March 1, 2017

Dear [Name],

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-11-2017)

This is to confirm that on February 1, 2017, the Department of Natural Resources received your request for access to the following records/information:

A copy of the following briefing materials provided in December 2016 - Fundamental Decision - Issuance of Exploration Licenses - Illegal quarry activity by J3 Consulting and Excavating in Kenmount Terrace, St. John's - Nalcor Energy - BAF attraction of new tenant(s) post Hebron - Environmental Site Assessment Phase II Update - North Atlantic Refinery - Agreement Between Nalcor and Astaldi - Minister's Participation in Mission to Mexico - 2017 Labrador Industrial Customer Rates - Pomerleau Inc Statement of Claim against Nalcor Energy Please provide a copy of each briefing material as it becomes available

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 some of the requested information. Access to the remaining information contained within the records, has been refused in accordance with the following exceptions to disclosure, as specified in the Access to Information and Protection of Privacy Act (the Act):

Section 29(1)(a)
The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

P.O. Box 8700, St. John's, NL, Canada A1B 4J6 t 709.729-1466
Section 30(1)(a)
The head of a public body may refuse to disclose to an applicant information that is subject to solicitor and client privilege or litigation privilege of a public body;

Section 34(1)(b)
The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to reveal information received in confidence from a government, council or organization listed in paragraph (a) or their agencies;

Section 35(1)(b)
The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose financial, commercial, scientific or technical information that belongs to a public body or to the government of the province and that has, or is likely to have, monetary value;

Section 35(1)(d)
The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

Section 35(1)(f)
The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose positions, plans, procedures, criteria or instructions developed for the government of the province or a public body, or considerations which relate to those negotiations;

Section 35(1)(g)
The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to prejudice the financial or economic interest of the government of the province or a public body;

Section 35(1)(h)
The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to be injurious to the ability of the government of the province to manage the economy of the province;

Please note that pages 3 to 26 of the responsive records in note 3 have been removed in their entirety under S.29(1)(a) and S.35(1)(d).

Additionally, some redactions have been applied under the Energy Corporation Act, S.4(1), which states:
Notwithstanding section 7 of the *Access to Information and Protection of Privacy Act, 2015*, in addition to the information that shall or may be refused under Part II, Division 2 of that Act, the chief executive officer of the corporation or a subsidiary, or the head of another public body,

(a) may refuse to disclose to an applicant under that Act commercially sensitive information of the corporation or the subsidiary; and

(b) shall refuse to disclose to an applicant under that Act commercially sensitive information of a third party

where the chief executive officer of the corporation or the subsidiary to which the requested information relates, taking into account sound and fair business practices, reasonably believes

(c) that the disclosure of the information may

(i) harm the competitive position of,

(ii) interfere with the negotiating position of, or

(iii) result in financial loss or harm to

the corporation, the subsidiary or the third party; or

(d) that information similar to the information requested to be disclosed

(i) is treated consistently in a confidential manner by the third party, or

(ii) is customarily not provided to competitors by the corporation, the subsidiary or the third party.

As required by 8(2) of the Act, we have severed information that is unable to be disclosed and have provided you with as much information as possible; in accordance with your request for a copy of the records, the records have been included with this correspondence.

**Right to Request Review/File Appeal**

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 partial 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
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.

Response to be Made Public

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.

If you have any questions about the processing of this request, please feel free to contact me by telephone at 729-0463 or rhynes@gov.nl.ca.

Sincerely,

Rod Hynes
ATIPP Coordinator
Fundamental Decision – Issuance of Exploration Licences

Decision / Direction Required:

- Whether to approve the issuance of eight exploration licences from Call for Bids NL16-CFB01 (Eastern Newfoundland Region) and Call for Bids NL16-CFB02 (Jeanne d’Arc).

Fundamental Decision:

- The Canada-Newfoundland and Labrador Offshore Petroleum (C-NLOPB) submitted Fundamental Decision Nos. 2016.11 – 2016.18 respecting the issuance of eight exploration licences in the NL offshore area on November 25, 2016. This is a result of the aforementioned Call for Bids which closed on November 9, 2016 and was previously approved as a fundamental decision. A listing of the exploration licences to be issued and maps is included in Attachment A.

- The issuance of an interest is a fundamental decision under the Accord Acts and is subject to Ministerial approval. Ministers are required to approve or disapprove a fundamental decision within 30 days after receipt of notice. The 30 day time period will expire on December 25, 2016. The Exploration Licences will be subject to the terms and conditions indicated in the documentation for the Call for Bids including an anticipated issue date effective January 15, 2017.

Background and Current Status:

- The two Calls for Bids were conducted under the new scheduled land tenure system for the offshore area announced by the C-NLOPB in December 2013. Under the new system, the term of an exploration licence has two Periods. Period I is for six years unless extended by a drilling deposit and, if a validating well is drilled. Period II covers the remainder of the exploration licence. The escalating drilling deposits are as follows:
  - Period I A – 1 year extension - $5 million
  - Period I B – 1 year extension - $10 million
  - Period I C – 1 year extension - $15 million

- If a drilling deposit is posted, it will be refunded in full if the well commitment is met during the respective period of extension. Otherwise, the drilling deposit will be forfeited upon termination of that period extension. This is consistent with previous practices regarding drilling deposit forfeitures.

- Successful bids were received on six of the eleven parcels offered for Call for Bids NL16-CFB01 (Eastern Newfoundland Region) for a total work expenditure bid of $513,972,018.00 with successful bids on two (2) of three offered for Call for Bids NL16-CFB02 (Jeanne d’Arc) for a work expenditure bid of $244,017,776.00. Total work expenditure bids for both Calls totaled $757,989,794.00.

- Within 15 days of notification of their successful bids, bidders are required to post security deposits representing 25% of the work expenditure bids. The C-NLOPB has received the requisite security deposit documentation pursuant to the Calls for Bids. Ltd.)
Analysis:

- The results continue to show interest in the offshore area, its geological potential and global competitiveness. In particular, three new companies were successful, namely, Hess Canada Oil and Gas ULC; Noble Energy Canada LLC; and Delek Group (Navitas Petroleum Ltd and DKL Investments).

