September 5, 2018

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-70-2018]

On July 23, 2018, the Department of Finance received your access to information request for the following:

"Please provide any records provided to the Minister, Deputy Minister, ADMs, Director of Communication, or Executive Assistant pertaining to electricity rate mitigation. In specific, I am looking for any briefing note, reports, decision notes, information notes, studies, or other information."

On August 15, 2018, you were advised that the Information and Privacy Commissioner (pursuant to section 23 of the Access to Information and Protection of Privacy Act, 2015) had approved a request from the Department to extend the timeline for response for an additional 10 business days. Subsequently, the revised response date is September 4, 2018.

The Department is pleased to advise that access has been granted in part to the above request and is attached. It is important to note the following when reviewing this response:

- Some of the responsive information is advice, recommendations or policy considerations submitted or prepared for submission to the Cabinet and/or was a record created during the process of developing or preparing a submission for the Cabinet. As such, this information is considered as cabinet records and has been severed pursuant to sections 27.(1)(h), and 27.(2)(a) of the Access to Information and Protection of Privacy Act, 2015 (ATIPPA).

- Some of the responsive information is advice, analyses, policy options or recommendations developed by or for the Department of Finance and/or the Minister. As such, this information has been severed from the response pursuant to section 29.(1)(a) of ATIPPA.

- If released, it is reasonable to expect that some of the responsive information could prejudice or harm the financial or economic interests of the government of this province. As such, this information has been severed pursuant to section 35.(1)(d), 35.(1)(f) and 35.(1)(g) of the ATIPPA.
• Some of the information contained within the identified records is non-responsive to the above request because it does not relate to rate mitigation. As such, this information has been severed accordingly.
• Additionally, duplicate information has been removed for your convenience.

Provided for your convenience, in the table below is a listing of the page numbers that have been completely removed due to exemptions pursuant to ATIPPA (as described above). It is important to note when referencing page numbers, please refer to the number located at the top right hand corner of the page.

<table>
<thead>
<tr>
<th>ATIPPA Exemptions Applied</th>
<th>Page Numbers Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-responsive</td>
<td>5-7, 10-20, 29, 170-184, 186-206, 208-211</td>
</tr>
<tr>
<td>Sections 27.(1)(h) and 27.(2)(a)</td>
<td>1-3</td>
</tr>
<tr>
<td>Sections 29.(1)(a), 35.(1)(d), 35.(1)(f), 35.(1)(g) and Non-responsive</td>
<td>137, 139-140.</td>
</tr>
<tr>
<td>Sections 29.(1)(a), 35.(1)(d), and 35.(1)(f)</td>
<td>159-162</td>
</tr>
</tbody>
</table>

Additionally it is noted that rate mitigation was addressed during Budget 2017 which is available publically and may be viewed at the following website: [http://www.budget.gov.nl.ca/budget2017/](http://www.budget.gov.nl.ca/budget2017/).

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

The address and contact information of the Information and Privacy Commissioner is as follows:

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

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

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

The response will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where the response is mailed to you. It is the goal to have the response 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 further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett, CIAPP-C
ATIPP Coordinator

Attachment
**Electricity Rate Mitigation – Task List**

1. Nalcor to update current rate projections to reflect 2017 Economic Forecast

2. Province to complete analysis of economic and socio-economic impacts of updated rate projections based on several scenarios.

3. Nalcor to complete rate sensitivity analysis

4. Explore Rate Mitigation Goals. 

5. Adjust current rate mitigation analysis.

6. Identify other options being worked on at Nalcor and Hydro.
   - Paul Stratton;
   - Rod Henderson; Rob Hull.

7. 

8. 

9. 

---

29.(1)(a), 35.(1)(d), 35.(1)(g), 35.(1)(f)

29.(1)(a), 35.(1)(d), 35.(1)(g), 35.(1)(f)

29.(1)(a), 35.(1)(d), 35.(1)(g), 35.(1)(f)
5. What are your assumptions with respect to electricity rates?

Electricity rate assumptions (cents/kWh incl HST)
17/18 = 13.3
18/19 = 15.2
19/20 = 15.9
20/21 = 21.3
21/22 = 23.2
22/23 = 23.3

6. How do you plan to mitigate electricity rates and when?

Future electricity rate management is a priority of our government. Nalcor has been directed to source $210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to $245 million in the following fiscal years. We are committed to ensuring electricity rates are competitive and will undertake work to further define mitigation actions and dollars required.
13. Will the revenue from the federal carbon tax go towards the deficit or be used to help mitigate electricity rates?
What is government’s reaction to the RSP adjustment?

Key messages:
• The Public Utilities Board assessed the options presented by Hydro regarding the RSP and issued an order on Friday, May 15.
• The result will be a rate increase of approximately 9% to 10%.
• This was a decision of the Board which is responsible for the regulation of the electric utilities in the province to ensure that the rates charged are just and reasonable, and that the service provided is safe and reliable.

What is government doing to ensure electricity rates are being mitigated?

Key messages:
• Future electricity rate management is a priority of our government.
• We are committed to ensuring electricity rates are competitive.
• Nalcor has been directed to source $210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to $245 million in the following fiscal years.
• All options are being explored and may include:
  - exporting surplus recall energy from the Upper Churchill
  - bringing surplus power from Labrador across the Labrador Island Link for use on the island
  - importing less expensive power via the Maritime Link
  - using revenues from export sales.
• Since coming into office, our government has also been working with our federal colleagues to secure the commitment of additional loan guarantee support for Muskrat Falls. As a result of these efforts, we secured a commitment of support up to $2.9 billion.
• The interests of the province’s ratepayers are the priority.

Table included for average household consumption of 1517 kWh.

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<thead>
<tr>
<th>Consumption</th>
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<tr>
<td>Newfoundand Labrador Hydro Island Interconnected Historical Rates</td>
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<tr>
<td><strong>Rates</strong></td>
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<tr>
<td>Basic Charge</td>
<td>15.57</td>
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<tr>
<td>Discount</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Billings</strong></td>
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<tr>
<td>Basic Charge</td>
<td>15.57</td>
</tr>
<tr>
<td>Energy</td>
<td>144.36</td>
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<tr>
<td>Discount</td>
<td>(2.40)</td>
</tr>
<tr>
<td>Total</td>
<td>157.47</td>
</tr>
<tr>
<td>Total cents per kWh</td>
<td>10.38</td>
</tr>
</tbody>
</table>

*This email and any attached files are intended for the sole use of the primary and copied addressee(s) and may contain privileged and/or confidential information. Any distribution, use or copying by any means of this information is strictly prohibited. If you received this email in error, please delete it immediately and notify the sender.* [attachment "KM - RSP and Future Rates May 15.docx" deleted by Deanne Fisher/NLHydro] [attachment "Table.doc" deleted by Deanne Fisher/NLHydro]
Finance
Update on Costs for Muskrat Falls (in relation to Finance)
June 23, 2017

Summary:
Today, Stan Marshall, CEO of Nalcor, announced that the projected cost of the Muskrat Falls project is now $12.7 billion with financing ($10.1 billion capital costs) The last update provided for the project was December 2016 at a projected cost, including interest, of $11.4 billion ($9.1 billion capital costs) This is a $1.3 billion increase in just under one year. The increase in capital costs is due to settling outstanding delays and claims with other contractors including Astaldi. Additionally, there has been an updated estimate for increased operational costs. The project is now 75 percent complete, with first power expected in 2019. Questions may be raised as to how this will affect the province’s 2017 budget forecast and current borrowing requirements.

