Government are that we will receive an update in the Spring. We are disappointed that the timeline may not allow us to incorporate this in Budget 2020, but we remain hopeful going into First Ministers Meeting.

**43. Is there precedent for the Federal Government to enter such arrangements with other provinces?**

The Federal Government is already a guarantor of Muskrat Falls Project funding; having provided two rounds of credit support through federal loan guarantees. This approach simply works with the Federal Government as the guarantor, as would be the case with any guarantor. Supporting the Muskrat Falls Project also directly supports the federal government's clean energy priorities.

**44. How does this impact the Provincial Government's rate management plan? When will the full picture be presented to residents?**

This approach complements the Provincial Government's rate management plan by further reducing the revenue requirement associated with the Muskrat Falls Project. This will be used to update government's rate management plan, along with the PUB's final report on rate mitigation options and the Muskrat Falls Inquiry report.

**45. Data consumption has emerged as one of top polluters of greenhouse gas emissions. Why aren't we doing to market the province as a source of clean, green energy to data centres?**

We are focused on increasing demand for our clean electricity, as stated in the Provincial Government's rate management plan. Work on this is ongoing.

**46. Do you have a target in mind for what the electricity rate will be when the bills have to be paid?**

As stated in the Provincial Government's rate management plan, we expect consumers will be paying approximately 13.5 cents per kilowatt hour in 2021 if costs increased due to normal Newfoundland and Labrador Hydro operations, and without any impact from Muskrat Falls.

**47. What are the penalties if the terms and conditions of the agreement are breached?**

The Province is already liable for the full cost of Muskrat Falls. Whatever terms and conditions we develop in a new agreement cannot be any worse.

**48. Why wouldn't we include Water Power Rentals as the PUB suggests?**

Water Power Rentals are charged to various projects across the Province.

The solution we pursued was unique to this Project and therefore we have sought not to do one-offs that could have implications for other areas.

**49. What are Sinking Fund and Cost Overrun Escrow Account payments? What is the value?**

A Sinking Fund is money set aside in a fund upfront to pay future obligations.

The Cost Overrun Escrow Account (COREA) is a construct from the previous federal loan guarantees that would require the Province to set aside money upfront in a separate account to pay for cost overruns.

In both cases, should the project be delayed and not generating a revenue stream to pay these commitments, the Government of Canada has agreed to waive these requirements if necessary. This results in interest savings as the Province would not have to borrow the money at that time. Instead, the Province would pay those costs when they become due.

**50. Why do you have to monetize the LIL?**

With the Government of Canada's involvement, monetizing suitable assets, such as our dividends from the Labrador Island Link, is also required.

The restructuring of the project increases costs in the short-term, but monetizing these assets covers the costs in the short term to ensure that ratepayers are protected and the project is sustainable in the long-term. Related discussions are ongoing.

**QP Issue Note  
Natural Resources  
February 24, 2020**

**ISSUE:** Governments Collaborate to Protect Residents from Increasing Electricity Rates

**ANTICIPATED QUESTION:**

How is the federal government helping in preventing electricity rates from rising?

**KEY MESSAGES:**

**Since being elected, my government has been clear that electricity rates in Newfoundland and Labrador would not increase as a result of the poorly planned Muskrat Falls Project.**

**The Muskrat Falls Project is a legacy of the previous administration - sanctioned in 2012. Poorly conceived, this project has created an urgent issue facing the province today.**

**If left unaddressed, this would have a devastating impact on Newfoundlanders and Labradorians, who would face unprecedented electricity rate increases and economic hardship.**

**With the Government of Canada we have announced a sustainable, long-term solution to protect ratepayers from the negative impacts of the Muskrat Falls Project today and into the future.**

**The solution involves transitioning the Muskrat Falls/Labrador Transmission Assets revenue model to a cost of service model which will ensure that equity returns from Nalcor are redirected to ratepayers. The cost of service model reflects the approach used for regulated utilities throughout North America.**

**BACKGROUND INFORMATION:**

- With the Government of Canada's involvement, monetizing suitable assets, such as our dividends from the Labrador Island Link, is also required to ensure a sustainable long-term solution. Related discussions are ongoing.
- To reduce cash requirements of servicing the project's debt, Canada is allowing a deferral of Sinking Fund and Cost Overrun Escrow Account payments if required.
- The formal agreement with both levels of government will be implemented prior to project commissioning. Residents will be further updated once the specifics have been finalized.

- Canada is also prepared to work with the provincial government to consider opportunities for further electrification and decarbonization.
- In addition to discussions with the federal government, work is continuing on government's rate management plan.

**QP Issue Note  
Natural Resources  
February 24, 2020**

**ISSUE:** Update on the New Oil and Gas Corporation

Legislation enacting the Oil and Gas Corporation Act went to the House of Assembly in Spring 2019.

**ANTICIPATED QUESTION:**

Can you provide an update on the new oil corporation?

**KEY MESSAGES:**

**We are pleased to be progressing with plans for the new oil and gas corporation.**

**As of January 1, 2020, the corporation began operations and employees are in place. At that time, Bull Arm Fabrication Inc. was also transferred from Nalcor is now a subsidiary of the corporation.**

**The CEO of the new corporation will report to a board of directors who will ultimately report to the Minister of Natural Resources. The interim board of directors has been established and has met. The CEO will be announced at a later date. We fully expect the individuals who are here today, will remain here in the future.**

**A search for a permanent board of directors is currently going through the Independents Appointment Commission process. We hope to have the permanent board in place later this year.**

**We are getting closer to a name for the corporation, which will be announced at a later date.**

**SECONDARY MESSAGES:**

- The oil and gas corporation reports directly to the Minister of Natural Resources and works with industry stakeholders, and the department, to support the implementation of Advance 2030.
- The corporation continues to focus on developing our oil and gas resources and attracting exploration investment to the province. It also focus on local supply and service industry opportunities, which will help create jobs and business opportunities for the people of the province.