- The making of a Call for Bids is a fundamental decision. Ministers had previously approved the Calls for Bids and an open and transparent bidding round resulted in eight successful bids. The next step is the issuance of exploration licences to these successful bidders which is also a fundamental decision.

Alternative 1 (Recommended):

- The Minister approves Fundamental Decision Nos. 2016.11 to 2016.18 respecting the issuance of six exploration licences in the Eastern Newfoundland Region and two in the Jeanne d’Arc region. These bidders have submitted bids in accordance with the terms and conditions of the Call for Bids. If approved, a letter is attached for consideration and signature.

Prepared / Approved by: F. Allen, W. Foote / Ministerial Approval: December 1, 2016
Attachment A
Fundamental Decisions 2016.11 – 2016.18

As a fundamental decision, the C-NLOPB has requested approval for the issuance of eight exploration licences be effective on January 15, 2017.

**Call for Bids NL16-CFB01 (Eastern Newfoundland Region)**

**Fundamental Decision 2016.11**

EL No. 1145 (Parcel 3 – NL16-CFB01) – 233,654 hectares
Work Expenditure Bid – $276,305,000.00

Interest Owners:
BP Canada Energy Group ULC 50%
Hess Canada Oil and Gas ULC 25%
Noble Energy Canada LLC 25%

**Fundamental Decision 2016.12**

EL No. 1146 (Parcel 4 – NL16-CFB01) – 192,807 hectares
Work Expenditure Bid – $12,050,000.00

Interest Owners:
BP Canada Energy Group ULC 50%
Hess Canada Oil and Gas ULC 25%
Noble Energy Canada LLC 25%

**Fundamental Decision 2016.13**

EL 1147 (Parcel 7 – NL16-CFB01) – 202,138 hectares
Work Expenditure Bid - $48,000,018.00
Interest Owners:
Navitas Petroleum Ltd. 30%
DKL Investments Ltd. 70%

**Fundamental Decision 2016.14**

EL No. 1148 (Parcel 8 – NL16-CFB01) – 252,482 hectares
Work Expenditure Bid – $125,250,000.00

Interest Owners:
BP Canada Energy Group ULC 50%
Hess Canada Oil and Gas ULC 25%
Noble Energy Canada LLC 25%

**Fundamental Decision 2016.15**

EL 1149 (Parcel 10 – NL16-CFB01) – 264,249 hectares
Work Expenditure Bid - $12,200,000.00
Interest Owners:
BP Canada Energy Group ULC  60%
Noble Energy Canada LLC  40%

**Fundamental Decision 2016.16**

EL 1150 (Parcel 13 – NL16-CFB01) – 169 578 hectares
Work Expenditure Bid - $40,167,000.00

Interest Owner:
Nexen Energy ULC  100%

**Call for Bids NL16-CFB02 (Jeanne d’Arc)**

**Fundamental Decision 2016.17**

EL 1151 (Parcel 1 – NL16-CFB02) – 138 339 hectares
Work Expenditure Bid - $155,008,888.00

Interest Owner:
Husky Oil Operations Limited 100%

**Fundamental Decision 2016.18**

EL 1152 (Parcel 2 – NL16-CFB02) – 73 235 hectares
Work Expenditure Bid - $89,008,888.00

Interest Owner:
Husky Oil Operations Limited 100%
Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atippoffice@gov.nl.ca.
Title: Illegal quarry activity by J3 Consulting & Excavating Ltd. in Kenmount Terrace, St. John’s

Issue: Consideration for legal action against J3 Consulting & Excavation for failure to adhere to a Stop Order issued under the Quarry Materials Act by not conducting the directed rehabilitation work.

Background and Current Status:

- On February 20th, 2016, a complaint was received by this Department notifying of illegal quarry activity in Kenmount Terrace, a residential development located off Kenmount Road, St. John’s. At this time, the complainant also forwarded their concerns to the City of St. John’s.

- Removal of quarry materials from a site may occur without a Quarry Permit if the removal is development related (e.g., for subdivision development) and the appropriate permits have been obtained from the municipality (e.g., City of St. John’s).

- Royalties are due on all quarry materials removed from a site (i.e., quarry permit, development project, etc.) at a rate of $0.75/m³.

- On February 22nd, 2016 a site inspection was conducted by the Quarry Materials Compliance Officer which confirmed the observations of the complainant.

- J3 Consulting and Excavating Limited (J3) was carrying out the work and stated it was development-related and that material was being trucked off site for use on other construction jobs. A copy of the Development Permit was requested from the operator, but it was never received.

- On March 2nd, 2016, the excavation equipment was removed from the site.

- On July 29th, 2016, the Department was notified that activity at the site had resumed.

- A request was forwarded to the City of St. John’s (the City) on August 5th, 2016 requesting a copy of any approvals issued for this site. On August 8th, the City indicated there were no Planning and Development approvals for this location and that development was not permitted at this location.

- On August 10th, 2016 a Stop Order executed pursuant to Section 19 of the Quarry Materials Act (the Act) was issued to J3 respecting measures required concerning the rehabilitation of the property and royalty payment.

- J3 submitted a cheque to cover royalties due on the illegally removed material as required under Section 12(1) of the Act.

- J3 has failed to adhere to the Stop Order by not rehabilitating the site by the September 15th deadline.

- Under section 21 of the Act, a person who disobeys a Stop Order is guilty of an offence and can be fined. If the order continues to be not adhered to, each day or part of a day of continuance is considered to be a separate offence.
• J3 has indicated that it cannot access the property to complete the rehabilitation due to a strained relationship between the company and the property owner.

• The City has proceeded to lay five charges against the property owner (11368 NL Inc.). These include:
  ▪ Developing lands without a permit or approval
  ▪ Excavating and/or altering lands without a permit
  ▪ Littering or befouling Lady Anderson Street with debris
  ▪ Altering a drainage ditch without a permit
  ▪ Generating conditions that might create a health or accident (w.r.t. the improperly filled ditch)

Analysis
• An area of Kenmount Terrace has been developed without approval from the City or via quarry permit issued by the Department.