Messages:
• We are disappointed with the increased cost to the Muskrat Falls project.
• Due to the increased cost, the province’s borrowing plans will be impacted by approximately $250 million.
• We continue to direct Nalcor to focus on the mitigation of rates – this has not changed. Providing stable, secure, reliable power for Newfoundland and Labrador is a primary focus of this government.
• Our vision for the province does not include the doubling of electricity rates. It is not acceptable that residents have to pay excessive electricity rate.
• We are committed to ensuring electricity rates are competitive and will undertake work to further define mitigation actions and dollars required.
• As a Government, we will continue to identify opportunities to bring greater accountability and oversight to this project for the benefit of residents.

Secondary
• In Budget 2017, as a result of the Enhanced Federal Loan Guarantee, the Provincial Government was able to reduce the equity investment in Nalcor Energy by more than $800 million.
• In Budget 2017, Nalcor was directed to source $210 million for a Rate Mitigation Reserve to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to $245 million in the following fiscal years.
Potential Rate Mitigation Strategies (DRAFT For Discussion Purposes Only)

Contents contained within this document are intended for use by the Rate Mitigation Steering Committee as an avenue to document ideas and facilitate discussion. Contents have not been researched/analyzed/approved in any manner and are not representative of the views of the members of the Rate Mitigation Steering Committee.

Revenue Generation/Optimization

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: August 10, 2017 @ 2:00 p.m.
Location: Level 5, Conference Room 1 (Petroleum Club)

Standing Items:
1. Safety Moment (5 mins)
2. Determination of Standing Items (20 mins)

Current Items:
3. Approval of Terms of Reference (25 mins)
4. 
5. 
6. Medium/Long Term Rate Mitigation Initiatives (30 mins)

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
01. SAFETY MOMENT
Importance of boating safety was provided by Jeannine Fitzgerald.

02. INTRODUCTION
Rob Hull provided an introduction including the purpose for the meeting and Rate Mitigation Steering Committee (RMSC), including confirmation of support for the RMSC from the Province, Hydro and Nalcor.

03. DETERMINATION OF STANDING ITEMS
Rob Hull led a discussion as to the determination of Standing Items to be discussed at each RMSC meeting. The following items were brought forth as Standing Items:

- Pre-Muskrat Falls Holyrood Fuel Displacement
- Electricity Exports/Market Opportunities
- Market Optimization Arrangements
- Medium/Long-Term Rate Mitigation Initiatives

Meeting attendees agreed to the list of Standing Items to be discussed at future meetings.

04. APPROVAL OF TERMS OF REFERENCE
A copy of a draft Terms of Reference was provided to the RMSC prior to the meeting by Rob Hull. Mr. Hull asked attendees for any required revisions to which attendees provided
comments. Mr. Hull agreed to make required revisions and recirculate to the RMSC prior to the next meeting, scheduled for August 24th.

Dave Jones stated that access to the Rate Mitigation folder on the H:drive within Nalcor/Hydro should be confirmed and updated as required. The RMSC agreed with this action and Jeannine Fitzgerald was to follow up with Elizabeth Lewis to ensure the appropriate access and security of the folder is maintained.

05. CONFIRMATION OF STEPPED APPROACH

The RMSC agreed with this approach and it was decided that Nalcor would draft this presentation and circulate as required.
07. MEDIUM/LONG TERM RATE MITIGATION INITIATIVES

Jeannine Fitzgerald walked through a draft document related to medium/long-term rate mitigation strategies that was circulated prior to the meeting. Ms. Fitzgerald began by outlining that the document was for discussion purposes only and that all initiatives listed have not been researched, determined to be feasible, and/or approved in any manner. Ms. Fitzgerald asked for feedback on the draft document to which attendees provided comments. Prior to the August 24th meeting Ms. Fitzgerald is to revise the document incorporating feedback of the RMSC. Also, Ms. Fitzgerald was asked to include funds in the 2018 budget related to rate mitigation initiatives that may required outside consultants/legal advice.

08. TERMINATION

There being no further business, the meeting was terminated.
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<thead>
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<th>Status/Comments</th>
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<tr>
<td>1</td>
<td>08/24/17</td>
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<td>Rob Hull</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>08/24/17</td>
<td>Update Nalcor/NLH access to Rate Mitigation folder on H: drive</td>
<td>Elizabeth Lewis</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>09/07/17</td>
<td></td>
<td>Rob Hull/Jeannine Fitzgerald</td>
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<tr>
<td>4</td>
<td>09/07/17</td>
<td></td>
<td>Rob Hull</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>09/30/17</td>
<td></td>
<td>John Cowan</td>
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</tr>
<tr>
<td>6</td>
<td>08/24/17</td>
<td></td>
<td>Jeannine Fitzgerald</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>08/24/17</td>
<td>Revise potential rate mitigation strategies document and include caveat around purpose</td>
<td>Jeannine Fitzgerald</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>08/24/17</td>
<td>Update distribution list for materials to include delegates of committee members</td>
<td>Rob Hull</td>
<td></td>
</tr>
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</table>

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
COMMITTEE CHARTER AND TERMS OF REFERENCE

RATE MITIGATION COMMITTEE

GENERAL PURPOSE AND MANDATE
The Rate Mitigation Committee ("RMC") is a committee comprised of representatives of the Province (Department of Natural Resources, Department of Finance), Newfoundland and Labrador Hydro ("Hydro"), and Nalcor Energy ("Nalcor"). The purpose and mandate of the RMC is to ensure that initiatives undertaken to fulfill the goals and objectives of the rate mitigation strategy are realized and the activities are coordinated between the Province, Hydro and Nalcor in an integrated manner to ensure that maximum results to achieve tangible rate mitigation are achieved. To achieve its mandate, the RMC may consult with other government departments and other stakeholders as required.