• A Stop Order has been issued to J3 requiring rehabilitation of the private property.

• The City has laid charges against the property owner for developing the land without proper permits.

• The disturbed area is adjacent to a subdivision and poses a safety hazard to the general public.

• Failure to comply with the requirements of a Stop Order constitutes an offence for which a party, liable on summary conviction, may be subject to fines in the range of 10,000.00 to $50,000.00 or imprisonment of not less than 30 days and not more than 6 months or both. Every daily contravention of the failure to comply with the Stop Order constitutes a separate offence.

• The rehabilitation work was due 11 weeks ago which constitutes between $77,000 – 3.85M in fines if convicted.

Action Being Taken:
• S.29(1)(a) S.30(1)(a)

• A letter has been prepared for J3 reminding them of the seriousness of this matter and forthcoming legal action if compliance is not achieved in a timely manner. A draft letter is attached as Annex A.

Prepared / Approved by: A. Devereaux/K. Sheppard
Ministerial Approval: Received from Hon.

December 5, 2016
ANNEX A: Draft Letter

J-3 Consulting and Excavation Ltd.
P.O. Box 55
Chimo Building, 1 Crosbie Road
St. John’s, NL
Canada A1C 5H5

Attn: Mr. John Allan

Dear Sir:

As you are aware, on August 10, 2016 a Stop Order executed pursuant to Section 19 of the Quarry Materials Act, SNL1998 c.Q-1.1 was issued to you respecting measures required concerning the rehabilitation of property situated at Kenmount Terrace, St. John’s. Ongoing inspections of the area indicate that, to date, no activity has been undertaken on your part to comply with the provision of the said Order. Please be advised that, pursuant to Section 21 of the Quarry Materials Act, failure on your part to comply with the requirements of the Stop Order constitutes an offence for which a party, liable on summary conviction, may be subject to fines in the range of $10,000.00 to $50,000.00 or imprisonment of not less than 30 days and not more than 6 months or both. Every daily contravention of the failure to comply with the Stop Order constitutes a separate offence.

Please give note of the serious nature of this matter and take measures without delay to ensure compliance with the requirements of the Stop Order. A continued delay in achieving such compliance will precipitate action by this office.

Sincerely,
Information Note
Department of Natural Resources

Title: Nalcor Energy- Bull Arm Fabrication Inc. (Nalcor-BAF) - Attraction of New Tenant(s) post-Hebron

Issue: As part of its long term strategy and in order to identify and assess potential post-Hebron opportunities for the Bull Arm site (Bull Arm), Nalcor-BAF is preparing to issue an Expression of Interest (EOI) in early 2017.

Background and Current Status:
• Bull Arm is Atlantic Canada’s largest fabrication site and has hosted large component/module construction/fabrication for all four of Newfoundland and Labrador’s offshore developments (Hibernia, Terra Nova, WhiteRose and Hebron).

• Site development began in 1990 to support the construction of the Hibernia Project. In 1992, the Province entered into a lease agreement with Hibernia Management & Development Company Ltd. (HMDC) for crown lands and water lots within Bull Arm for use in the construction of the gravity-base structure for the Hibernia oil field. In 1998, the lease was assigned from HMDC to Bull Arm Site Corporation (BASC), a provincial crown corporation. In 2009, Nalcor-BAF assumed the lease of the Bull Arm site from BASC.

• The Province of Newfoundland & Labrador (the Province) owns the land on which Bull Arm is located, which is currently leased to Nalcor-BAF until March 30, 2022.

• Nalcor-BAF is currently sub- leasing the site to ExxonMobil Canada Properties (Exxon) for the Hebron development, which had anticipated to use the site from 2011 to 2017 but has recently extended the lease through to March of 2018.

• As platform tow out for Hebron is scheduled for Spring 2017, it is not expected that Exxon will renew the lease beyond March 2018.

• Under the current sub-lease, other projects cannot proceed at Bull Arm, parallel to Hebron, unless:
  o Platform mating activities have commenced;
  o Excess site capacity exists; and
  o Hebron operations will not be adversely impacted.

• A Special Project Order under the Labour Relations Act is in place for the duration of the Hebron project which governs labour relations within a geographic area which includes the Bull Arm site.

• As part of the current sub-lease, Bull Arm site operations, including capital upgrades, are the full responsibility of Exxon. Nalcor-BAF, as the owner of the assets, has processes to monitor all site infrastructure modifications to ensure asset and environmental protection during and beyond the completion of Hebron. Post-Hebron, Nalcor-BAF reassumes responsibility for site operations.
• Nalcor-BAF has been developing a long term strategy for Bull Arm to ensure:
  o Seamless transition from Hebron to future operations;
  o That Bull Arm is utilized to maximize benefits to the Province from future fabrication projects; and
  o Bull Arm supports the continued growth of the province's industrial sector.

• As the Hebron project gets closer to conclusion, and consistent with Nalcor-BAF’s long term strategy,
  [blacked out]

• In order to properly identify and assess potential opportunities for the site post-Hebron, Nalcor-BAF is planning to issue an Expression of Interest (EOI) early in 2017 which will be used to develop a formal Request for Proposals that is anticipated to be released in the Spring of 2017. A draft of the EOIs is included as Attachment 1.

Analysis:
• Since its development in the 1990's, Bull Arm has been used for the fabrication and maintenance of assets for projects that are crucial to the development of the offshore industry of Newfoundland and Labrador. In addition to enabling development of the offshore industry, these projects have resulted in millions of person-hours of employment at the site.

• The information received from proponents will influence the next steps taken by Nalcor-BAF towards securing a tenant for the site.

Action Being Taken:
• A draft Request for Expressions of Interest has been prepared (Attachment 1).

• A draft marketing and communications plan has been prepared to build awareness of the EOI process and advance Nalcor-BAF’s positioning in the local, regional and global marketplace. This will be updated following initial stakeholder engagements.

• Beginning in December, Nalcor will proactively engage with key stakeholders (eg., surrounding communities, Noia, Board of Trade, local fabrication/supply service companies) to inform them of the forthcoming EOI and the process.