KEY OBJECTIVES
The key objectives of the RMC are as follows:

1. To ensure that the approach to realizing rate mitigation initiatives is coordinated and aligned with the rate mitigation strategy as outlined in this charter;

2. To develop a collective awareness of key issues and factors impacting the realization of the goals and objectives of the rate mitigation strategy, and to recommend and/or undertake necessary actions to ensure the results of rate mitigation activities are timely and maximized;

3. To act as a sounding board/advisory group in relation to key activities and developments affecting the rate mitigation strategy;

4. To identify developments, issues and decisions requiring the attention of and resolution by the Province and/or the Nalcor/NLH CEO; and
5. To generally oversee the status and progress of rate mitigation activities.

**RATE MITIGATION STRATEGY**

The rate mitigation strategy is two-fold:

1. To establish and maximize a pool of funds through capitalizing on external opportunities and making internal arrangements to mitigate future rates. The funds will be accumulated over time and applied to reduce customer rates, at levels to be predetermined by the Province; and

2. To undertake initiatives and take actions to protect and/or grow provincial load that brings the highest value to the Province, while ensuring targeted rates are realized or enhanced.

To improve the probability of success, the rate mitigation strategy will be implemented in a prioritized and stepped approach. This stepped approach will be determined and approved by the RMC.

**GUIDING PRINCIPLES**

The following are the key reference points and guiding principles utilized in adopting the committee approach outlined in this Charter.

a) We are committed to effective and efficient meetings, which are scheduled well in advance, start and end on time, where participants are prepared to address the agenda, and where regular attendance at meetings is the norm.

b) We are committed to supporting the execution of the existing rate mitigation opportunities and will look for further opportunities for consideration in the development of future plans and initiatives.

c) Internal integration and alignment amongst the Province, Hydro and Nalcor is key to maximizing and achieving results.
COMMITTEE COMPOSITION

The RMC is comprised of the individuals identified below and will be sponsored by the Assistant Deputy Minister, Energy Policy, Department of Natural Resources. Meetings and related materials will be coordinated by the General Manager, Commercial Management and Integration, Nalcor Energy. When a regular member of the RMC is unable to attend a meeting, and where possible, a delegate will be empowered to act on their behalf.

<table>
<thead>
<tr>
<th>Title</th>
<th>Representing</th>
<th>Current Incumbent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Deputy Minister, Energy Policy</td>
<td>DNR</td>
<td>John Cowan</td>
</tr>
<tr>
<td>Director, Electricity and Alternative Energy</td>
<td>DNR</td>
<td>Corey Snook</td>
</tr>
<tr>
<td>Assistant Deputy Minister, Economic, Fiscal and Statistics</td>
<td>Finance</td>
<td>Craig Martin (Alternate: Dennis Sharpe)</td>
</tr>
<tr>
<td>President, Newfoundland and Labrador Hydro</td>
<td>Hydro</td>
<td>Jim Haynes (Alternate: TBD)</td>
</tr>
<tr>
<td>General Manager, Commercial Management and Integration</td>
<td>Nalcor</td>
<td>Rob Hull (Alternate: Jeannine Fitzgerald)</td>
</tr>
<tr>
<td>Manager, Financial Planning and Investment Analysis</td>
<td>Nalcor</td>
<td>Elizabeth Lewis (Alternate: Dave Jones)</td>
</tr>
</tbody>
</table>

AUTHORITIES AND DECISION MAKING

The RMC’s primary mandate is to function as a forum for facilitating alignment between the Province, Hydro and Nalcor on rate mitigation activities.
In this context, the RMC is not a decision making body, except to the extent it may facilitate alignment and/or consensus on rate mitigation activities. The RMC will not impact accountabilities of any member of the RMC in their individual roles and capacities or any related decision making processes or authorities employed by the Province or throughout the Nalcor Group.

**COMMITTEE OPERATIONS**

The RMC shall operate in accordance with the following procedures and guidelines:

a) The Committee will meet on a regularly scheduled basis, initially bi-weekly.

b) Meeting participation through video or teleconference facilities is acceptable and encouraged whenever necessary to ensure that meetings are held when scheduled.

c) Subject to b) above, each member of the RMC will designate an alternate, and member substitutions at regular meetings of the RMC are permitted.

d) An agenda for each meeting of the RMC and draft minutes of the previous meeting, along with copies of any required materials, will generally be circulated to RMC members at least three (3) business days in advance.

e) The action item listing arising from each meeting of the RMC will be circulated to RMC members within five (5) business days after the related meeting.

f) The RMC may invite other representatives to a regular meeting as and when required.

g) The RMC may adopt other operating procedures it feels are necessary and appropriate for efficient and effective operations.
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<td>6</td>
<td>09/07/17</td>
<td></td>
<td>Rob Hull/Jeannine Fitzgerald</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>09/07/17</td>
<td>Prioritize potential medium/long-term rate mitigation strategies</td>
<td>Jeannine Fitzgerald</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>09/07/17</td>
<td>Send internal communication to leadership/mgt regarding Rate Mitigation Committee and mandate of committee</td>
<td>Jim Haynes</td>
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<tr>
<td>9</td>
<td>09/07/17</td>
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<td>Elizabeth Lewis</td>
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: August 24, 2017 @ 2:00 p.m.
Location: Level 5, Conference Room 1 (Petroleum Club)

Standing Items:

1. Safety Moment (5 mins)

2. Review Minutes and Action List from August 10th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Medium/long term rate mitigation initiatives (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Craig Martin)

Current Items:

4. Approval of Revised Terms of Reference (Rob Hull)

5. Equalization Update (Jeannine Fitzgerald)

6. Other Business
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMSC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, AUGUST 24, 2017 AT 2:00 P.M.

Present: D. Sharpe  
J. Haynes  
R. Hull  
J. Fitzgerald  
E. Lewis  

Regrets: J. Cowan  
C. Martin  

01. SAFETY MOMENT  
Elizabeth Lewis provided a safety moment on allergies and allergic reactions.

02. ACTION ITEMS AND MINUTES  
Jeannine Fitzgerald reviewed the Action List from the August 10th meeting and asked for any required revisions to the August 10th minutes. No changes to the August 10th minutes were noted.

03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Rob Hull provided an update that things are progressing with this initiative. With the opportunity to bring energy to the island to displace costly fuel at Holyrood, commercial arrangements are being discussed between Nalcor, NEM and Hydro to move this forward. With interconnection from Labrador to the island early next year, commercial arrangements and legislative decisions are required to be finalized in the fall of 2017.

Electricity Exports/Market Opportunities

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Jeannine Fitzgerald asked attendees if any further changes were required to the updated version of the medium/long term rate mitigation initiatives that was circulated prior to the meeting.