Prepared/Approved by: N. Abundo / L. Sullivan
Ministerial Approval: Received from Hon.[Minister's Name]

December 9, 2016

[Handwritten note: Please advise stakeholders that communications have occurred - it particular adjacent communities.]

2
Information Note
Department of Natural Resources

Title: Environmental Site Assessment Phase II Update - North Atlantic Refinery (NARL)

Issue: To provide an update of the NARL Environmental Site Assessment (Phase II) as part of the environmental indemnity arrangement with the Province.

Background and Current Status:
• The Environmental Site Assessment (ESA) will define the extent of the Province’s indemnity. The ESA is being done in a phased approach in accordance with ENVC’s Guidance Document for the Management of Impacted Sites. Phase I was completed in June 2015 and Phase II is ongoing.

Analysis:
• The Phase II work was undertaken in the second half of 2015 and the draft report was provided to NR on December 21, 2015. Some Phase II report findings include:
  o Evidence of site contamination in soil, sediment, surface water and groundwater.
  o Various samples exceed applicable guidelines for an industrial site.
  o Recommends additional sampling and delineation that could refine extent of impacts.

• Given the extent and technical subject matter of the Phase II report, the review by NR, ENV and JPS required several months to complete. NR provided the package of Phase II report comments to NARL on October 14, 2016.

• The NR/ENV/JPS review package of the Phase II report includes 92 comments which can be categorized as either suggested report edits, requests for clarification or indemnity exclusion areas.

Action Being Taken:
• NARL and Stantec are continuing to review the Phase II comments from NR.

Prepared / Approved by: P. Parsons / W. Andrews

Ministerial Approval:
December 9, 2016
Information Note
Department of Natural Resources

Title: Agreement between Nalcor and Astaldi

Issue: To outline the key terms of an agreement reached on December 16, 2016 between Nalcor Energy and Astaldi.

Background and Current Status:
• Astaldi is the main contractor for the intake, powerhouse, spillway and transition dams at the Muskrat Falls Generating Facility.

• In fall 2014, the Muskrat Falls Oversight Committee reported that there were higher than planned costs and slippage in project schedule for the Muskrat Falls Generating Facility. Nalcor indicated that this was largely due to a slower-than-anticipated mobilization and start up by Astaldi. Throughout 2014 and 2015, Nalcor worked directly with Astaldi to assist and support the company to address its contract performance issues.

• Astaldi has sought additional compensation since 2015, and has initiated claims.

• In June 2016, Nalcor CEO Stan Marshall indicated that a settlement with Astaldi will increase the project costs.

• In July 2016, Nalcor announced that it had reached a bridge agreement with Astaldi, under which Astaldi would have the potential to earn additional payments tied largely to volumes of concrete poured.

Analysis
• The original contract value was about $1.1 billion, making Astaldi the largest employer on the MFP and giving the contract a high public profile.

• The original contract provided Astaldi with a price per unit of labour up to a maximum cap, which the company reached in mid-2016.

• In June 2016, when Nalcor announced a new budget and baseline schedule for the project, the company included an additional [REDACTED] for additional payments to Astaldi throughout the life of the project. The rate projections published at the time (which included the 21.4 cents per kWh for residential rates in 2021) included these expected additional costs.

• The July 2016 bridge agreement included the potential for Astaldi to earn up to $150 million in additional payments through to the end of 2016, leaving [REDACTED] in the project budget for future Astaldi settlements.

• On December 16, 2016, Nalcor agreed to the key terms of an agreement with Astaldi that would see $570 million in additional payments (beyond the $150 million in the bridge agreement) being made through to the end of the project construction, tied to contractor performance. Half of the payments under the new agreement would be tied to specific project milestones and half tied to volumes of concrete poured. This agreement brings the total cost of the Astaldi contract to $1.83 billion.
• The new agreement does not impact the project schedule.

• In reaching this agreement, all claims by Astaldi to the end of November are settled.

• Rules for public companies operating in Italy require that major contracts be announced publicly without delay. For this reason, Nalcor and Astaldi are planning to release the high-level details of the agreement terms at a news conference on December 21.

• The agreement is subject the approval of the boards of Nalcor and Astaldi, as well as the approval of the federal government as laid out in the project finance agreement.

Prepared/Approved by: C. Snook/W. Parsons
Ministerial Approval:
December 20, 2016
Title: Minister’s Participation in Mission to Mexico

Decision/Direction Required:

- Whether the Minister will participate in a Natural Resources Canada Ministerial Mission to Mexico between January 31 – February 4, 2017 where Minister Carr will speak at the Mexican Mining Forum and the Energy Mexico 2017 Conference.

- It is recommended that:
  1. The Minister decline the invitation to participate in the Mission to Mexico.

Background and Current Status:

- Minister Carr of Natural Resources Canada will be traveling to Mexico City from January 31 – February 4, 2017 to speak at the Mexican Mining Forum and the Energy Mexico 2017 Conference.

- There will be a business delegation of representatives from the Canadian mining, oil and gas and electricity sectors; P/T Ministers or their delegates, as well as Canadian Indigenous leaders joining Minister Carr in Mexico.

- The mission has two key strategic goals:
  - To strengthen government-to-government relationships through deeper cooperation;
  - To advance business-to-business opportunities for Canadian companies.

Analysis:

- The expected tangible outcomes of the mission include:
  - A bilateral Memorandum of Understanding on Collaboration in Sustainable Mineral Resource Development will be signed;
  - A number of roundtables with Canadian mining and energy companies are planned;
  - Two receptions – one in honour of the 150th anniversary of Canadian Confederation, and one networking event with Mexican companies and officials are planned; and,
  - A site visit to a Canadian-owned mining site in Queretaro is being planned.

- At this time, officials of NRCan have advised that all P/T Ministers have been invited to attend the mission however only Nunavut and Nova Scotia have confirmed attendance. NRCan estimates that another two to three Ministers will attend although they have not indicated who that may be.