Rob Hull suggested that additional screening of the initiatives be completed to help identify those areas to concentrate the committee’s efforts. Jeannine Fitzgerald agreed to undertake this screening and provide a prioritized list prior to the Sept 7th meeting.
04. APPROVAL OF TERMS OF REFERENCE

A copy of the revised draft Terms of Reference was provided to the RMSC prior to the meeting. Mr. Hull asked attendees for any required revisions to which there were none. The Terms of Reference was approved.

05. EQUALIZATION UPDATE

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

06. OTHER BUSINESS

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
07. TERMINATION

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<td>Complete</td>
</tr>
<tr>
<td>8</td>
<td>09/07/17</td>
<td>Send internal communication to leadership/mgt regarding Rate Mitigation Committee and mandate of committee</td>
<td>Jim Haynes</td>
<td></td>
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<tr>
<td>9</td>
<td>09/07/17</td>
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<td>29.(1)(a)</td>
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<td>09/21/17</td>
<td></td>
<td>Jeannine Fitzgerald</td>
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
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<td>John Cowan</td>
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Sept 21, 2017 @ 2:00 p.m.
Location: Level 2, Conference Room 1

Standing Items:

1. Safety Moment (Rob Hull)

2. Review Minutes and Action List from September 7th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
     - Fall 2017 Work plan
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Medium/long term rate mitigation initiatives (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Craig Martin)

Current Items:

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
01. SAFETY MOMENT

Jim Haynes provided a safety moment on fragrance allergies/sensitives and the importance of adhering to scent free policies.

02. ACTION ITEMS AND MINUTES

Jeannine Fitzgerald reviewed the Action List from the August 24th meeting and also asked for any required revisions to the August 24th minutes.

Minutes:

Two changes to the August 24th minutes were noted to be updated. Jeannine Fitzgerald agreed to update as requested.

Action Items:

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Market Optimization Arrangements

Medium/Long Term Rate Mitigation Initiatives

Jeannine Fitzgerald provided an update to the previous version of the medium to longer term rate mitigation initiatives, which segregated those initiatives that were shorter term in nature and easier to implement from those that were longer term in nature with greater implementation obstacles. Three additional initiatives were added to the list:

- Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Provincial Developments

- Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
04. TERMINATION

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

There being no further business, the meeting was terminated.
Rate Mitigation and

September --, 2017

Boundless Energy

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Rate Mitigation Strategy

- Establish and maximize a pool of funds through capitalizing on external opportunities and making internal arrangements to mitigate future rates.
- Funds will be accumulated over time and applied to reduce Muskrat Falls rates (at levels to be pre-determined by the Province).

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)
Here are the questions:

1. Has Government determined what a reasonable rate would be for electricity?

   Government has publicly discussed a rate of between 17 and 18 cents when the Muskrat Falls Project enters service. Government is continuing to do analysis to determine what is ensure that is an acceptable rate for the people of the province taking into consideration the fiscal, economic and social impacts.

2. Does Government have an estimate of what it would cost to mitigate electricity rates each year?

   Government has publicly stated that it requires between $60 and $70 million to reduce rates by a cent. With a projected rate of 22.89 cents per kWh, it has been identified that between $300 and $320 million will be required to reduce those rates.

3. Budget 2017 directed Nalcor to source $210M to lower electricity rates. Do you know whether Nalcor sourced the $210M? Is that enough to mitigate rates?

   Nalcor is in the process of finalizing sources for has identified the source for the $210 M to include export electricity sales, off island power purchases to reduce Holyrood generation costs and a reduced dividend to the province of $60M, $75M, and $90M over the three years (2021-21 to 2022-23). The amount required to mitigate rates is expected to be approximately $80M in 2020-21. The balance of the $210 million reserve would then be available to carry forward in the following years to 2022-23 as has been identified in the fiscal framework.

4. Do you believe that the necessary funds to mitigate electricity rates can be sourced from within Nalcor or will some of the mitigation
have to be funded by the Province?

In the first three years the province will forego dividends as noted and export sales of Muskrat Falls revenue will go towards rate mitigation. Going forward Nalcor will be required to grow its revenue (from any or all lines of business) and or opportunities or reduce expenses/ditures.

5. What has Nalcor and/or your committee been doing to mitigate electricity rates?

The Rate Mitigation Committee has been discussing options that could be used to either increase usage (which helps reducing the per unit cost of electricity); increase revenue opportunities such as the use of off-island power prior to full commissioning of the Muskrat Falls Project; and examining the various lines of business to determine if there are efficiencies or additional revenue that can be identified.

Last year, Nalcor officials noted the following possible options to mitigate energy rates: redirecting profits from sales of excess energy, use of profits from the oil and gas business, and lowering the rate of return that the Province receives from LCP.

6. How much would redirecting profits from excess energy sales contribute to any mitigation strategy?

Export electricity sales, as noted, is a component of the first phase of rate mitigation.

7. How much would using profits from oil and gas contribute to any mitigation strategy?

The province has agreed to forego profits from excess energy sales and also allowing for a reduction in its net income/dividends as noted above. That is a general reduction not targeted to any specific line of business.
Analysis is ongoing to determine if profits from oil and gas would contribute to a rate mitigation strategy. Nalcor has been tasked to identify additional revenues or reduce expenses by $120 million. There was no specific direction on which lines of business. The only constraint is that there would be no further deterioration in the net income from Nalcor included in the fiscal framework.

8. How much would lowering the Province’s rate of return on LCP contribute to any mitigation strategy? Is the Province guaranteed a return under the regulatory regime? It seems that it is discretionary and therefore available for rate mitigation.

The Committee is still working through the specifics of how the province will forgo net income / dividends. One option may include a lowering of the provincial rate of return or the assignment of profits from other lines of business.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Oct 5, 2017 @ 2:00 p.m.
Location: Level 5, Conference Room 1

Standing Items:

1. Safety Moment (Corey Snook)

2. Review Minutes and Action List from September 21th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Medium/long term rate mitigation initiatives (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Craig Martin)

Current Items:

4. Overview of Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

5. deck (Rob Hull)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMSC) MEETING HELD IN LEVEL 2, CONFERENCE 1, HYDRO PLACE, ST. JOHN’S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, SEPTEMBER 21, 2017 AT 2:00 P.M.

Present: J Cowan
J. Haynes
R. Hull
J. Fitzgerald
E. Lewis
C. Snook
L. Hutchens
P. Stratton

Regrets: C. Martin
D. Sharpe

01. SAFETY MOMENT
Jim Haynes provided a safety moment on the rules of the road with respect to two lane turning in intersections.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the September 21st meeting and also asked for any required revisions to the September 21st minutes.