S. 29(1)(a)
Alternatives:

Option 1 – Decline invitation to participate in the Mission to Mexico. (RECOMMENDED)

Option 2 – Accept invitation to participate in the Mission to Mexico. (NOT RECOMMENDED)

Prepared/approved by: R. Bates/W. Parsons
Ministerial Approval: January 6, 2017
Information Note
Department of Natural Resources

Title: 2017 Labrador Industrial Customer Rates

Issue: To summarize Newfoundland and Labrador Hydro’s (NLH) 2017 Labrador Industrial Customers (LIC) electricity rates submission to the Minister of Natural Resources (NR).

Background and Current Status:
- Implementation of the Labrador Industrial Rate Policy was initiated on May 1, 2013, with the posting of new rates. The policy was fully implemented on January 1, 2015, with the expiration of the 1961 Twin Falls Power Corporation (Twinco) sub-lease and associated arrangements between Churchill Falls (Labrador) Corporation Limited (CFLCo), NLH and Twinco. Under the TwinCo arrangements, CFLCo supplied 225 MW of power to Twinco at below-market prices.

- The Iron Ore Company of Canada (IOC) is effectively the only remaining LIC with the closure of Wabush Mines, which has been in creditor protection since late 2014, but has maintained some assets and requires a small amount of electricity during its decommissioning phase.

- The Labrador Industrial Rate Policy requires NLH to submit a report annually to the Minister of NR prior to publishing new rates for the following year. The 2017 submission was provided to the Minister on December 21, 2016. A copy of the report is attached as Appendix A.

- The 2017 average rate for LICs will be 2.58 cents per kWh, a slight increase from 2016 when it was set at 2.55 cents per kWh. Additional rate details are provided below.

2017 Labrador Industrial Rates Submission
- The following table includes the rate components from 2015 – 2017 and the average electricity rate. The rate components are discussed following the table.

<table>
<thead>
<tr>
<th>Labrador Industrial Electricity Rates</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>Demand Charge</td>
<td>1.68 $/kW</td>
<td>1.68 $/kW</td>
<td>1.68 $/kW</td>
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<tr>
<td>Development Block Energy Charge</td>
<td>2.243 C/kWh</td>
<td>2.272 C/kWh</td>
<td>2.277 C/kWh</td>
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<td>Market Block Energy Charge</td>
<td>4.552 C/kWh</td>
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<td>2.272 C/kWh</td>
<td>2.277 C/kWh</td>
</tr>
<tr>
<td>Average Cost</td>
<td>2.542 C/kWh</td>
<td>2.550 C/kWh</td>
<td>2.580 C/kWh</td>
</tr>
</tbody>
</table>

Energy Charges
- Energy charges for LICs are based on rates for two blocks of power: the Development Block and the Market Block.

- The amount of Development Block power that NLH is forecasting to deliver to customers in 2017 is 1,969 GWh after transmission system losses of approximately 6.0 percent. The 2017 Development Block energy rate will be 2.277 cents per kWh, 0.22 percent higher than the 2016 rate.
Any additional LIC power requirements beyond the Development Block come from a Market Block. This rate will be 3.822 cents per kWh for 2017, 1.9 percent lower than the 2016 rate. There is no customer impact, however, as the total forecast sales to LICs in 2017 are less than the available Development Block.

Comparison of Rates

- The LIC average cost per kWh is lower (based on 100 MW demand) than that of all other Canadian jurisdictions and, thus, provides a competitive advantage for LICs. The average cost for LICs is materially lower than the cost to QC industrial customers, which is primarily due to the lower demand charge of $1.68 per kW for LICs compared to $10.30 per kW for the QC Large Power Rate.

Analysis:

- NLH advises the size of the Development Block (1,969 GWh) was communicated to IOC and Wabush Mines on December 19, 2016. They are typically not notified of the rate change until their first bill in 2017. (NLH advises that the LICs are more concerned with knowing the size of the Development Block than the rate change, as it is usually minimal.)

Action to be taken:

- NLH will post the 2017 rates by the end of 2016 and advise NR when this is completed.

Prepared/ Approved by: R. Chowdhury/L. Combs/C. Snook/W. Parsons
Ministerial Approval:

December 23, 2016
December 20, 2015

The Honourable Siobhan Coady, Minister
Department of Natural Resources
Government of Newfoundland and Labrador
Natural Resources Building
P. O. Box 8700,
St. John’s, NL A1B 4J6

Dear Minister:

Please find enclosed for your review, the Newfoundland and Labrador Hydro submission with respect to the proposed new Labrador Industrial Rate, to become effective January 1, 2017.

The submission includes the new and previous rate, rate component details and changes, discussion and support for any proposed rate changes, and a competitive analysis of industrial rates with other Canadian jurisdictions.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

[Signature]
Jim Haynes
President, Newfoundland and Labrador Hydro

/bds
2017 Labrador Industrial Rate Submission

Newfoundland and Labrador Hydro

December 20, 2016
1.0 BACKGROUND

In December 2012, the Provincial Government introduced a series of legislative amendments to establish a new electricity rate policy for industrial customers on the Labrador Interconnected System. The objectives of the legislative amendments were:

(i) to ensure a transparent and fair rate for all Labrador industrial customers in the region; and

(ii) to assist in keeping the cost of electricity in the region competitive with other Canadian jurisdictions while giving consideration to the market value of electricity.

Prior to the establishment of the Labrador industrial rates policy, there was no published industrial electricity rate for Labrador.\(^1\) The absence of a published rate provided challenges for companies interested in development opportunities in Labrador. The new policy introduced one rate for all Labrador interconnected industrial customers, enabling both potential customers and the Province to engage in long-term planning and evaluation of potential developments while maintaining competitive industrial electricity rates. The new policy was partially implemented in May 2013 and fully implemented in January 2015 for all existing and future Labrador interconnected industrial customers.\(^2\)

On an annual basis, Newfoundland and Labrador Hydro (Hydro) submits a report to the Minister of Natural Resources prior to publishing a new Labrador interconnected industrial rate. This report includes information related to the existing and the proposed rate for the upcoming year, details of the rate components and related changes, discussion and support for proposed rate changes, and an analysis of Labrador’s interconnected industrial rate in relation to that of other Canadian jurisdictions.

\(^1\) The existing industrial customers on the Labrador system, IOC and Wabush Mines, were supplied in accordance with the terms of long-standing contracts. Those terms expired January 1, 2015.

\(^2\) Effective January 1, 2015, the full load requirements of IOC and Wabush Mines are subject to the Labrador Industrial Rate.
2.0 RATE DESIGN

2.1 Energy Charges

Energy charges are determined by Hydro and recalculated annually based on a set formula. This formula calculates rates for two blocks of power: a Development Block and a Market Block. The formula can be found in Appendix A to this report.

The Development Block is a block of energy which is provided to customers at a below-market rate in order to stimulate development in the area. The rate is available to all existing and future Labrador interconnected industrial customers. Prior to January 1, 2015, the Development Block available to IOC and Wabush Mines was 122.7 GWh/year. This translated to an average of 14 MW of capacity and was supplied by a portion of the Churchill Falls (Labrador) Corporation (CF(L)Co) Recall Power. As of January 1, 2015, the Development Block has increased to 2,095 GWh, which translates to an average of 239 MW of capacity. The increase in the Development Block reflects the transition of the 225 MW Twinco block of power from Twinco to Hydro.

The amount of energy dedicated to the Development Block (2,095 GWh) is based on the amount of energy provided at the 230kV bus in the CF(L)Co switchyard. The net amount forecast to be delivered to customers in 2017 is 1,969 GWh, which reflects Hydro’s estimated system losses (6.0%). Schedule A to the Labrador Industrial Rate Schedule (see Appendix A to the Submission) outlines the monthly breakdown of the 1,969 GWh available to customers. The 2017 Development Block energy rate of 2.277¢ per kWh includes a rate adjustment to recover the cost of system losses. This adjustment enables Hydro to recover the cost it pays to CF(L)Co for the Twinco block.

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3 Recall power refers to the 306.9 MW as measured at Churchill Falls available to Hydro as defined in the 1969 Power Contract.
4 Per the CF(L)Co Shareholder’s Agreement, upon the expiration of the Twinco Sublease, CF(L)Co is required to make the Twinco Power available to Hydro for the purposes of distribution and consumption in Labrador West.
5 The forecast losses to Labrador West are updated annually.
The Market Block applies to the remaining industrial customer load requirements beyond the Development Block. It is calculated annually based on the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak and Off-Peak electricity after the end of trading on the 19th day of November of the previous calendar year, converted to Canadian dollars using the exchange rate at the closing of the same day, and adjusted for losses through Québec. This method allows Hydro to earn market value for energy sales from this block and also remain competitive with rates offered in other jurisdictions. The energy rate for the Market Block in 2017 is 3.822¢ per kWh.

The energy rate also includes an Imbalance Energy Charge that applies to all energy in excess of the forecast monthly energy requirements provided by each Labrador Industrial customer to Hydro. The Imbalance Energy Charge is also a market based energy rate and is determined monthly for the additional energy purchases required in the month.

The rate design for energy charges follows an inclining block rate design. If customers increase their usage beyond the Development Block, the customers pay the marginal cost to serve based upon the price established in the market. This increase in price between the two blocks of energy promotes conservation by Labrador industrial customers.

2.2 Demand Charges

The demand rate is designed to provide recovery of capacity-related transmission and generation costs on the Labrador Interconnected System. These costs are determined based on the cost of service methodology approved by the Board of Commissioners of Public Utilities (the Board). The Board effectively determines the amount of demand or capacity-related costs on the Labrador Interconnected System that should be recovered from Labrador industrial customers. Hydro cannot recover these costs from its rural customers.

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6 The demand rate currently in effect includes both capacity-related transmission and generation costs. The demand charge for 2017 will separate the generation and transmission portions of the demand charge. This separation is required because legislation requires that the transmission component of Labrador Industrial rates be fully regulated by the Board beginning in 2015.
The inclusion of a demand charge in the Labrador Industrial Rate is consistent with generally accepted utility practice in developing electricity rates and is an important component in promoting peak demand management by customers.

For 2017, the demand charge is $1.68 per kW. It is comprised of two components, transmission and standby generation. The cost per kW of each component is $1.25 per kW and $0.43 per kW, respectively. See Appendices B and C to this report for further information related to the rate derivations.

On December 1, 2016 the Board issued P.U. 49 (2016) in relation to Hydro's 2013 General Rate Application (GRA). Hydro's GRA included a proposed transmission demand rate of $1.25 per kW. The Board approved this rate on an interim basis effective January 1, 2015. If the final rate approved by the Board at the conclusion of Hydro's compliance filing differs from what was proposed, Hydro will adjust customer billings for 2015, 2016 and 2017 to reflect the rate indicated by the Board in its Order. The standby generation component of $0.43 per kW is determined based on the 2015 forecast cost of service study and is also subject to change upon final approval of Hydro's rates at the conclusion of the Compliance Filing.

2.3 Specifically Assigned Charges

The Board may also approve fixed monthly charges to recover the cost of providing transmission assets that are specific to providing service to a single industrial customer.

There are currently no specifically assigned charges applicable to existing Labrador industrial customers.

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7 Hydro has isolated the Labrador Industrial transmission revenue requirement in accordance with the approved Cost of Service functionalization. The transmission costs were classified as 100% demand related, consistent with the approved classification methodology. The transmission demand-related costs were then allocated between Labrador Industrial Customers and Rural customers based on the approved single coincident peak allocation method.