Minutes:
No changes to the minutes were noted.

Action Items:

Rob Hull noted that the stepped approach document would be presented at the next RMC meeting as there was a modification required. Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Jeannine Fitzgerald advised that the AESP database required membership to gain access to the directory. Rob Hull requested that Jeannine look into the costs of the membership to gain
access to potential resources that may help identify electricity customers. Jeannine Fitzgerald agreed to do so.

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

Electricity Exports/Market Opportunities

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)
Market Optimization Arrangements

Rob Hull noted there was nothing new to note in this regard but that Jennifer Williams and Greg Jones are engaged in the mechanics of maximizing value.

Medium/Long Term Rate Mitigation Initiatives

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)
**Provincial Developments**

Corey Snook outlined the initiatives currently being discussed between the Province and the federal government.

**04. TERMINATION**

There being no further business, the meeting was terminated.
### ACTION LIST
RATE MITIGATION STEERING COMMITTEE – SEPTEMBER 21, 2017

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<th>Status/Comments</th>
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<td>Rob Hull</td>
<td>Complete</td>
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<tr>
<td>2</td>
<td>08/24/17</td>
<td>Update Nalcor/NLH access to Rate Mitigation folder on H: drive</td>
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<td>3</td>
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<td>Jeannine Fitzgerald</td>
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<td>4</td>
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<td>Jeannine Fitzgerald</td>
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<td>08/24/17</td>
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<td>Send internal communication to leadership/mgt regarding Rate Mitigation Committee and mandate of committee</td>
<td>Jim Haynes</td>
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Confidential and Commercially Sensitive
### ACTION LIST

**RATE MITIGATION STEERING COMMITTEE – SEPTEMBER 21, 2017**

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<td>Corey Snook</td>
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<td></td>
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Purpose

- Obtain approval for Phase 3 Work Plan activities (September 2017 – September 2018) to purchase power for thermal displacement subsequent to the in-service of the Labrador-Island Link (LIL) and the Maritime Link (ML) and prior to full thermal displacement from in-service of Muskrat Falls

- Initiative divided into three phases:
  - Phase 1: Scoping and Work Plan Development
    - Completed in Summer 2016
  - Phase 2: Execution of Work Plan and Development of Commercial Framework
    - Completed in Fall 2016 and Winter 2017, including presentation of marketing plan
  - Phase 3: Execution of Commercial Agreements and Supporting Legislative Instruments
    - Subject of this presentation
Phase 3 Integrated Work Plan

- See attachment – Key Milestones Listing

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
### Pre-MF Power Purchases Key Milestones Listing

**Holyrood Displacement**

<table>
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<tr>
<th>Item #</th>
<th>Progressing as Planned?</th>
<th>Original Deadline</th>
<th>Forecast Start</th>
<th>Forecast Finish</th>
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### Pre-MF Power Purchases Key Milestones Listing

**Holyrood Displacement**

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## Pre-MF Power Purchases Key Milestones Listing

### Holyrood Displacement

**Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)**

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</table>
I. Rate Mitigation Committee

In July 2017, a Rate Mitigation Committee ("Committee") was formed comprised of representatives of the Province (Department of Natural Resources, Department of Finance), Newfoundland and Labrador Hydro ("Hydro"), and Nalcor Energy ("Nalcor"). The mandate of the Committee is to ensure that initiatives undertaken to fulfill the goals and objectives of the provincial electricity rate mitigation strategy are realized and coordinated between the Province, Hydro and Nalcor in an integrated manner to achieve tangible rate mitigation.

II. Rate Mitigation Strategy

Sections 29(1)(a); 35(1)(d); 35(1)(f) & 3.5(1)(g)
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Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

Confidential and Commercially Sensitive
## ACTION LIST
**RATE MITIGATION STEERING COMMITTEE – OCTOBER 5TH, 2017**

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*Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)*
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Oct 19, 2017 @ 2:00 p.m.
Location: Level 5, Conference Room 1

Standing Items:

1. Safety Moment (Auburn Warren)

2. Review Minutes and Action List from October 5th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Medium/long term rate mitigation initiatives (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Corey Snook)
   - Work plan (Jeannine Fitzgerald)

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Present: J Cowan  
L. Hutchens  
R. Hull  
J. Fitzgerald  
E. Lewis  
A. Warren  
D. Sharpe

Regrets: C. Martin  
J. Haynes  
C. Snook

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment on pedestrian safety.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the September 21st meeting and also asked for any required revisions to the September 21st minutes.

Minutes:
No changes to the minutes were noted.

Action Items: Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

John Cowan advised that while the memo provided good context, quantitative analysis is required to support the memo and to identify the size, as well as specific sources, of the pool of funds that Nalcor is expecting will be available to be used in rate mitigation.

Rob Hull noted that this analysis was not yet complete and would be conducted by the Investment Evaluation Team. Auburn Warren stated that his team has been engaged in this work but that it will take some time to produce a final product.
Rob Hull noted that as was stated in the rate mitigation memo, Nalcor would be preparing a detailed implementation plan that would be finalized by October 31, 2017. It was noted that the plan would be finalized and not the quantitative analysis as requested by John Cowan, however Nalcor understands the importance of this piece of work and will incorporate timing into the work plan.

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

Electricity Exports/Market Opportunities

Rob Hull noted that Nalcor continues to work with Emera on finalizing required commercial agreements associated with the Atlantic Link, with an anticipated completion date of December 31, 2017.

Market Optimization Arrangements

Rob Hull noted that Greg Jones and Jennifer Williams continue to advance this initiative and are currently working through documentation on required process to secure required supply to Hydro and optimize revenues to Nalcor.
Medium/Long Term Rate Mitigation Initiatives

Provincial Developments

04. TERMINATION

There being no further business, the meeting was terminated.
Summary:
Residents and businesses are concerned about electricity rates once the Muskrat Falls Project comes in service. What is government doing to manage future rate hikes?

Key messages:
• Future electricity rate management is a priority of our government; and we are committed to doing everything possible to ensure electricity rates are competitive.

• The former government used questionable assumptions and cost controls regarding the Muskrat Falls Project; that's why we are faced with this situation to begin with.

• We have directed Nalcor to source $210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to $245 million in the following fiscal years.

• In addition, an internal committee within government is tasked with ensuring rates are managed as best possible.

• The internal committee includes the Department of Natural Resources, Finance, NL Hydro and Nalcor. Natural Resources is chairing the committee. It will meet every two weeks starting off, and as plans become formalized it would move to monthly.

• The committee will consider all opportunities that could support rate mitigation and if others need to be brought in to further inform a specific idea or rate mitigation that will happen.

• All options are being explored and may include:
  o exporting surplus recall energy from the Upper Churchill;
  o bringing surplus power from Labrador across the Labrador Island Link for use on the island;
  o purchasing and importing less expensive power via the Maritime Link and Labrador Island Link;
  o developing export markets to grow revenues from export sales;
  o finding ways to use energy more efficiently, reduce peak demand, to free up capacity for exports and domestic customers; and
  o expanding customer base within the province.

• The interests of the province's ratepayers are the priority.
Government Outlines Efforts to Manage Electricity Rates

Today, the Honourable Siobhan Coady, Minister of Natural Resources, thanked the Auditor General for his report and recommendations on balancing interests of taxpayers and ratepayers in determining an appropriate electricity structure in Newfoundland and Labrador.

As a result of the former government’s decision to proceed with the Muskrat Falls Project, rates will increase as the project comes on line in 2020. Government will do everything possible to ensure rates are kept as low as possible and have directed Nalcor to determine ways to manage rates.

In Budget 2017, government directed Nalcor to source $210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to $245 million in the following fiscal years.

A governmental committee, chaired by Natural Resources, is tasked with ensuring rates are managed as best possible. The committee includes the Department of Natural Resources (chair), Finance, Newfoundland and Labrador Hydro and Nalcor.

Rate management options being explored include:
- bringing recall power from Labrador across the Labrador Island Link to decrease Holyrood usage prior to Muskrat Falls in-service;
- purchasing and importing less expensive power via the Maritime Link and Labrador Island Link;
- developing export markets opportunities to grow revenues from export sales; and
- expanding the customer base within the province.

Quotes
“We recognize that a balanced approach to rate management must be taken to protect the interests of both ratepayers and taxpayers in Newfoundland and Labrador. The committee chaired by Natural Resources is considering all opportunities. Collectively, we are doing everything possible to ensure electricity rates are competitive with other Atlantic provinces.”
Honourable Siobhan Coady
Minister of Natural Resources

Learn More

In Budget 2017, the Minister of Finance announced that Nalcor had been directed to source $210 million to lower electricity rates starting in 2020-21, with this preliminary
rate reserve growing to $245 million in the following fiscal years.

Media contact
Chrysta Collins
Natural Resources
709-729-5777, 690-4436
chrystacollins@gov.nl.ca
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Nov 2, 2017 @ 2:00 p.m.
Location: Level 5, Conference Room 1

Standing Items:

1. Safety Moment (Auburn Warren)

2. Review Minutes and Action List from October 5th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Medium/long term rate mitigation initiatives (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Corey Snook)
   - [redacted] work plan (Jeannine Fitzgerald)

Current Items:

4. [redacted]
5. [redacted]
6. [redacted]

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
### ACTION LIST
**RATE MITIGATION STEERING COMMITTEE – NOVEMBER 2\textsuperscript{nd}, 2017**

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**Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)**

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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMSC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN’S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, NOVEMBER 2ND, 2017 AT 2:00 P.M.


Regrets: C. Martin, C. Snook

01. SAFETY MOMENT
Rob Hull provided a safety moment on the dangers of items left to close to baseboard heaters.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the October 5th meeting and also asked for any required revisions to the October 5th minutes.

Minutes:
No changes to the minutes were noted.

Action Items:
Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 3.5(1)(g)

03. UPDATES

Pre-Muskral Falls Holyrood Fuel Displacement

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 3.5(1)(g)
Electricity Exports/Market Opportunities

Market Optimization Arrangements

Rob Hull noted that Greg Jones and Jennifer Williams continue to work through details of the NEM/Hydro PPA including optimization principles.

Jeannine Fitzgerald advised that a draft workplan was being completed and should be available for discussion at the next meeting.

Rate Mitigation Sub Committee

Jim Haynes advised that he sent an e-mail out earlier in the week suggesting that a rate mitigation sub-committee be established to get traction on specific rate mitigation initiatives.
Members of the RMC supported this initiative and Jim advised he would set up the first meeting to outline mandate and objectives.

**Rate Mitigation Analysis**

Elizabeth Lewis provided an overview of analysis completed by Investment Evaluation and provided to the Department of Finance with respect to projected sources funds available for rate mitigation.

**04. TERMINATION**

There being no further business, the meeting was terminated.
# ACTION LIST

**RATE MITIGATION STEERING COMMITTEE – NOVEMBER 16th, 2017**

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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Nov 30, 2017 @ 2:00 p.m.
Location: Level 2 Conference Room 3

Standing Items:

1. Safety Moment (Dave Jones)

2. Review Minutes and Action List from November 16th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Provincial Developments (John Cowan)
   - Update on Rate Mitigation sub-committee (Dave Jones)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 4, CONFERENCE 2, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, NOVEMBER 16TH, 2017 AT 2:00 P.M.

Present: J Cowan
D. Jones
R. Hull
J. Fitzgerald
A. Warren
D. Sharpe
D. Fisher

Regrets: C. Martin
C. Snook
J. Haynes

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment on winter driving (tire changeover safety).

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the November 2nd meeting and also asked for any required revisions to the November 2nd minutes.

Minutes:
No changes to the minutes were noted.

Action Items:

Rob Hull noted that the action items related to specific rate mitigation initiatives being examined by the Rate Mitigation Sub Committee (RMSC) should be removed from the RMC Action List and moved to the RMSC. Items # 16-19 on the November 2nd Action List are to be moved to the RMSC.

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Rob Hull noted current focus continues to be the Atlantic Link and Nalcor is making progress with negotiations with Emera on the PPA/TSA’s. Current timing for a decision on successful proponent for the Atlantic Link is currently scheduled for end January 2018.

Market Optimization Arrangements

Rob Hull noted that Greg Jones and Jennifer Williams continue to co-ordinate and get their teams aligned on principles.

Provincial Developments

Rate Mitigation Sub Committee

Dave Jones advised that the RMSC has held an initial meeting and plan to meet every Thursday. Dave Jones noted that the RMSC reviewed the list of rate mitigation ideas put forth by the RMC and the plan is to screen and develop a paper around each initiative. He also stated that his plan is have a draft Terms of Reference available for the next RMC meeting.
04. TERMINATION

There being no further business, the meeting was terminated.
Government has publically stated that it requires between $60 and $70 million to reduce rates by a cent. With a projected rate of 22.89 cents per kWh, it has been identified that roughly $280 million will be required to reduce rates to 18 cents per kWh in the first year full year of operations. This will slowly decline, as rates are raised by 2.2% per year, to around $250 million in 2024, between $240 and $280 million annually will be required to reduce these rates. The Province does not earn a rate of return on the LCP, but it can is open to direct-direct Nalcor to return a dividend to Government at any time. This dividend could include amounts from Nalcor’s rate of return (between 8.4% and 9.2%) on the LCP, which is established by contract. It would be within the Province’s discretion to use any amount collected by the Province from Nalcor towards rate mitigation.