8 As a result of Board Order No. P.U. 49 (2016), Hydro must file a further application with the Board showing compliance with the Board’s direction. This compliance application outlines Hydro’s interpretation and Implementation of the direction found in Order P.U. 49 (2016) and will propose, among other things, final customer rates. The Board will then issue an Order either confirming Hydro’s interpretation and approving customers’ rates or require Hydro to refute its application to clarify any remaining discrepancies between the Intention of the Order and Hydro’s Interpretation.
3.0 RATE CHANGES

Table 1 provides a comparison of the rates for Labrador industrial customers for 2015, 2016 and a forecast for 2017.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Charge ($/kW)</td>
<td>1.68</td>
<td>1.68</td>
<td>1.68</td>
</tr>
<tr>
<td>Development Block Energy charge ($/kWh)</td>
<td>2.243</td>
<td>2.272</td>
<td>2.277</td>
</tr>
<tr>
<td>Market Block Energy Charge ($/kWh)</td>
<td>4.552</td>
<td>3.897</td>
<td>3.822</td>
</tr>
<tr>
<td>Blended Energy Rate - Firm Energy ($/kWh)</td>
<td>2.243</td>
<td>2.272</td>
<td>2.277</td>
</tr>
<tr>
<td>Average cost ($/kWh)</td>
<td>2.542</td>
<td>2.55</td>
<td>2.58</td>
</tr>
</tbody>
</table>

The increase in the Development Block Energy Charge from 2015 to 2016 was driven by the combination of a reduction in forecast transmission losses from 6.5% in 2016 to 6.0% in 2017 and the application of a 1.45% Consumer Price Index adjustment.

For 2017, the forecast rate for the Market Block has decreased relative to 2016. However, there is no customer impact as the total forecast sales to Labrador industrial interconnected customers in 2017 are less than the Development Block.

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9 Calculated including both demand and energy charges applied to forecast 2017 load for Labrador Industrial Customers.
11 An adjustment to rates would be triggered if market prices increase such that the Development Block price is less than 50% of the blended energy rate. For 2017, the price of the Development Block equals the blended energy rate for 2017. Therefore, no adjustment is required.
4.0 COMPETITIVE ANALYSIS

The graph below provides a comparison of industrial rates across Canada using the January 1, 2017 rate for the Labrador industrial customers.¹²

Chart 1
Comparison of Industrial Rates
100 MW, 62,000 MWh Monthly

Chart 1 indicates that the Labrador Industrial Rate for 2017 is the lowest is all of Canada, allowing Labrador to maintain its competitive advantage relative to all other jurisdictions in the country. The average cost for Labrador industrial customers is materially lower than the cost to industrial customers in Quebec.¹³ The cost difference is primarily a result of the lower demand charge to Labrador industrial customers. The 2017 demand charge of $1.68 per kW in the Labrador Industrial Rate compared to $10.30 per kW for the Large Power Rate in Quebec.¹⁴

¹² Labrador Industrial Rates are those proposed to be effective January 1, 2017. The rates for the other utilities including Island Industrial rates are as of December 2016. The Canadian average is from Manitoba Hydro’s 2016 Annual Rate Survey.
¹³ The rate used in the comparison for Quebec is the Economic Development Rate for Large Power, which is the Large Power Rate (Rate 1) less a 20% discount.
¹⁴ $12.87 per kW in Large Power Rate less 20% discount.
Appendix A

Labrador Industrial Rate Schedule

Availability:

Any person purchasing power, other than a retailer, supplied from the Labrador interconnected bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and has entered into a contract with Hydro for the purchase of power and energy (a Labrador Industrial Customer).

These rates will apply to power sold by Hydro to Labrador Industrial Customers served from the Labrador Interconnected Grid.

Rate:

Transmission Service (Interim)

Transmission Demand Charge:

The rate for Firm Power, as defined in the Industrial Service Agreement, shall be $1.25 per month per kilowatt of Billing Demand.

Specifically Assigned Transmission Charges:

This rate may include specifically assigned charges upon approval by the Board.

Rates for transmission service are subject to approval of the Board of Commissioners of Public Utilities of Newfoundland and Labrador.

Generation Demand Charge (Interim):

The rate for Firm Power, as defined and set out in the Industrial Service Agreement, shall be $0.43 per month per kilowatt of Billing Demand.

The generation demand charge shall be based upon the most recent Test Year Cost of Service approved for the establishment of customer rates by Board of Commissioners of Public Utilities of Newfoundland and Labrador.

Billing Demand

Billing Demand shall be equal to the customer's declared Power on Order.
**Firm Energy Charge:**

The Firm Energy rate shall be applied to the quantity of energy in the billing month that is less than or equal to the forecast of energy consumption that was provided by the Labrador Industrial Customer no later than the 19th day of the previous month.

The Firm Energy Rate shall be calculated monthly based on the following formula:

\[
\text{Firm Energy Rate, } R_{\text{FIRM}} = \frac{(E_D \times R_D) + (E_M \times R_M)}{E_{\text{TOTAL}}}
\]

where:

- \(E_{\text{TOTAL}}\) is the Total Labrador Industrial Energy Forecast, expressed in MWh, for the billing month as provided by the Labrador Industrial Customers no later than the 19th day of the previous month;
- \(E_D\) is the lesser of the maximum quantity of the Development Energy Block adjusted for losses, expressed in MWh, for the billing month as defined in Schedule A, or \(E_{\text{TOTAL}}\);
- \(E_M\) is the quantity of Market Block Energy, expressed in MWh, for the billing month and is calculated as:
  \[E_M = E_{\text{TOTAL}} - E_D, \text{ when } E_{\text{TOTAL}} > E_D; \text{ otherwise}\]
  \[E_M = 0\]
- \(R_D\) is the Development Block Energy Rate which, effective January 1, 2017 through December 31, 2017, is $22.77/MWh. The Development Block Energy Rate will be adjusted annually according to the percentage change over 12 months in the All-items Consumer Price Index for Canada; and
- \(R_M\) is the Market Block Energy Rate which shall be calculated annually based on the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak and Off-Peak electricity after the end of trading on the 19th day of November of the previous calendar year, converted to Canadian dollars using the exchange rate at the closing of the same day, adjusted for losses and other market fees. Effective January 1, 2017 through December 31, 2017 the Market Block Energy Rate is $38.22/MWh.
Imbalance Energy Charge (Interim):

The Imbalance Energy Charge shall be applied to all energy in the billing month that is in excess of the forecast of energy consumption that was provided by the Labrador Industrial Customer no later than the 19th day of the previous month.