Budget 2017 directed Nalcor to source $210 million to lower electricity rates. The province has agreed to forego profits from excess MFP energy sales and also allowing for a reduction in its net income / dividends. That is a general reduction not targeted to any specific line of business. The anticipated contribution of export sales from 2020-21 to 2022-23 is $25.2M, $49.0M and $45.5M respectively. The province’s plan also assumes the following amounts from Nalcor’s a reduced dividend to the province, of $60M, $75M and $90.9M, be allocated to rate mitigation over the first three years (2020-21 to 2022-23) and $90M annually thereafter. This leaves an unknown of approximately $120 million of the $210 million reserve to be identified by the Province from Nalcor towards rate mitigation.

Recent discussions with senior Nalcor finance officials have indicated that Nalcor has only managed to identify saving (through the use of off island power purchases to reduce Holyrood generation costs) to fully cover 2020/21 and partially cover 2021/22. While Government has stated to Nalcor that they are expected to identify further sources for the $120 million for 2021/22 and beyond, there remains a significant risk that these savings will not be found. Should this happen, Government will face further deterioration in the net income from Nalcor included in the fiscal framework, would have difficulty identifying the full $120 million through normal operations or a combination of activities, such as through increased export sales.

It is expected that Nalcor identify sources for the $120 million for each year over three years, which includes off island power purchases to reduce Holyrood generation costs. While Nalcor has been asked to identify opportunities to provide $120 million annually for three years, the only constraint is that there would be no further deterioration in the net income from Nalcor included in the fiscal framework.

The amount required to mitigate rates is expected to be approximately $165 million in 2020-21. The balance of the $210 million reserve would then be available to carry forward in the following year.

Any costs of the PUB in respect of this review shall be paid by Nalcor, and shall not be considered MFP costs. As noted, GNL’s most recent electricity-related reference question to the PUB was the June 2011 Muskrat Falls Reference Question on two predetermined supply options. The PUB issued its report nine months later in March 2012 at a cost of $2.1 million to be recovered from Nalcor. The reference on rate mitigation can be expected to have a marginally higher cost as it is more open-ended and allows three additional months for completion.
It is important to note that any net savings or income that can be derived from Nalcor beyond the amounts already included in the fiscal framework, can ultimately be a dividend to GNL (i.e. taxpayers benefit) or a taxpayer-funded subsidy to reduce rates (i.e. ratepayers benefit). Any options and/or recommendations the PUB identifies for rate mitigation would not be binding on GNL and it would remain GNL's prerogative to determine whether to direct the immediate benefit of taxpayers or ratepayers.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Nov 16, 2017 @ 2:00 p.m.
Location: Level 4 Conference Room 2

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)

2. Review Minutes and Action List from November 2nd Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Provincial Developments (John Cowan/Corey Snook)
   - Work plan (Jeannine Fitzgerald)
   - Update on Rate Mitigation sub-committee (Dave Jones)

Current Items:

4. Update on [redacted] Memo (Rob Hull)

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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: Dec 14th, 2017 @ 2:00 p.m.
Location: Level 2 Conference Room 3

Standing Items:

1. Safety Moment (Rob Hull)

2. Review Minutes and Action List from November 30th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization arrangements (Rob Hull)
   - Provincial Developments (John Cowan)
   - Update on Rate Mitigation sub-committee (Dave Jones)
01. SAFETY MOMENT

Dave Jones provided a safety moment on slips, trips and falls.

02. ACTION ITEMS AND MINUTES

Jeannine Fitzgerald reviewed the Action List from the November 16th meeting and also asked for any required revisions to the November 16th minutes.

Minutes:

No changes to the minutes were noted.

Action Items:

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Electricity Exports/Market Opportunities

Rob Hull noted that Greg Jones and Jennifer Williams are very close to finalizing production planning procedures and would be procedurally ready for January 2018.

Provincial Developments

Rate Mitigation Sub Committee

Dave Jones noted that the sub-committee reviewed the list of rate mitigation ideas put forth by the RMC and divided the list with each member tasked with digging deeper and developing a 1-2 page paper outlining the pros and cons of specific initiatives. Dave Jones stated that a summary will be developed and brought forth to the RMC.
04. TERMINATION

There being no further business, the meeting was terminated.
### ACTION LIST
**RATE MITIGATION STEERING COMMITTEE – DECEMBER 14TH, 2017**

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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: January 4th, 2017 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)

2. Review Minutes and Action List from December 14th Meeting (Jeannine Fitzgerald)

3. Updates
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Provincial Developments (John Cowan)
   - Update on Rate Mitigation sub-committee (Dave Jones)

Current Items

4. - Market Optimization/Policy Discussion (Rob Hull)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 2, CONFERENCE 3, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, DECEMBER 14TH, 2017 AT 2:00 P.M.

Present: J Cowan  
A. Warren  
R. Hull  
J. Fitzgerald  
J. Haynes  
D. Sharpe

Regrets: D. Fisher  
C. Snook  
D. Jones  
C. Martin

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment on Christmas lights.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the November 30th meeting and also asked for any required revisions to the November 30th minutes.

Minutes:
No changes to the minutes were noted.

Action Items: Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

03. UPDATES
Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Electricity Exports/Market Opportunities

Market Optimization Arrangements  
Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

Provincial Developments  
Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

Rate Mitigation Sub Committee  
Sections 29.1(a); 35.1(d); 35.1(f) & 35.1(g)

No updated was provided as Dave Jones was not in attendance at the meeting.

04. TERMINATION

There being no further business, the meeting was terminated.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: February 15th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)

2. Updates
   - High level discussion (rate mitigation structure) (Rob Hull)
   - Rate Mitigation sub-committee priorities (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization (Rob Hull)
   - Provincial developments (John Cowan)
# ACTION LIST

**RATE MITIGATION STEERING COMMITTEE – JANUARY 4TH, 2018**

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AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: January 18th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Jim Haynes)

2. Review Minutes and Action List from January 4th Meeting (Jeannine Fitzgerald)

3. Updates
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
   - Provincial Developments (John Cowan)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, JANUARY 4TH, 2018 AT 2:00 P.M.

Regrets: D. Fisher C. Snook D. Sharpe C. Martin

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment on ice safety.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the December 14th meeting and also asked for any required revisions to the December 14th minutes.

Minutes:
One change to the minutes was noted by John Cowan.

Action Items:
Action items # 23 and #24 were noted to be complete by Rob Hull and Jim Haynes.