The Imbalance Energy Charge shall be calculated monthly based on a blend of the New York Mercantile Exchange (NYMEX) settlement price for New York Independent System Operator (NYISO) Zone A Swap Peak and Off-Peak electricity after the end of trading on the 19th day of the previous month, converted to Canadian dollars using the exchange rate at the closing of the same day, adjusted for losses and other market fees.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

General:

Details regarding the conditions of Service are outlined in the Industrial Service Agreements. This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.
SCHEDULE A

The Development Energy Block for each month is specified as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Development Energy Block (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>167,147</td>
</tr>
<tr>
<td>February</td>
<td>152,319</td>
</tr>
<tr>
<td>March</td>
<td>167,147</td>
</tr>
<tr>
<td>April</td>
<td>161,755</td>
</tr>
<tr>
<td>May</td>
<td>167,147</td>
</tr>
<tr>
<td>June</td>
<td>161,755</td>
</tr>
<tr>
<td>July</td>
<td>167,147</td>
</tr>
<tr>
<td>August</td>
<td>167,147</td>
</tr>
<tr>
<td>September</td>
<td>161,755</td>
</tr>
<tr>
<td>October</td>
<td>167,147</td>
</tr>
<tr>
<td>November</td>
<td>161,755</td>
</tr>
<tr>
<td>December</td>
<td>167,147</td>
</tr>
</tbody>
</table>
## Appendix B

<table>
<thead>
<tr>
<th>Calculation of the Labrador Industrial Transmission Demand Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Labrador Interconnected Transmission Demand Costs ($)</strong></td>
</tr>
<tr>
<td><strong>Labrador Industrial Allocation based on CP (%)</strong></td>
</tr>
<tr>
<td><strong>Allocated Transmission Demand Costs ($)</strong></td>
</tr>
<tr>
<td><strong>(Firm) Billing Demand (kW)</strong></td>
</tr>
<tr>
<td><strong>Annual Cost ($ per kW)</strong></td>
</tr>
<tr>
<td><strong>Monthly Rate ($ per kW)</strong></td>
</tr>
</tbody>
</table>
### Appendix C

#### Calculation of the Labrador Industrial Generation Demand Rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Generation Demand Costs ($) allocated to Labrador Industrial</td>
<td>1,387,390</td>
</tr>
<tr>
<td>(Firm) Billing Demand (kW)</td>
<td>270,000</td>
</tr>
<tr>
<td>Annual Cost ($ per kW)</td>
<td>5.14</td>
</tr>
<tr>
<td>Monthly Rate ($ per kW)</td>
<td>0.43</td>
</tr>
</tbody>
</table>
Information Note
Department of Natural Resources

Title: Pomerleau Inc. Statements of Claim against Nalcor Energy

Issue: To provide an overview of the Statements of Claim filed by Pomerleau in the Supreme Court of Newfoundland and Labrador on December 22, 2016 related to its work on the Muskrat Falls Project.

Background and Current Status:
- In July 2015, the Labrador Transmission Corporation and Labrador-Island Link Limited Partnership awarded Quebec-based Pomerleau Inc. the contract for the civil works for the construction of a substation at Churchill Falls and a substation and converter and valve hall building at Muskrat Falls. The total awarded value of the contract was $67.6 million.

- On October 26, 2016, upon completion of its work on the Project, Pomerleau registered two liens with the NL Registry of Deeds against the estate of the Churchill Project property and the Muskrat Project property pursuant to the Mechanics’ Lien Act (MLA). (A lien is a right to keep possession of property belonging to another person until a debt owed by that person is discharged). The liens totaled $96.9 million.

- According to the MLA, the claim of lien must be registered within 30 days of the completion or abandonment of the work done or materials placed or provided. To maintain its claim of lien after registration, a subcontractor must file a Statement of Claim with the court within 90 days of the completion or abandonment of the work done or materials placed or provided. The subcontractor must then prove its entitlement to a lien and its value through the court process. General contractors and owners have a right to dispute the lien claim and/or the value of the lien claim in court.

- On December 22, 2016, Pomerleau filed two Statements of Claim in the Supreme Court of Newfoundland and Labrador seeking $89.8 million in damages on the grounds that the Nalcor subsidiaries had not paid what was promised under a number of contracts and agreements. Through an agreement with the Nalcor subsidiaries, Grid Solutions Canada ULC (formerly Alstom Grid Canada Canada ULC) had responsibility to engineer and manage the execution of the civil works performed by Pomerleau.

- The total amount paid to Pomerleau under the contract was over $61 million as of the end of December 2016.

- In its recent Statements of Claim, Pomerleau alleges that the $89.8 million in outstanding payments are based on the following:
  - amounts owing under the Contract;
  - amounts claimed under the Delay Change Order;
  - costs associated with extra work outside the scope of the Contact;
  - delay-related impact costs; and
  - such other costs associated with delays and additional work on the Project.

- Pomerleau claims that the delay in the start of work on the Churchill and Muskrat portions of the Project was not their fault, and that the Owner agreed to pay the costs associated with the delay through a Delay Change Order, that would be an extra to the contract price. It was
also agreed that some of the work related to both portions of the Project would be postponed until the spring of 2016.

- Pomerleau is also claiming damages for additional delays after work began, which caused them to incur significant extra costs. They claim these delays were in part due to the Owner not providing a complete design, failing to properly administer the contract and not communicating in a timely manner.

- In addition, Pomerleau claims that the Churchill Falls project portion was delayed because of the discovery of rock and organic material at the site.

- Pomerleau claims that it performed its work on the Project pursuant to the contract but it has not been paid for the full amount of the original contract or the extras to the contract.

**Action to be taken:**

- Nalcor states that it is not uncommon in the course of business in large construction contract execution for disputes to arise between parties. Parties may use legal procedure as one of the many courses of action available under the contract to address their concerns.

- Nalcor states that it will take the necessary legal steps that are in the best interest of the Muskrat Falls Project and will work with its contractors to work through this legal process.

**Prepared/Approved by:** L. Combden

**Ministerial Approval:**

January 4, 2017