03. UPDATES

Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Jim Haynes noted that Hydro has received a letter from the Consumer Advocate requesting additional information regarding Hydro’s proposed deferral account in the GRA. It was noted that the request may result in GRA delays.
Electricity Exports/Market Opportunities

Greg Jones noted that re-engagement with Emera will resume next week on commercial discussions regarding the Atlantic Link. Current timing for a decision by Massachusetts on successful proponent is January 25th, and if successful, Emera has three months to finalize contract.

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Provincial Developments

Rate Mitigation Sub Committee

Dave Jones noted that the sub-committee has developed a prioritized list of potential rate mitigation options. Next steps are to pull together 1-2 page summaries of the highest ranked options and bring back recommend approach to RMC for discussion. It was noted that the next meeting scheduled for January 18th would focus mainly on discussion of the sub-committees findings.

Market Optimization Arrangements

Rob Hull noted that as per discussion in the December 14th meeting, additional attendees beyond the RMC are present to facilitate discussion on market optimization, including related policy matters and the ability of market optimization to aid in rate mitigation.
Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

04. TERMINATION

There being no further business, the meeting was terminated.
Purpose of Workshop

To consider the pros and cons of alternatives for allocating value derived from market optimization activities.

Hydro assets used for market optimization activities include its transmission rights in the province and its generating assets and reservoirs. Nalcor assets used for market optimization activities include its generating assets, reservoirs and transmission rights outside the province, as well as intangible assets (marketing knowledge and resources, licenses and permits, etc.).

Evaluation Criteria

As the Rate Mitigation Committee have identified market optimization as a key rates mitigation activity, alternatives should be evaluated on the basis of how well each alternative provides certainty that rate mitigation will be achieved in accordance with plan. Other evaluation criteria may be developed during the workshop.

Options

Option #1

Pros:

Cons:

Option #2a

Pros:

Cons:
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: February 1st, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Rob Hull)

2. Review Minutes and Action List from January 18th Meeting (Rob Hull)

3. Updates
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
   - Provincial Developments (John Cowan)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, JANUARY 18TH, 2018 AT 2:00 P.M.

Present: J. Cowan
D. Jones
R. Hull
J. Fitzgerald
J. Haynes
A. Warren
D. Sharpe

Regrets: D. Fisher
C. Snook
C. Martin

01. SAFETY MOMENT
Jim Haynes provided a safety moment regarding dull/dirty headlights.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald reviewed the Action List from the January 4th meeting and also asked for any required revisions to the January 4th minutes.

Minutes:
No changes to the minutes were noted.

Action Items:
No current action items to discuss.

03. UPDATES
Rate Mitigation Sub Committee

Dave Jones noted that the sub-committee completed the initial assessment of rate mitigation initiatives and has grouped them under the following categories: Revenue Generation, Cost Reduction, Load Building, Structural and Other Finance.

Dave Jones supplied a list of those initiatives to the RMC and the remainder of the meeting was focused on discussion around several of those initiatives including:

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Fitzgerald agreed to follow up on obtaining information pertaining to this potential option. As

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

It was decided that the next RMC meeting scheduled for February 1st would focus on continuing the discussion around the rate mitigation initiatives brought forth by the sub-committee.

04. TERMINATION

There being no further business, the meeting was terminated.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: March 1st, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Dave Jones)

2. Updates
   - High level discussion (rate mitigation structure) (Rob Hull)
   - Rate Mitigation sub-committee update (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market optimization (Rob Hull)
   - Provincial developments (John Cowan/Craig Martin)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, FEBRUARY 15TH, 2018 AT 2:00 P.M.

Present: J. Cowan
D. Jones
R. Hull
J. Fitzgerald
J. Haynes
A. Warren
C. Martin

Regrets: D. Fisher
C. Snook
D. Sharpe

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment regarding sledding safety.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald asked if there were actions to note from the February 1st meeting as she was not present at previous meeting. No actions were noted.

03. UPDATES
Pre-Muskrat Falls Holyrood Fuel Displacement

Rob Hull noted that required commercial arrangements are in place to enable transactions to commence across the Maritime Link. Mr. Hull also noted that Greg Jones and Jennifer Williams are focused on production planning related to utilization of the Labrador Island Link Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Electricity Exports/Market Opportunities

Rob Hull noted that although Hydro Quebec's Northern Pass bid was chosen under the Massachusetts RPP, New Hampshire has denied the Northern Pass application. Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 3.5(1)(g)
Market Optimization

Rob Hull noted that there have been two workshops with representation from Nalcor, Hydro, DNR and Finance on alternatives re market optimization, as well as an initial meeting with Derrick Sturje and Stan Marshall outlining alternatives. Mr. Hull noted that it was agreed that direction is required from the Province as to what alternatives Nalcor should focus on in terms of modelling financial impacts to Hydro, Nalcor, Province, ratepayers and taxpayers.

Rate Mitigation Sub Committee

Rate Mitigation Structure

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Craig Martin and John Cowan provided thoughts on what areas Nalcor/Hydro should focus their attention on and it was decided the following four options should be the focus at this time, including an analysis of the implications to Nalcor, Hydro and the Province;

04. TERMINATION

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

There being no further business, the meeting was terminated.
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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

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## Action List

**Rate Mitigation Steering Committee – February 1st, 2018**

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Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

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AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: March 15th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)
2. Review of minutes and actions items (Jeannine Fitzgerald)
3. Updates
   - High level discussion (rate mitigation structure) (All)
   - Provincial developments (John Cowan/Craig Martin)
   - Rate Mitigation sub-committee update (Dave Jones)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, March 1st, 2018 AT 2:00 P.M.


Regrets: D. Fisher, C. Snook, C. Martin, R. Hull

01. SAFETY MOMENT
Dave Jones provided a safety moment regarding travel safety and not disclosing plans and/or pictures on social media prior to or during travel.

02. UPDATES
Pre-Muskrat Falls Holyrood Fuel Displacement

Rate Mitigation Sub Committee

Dave Jones noted that the sub-committee's focus is currently on initiatives

Rate Mitigation Structure

There was a discussion between all attendees on path forward on specific rate mitigation options. John Cowan requested that Nalcor/Hydro begin to paper some of the current focus areas and requested that the following areas be included:

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
04. TERMINATION

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

There being no further business, the meeting was terminated.
QA’s relating to Carbon Tax and Rate Mitigation

1. a) Is there Carbon Tax in the current forecast.

There is a revenue estimate in the forecast based on the rates prescribed by the Federal Government.

b) How much?

Approximately $20 million in 2018/19 Budget.

c) Why haven’t you announced Carbon Tax in this Budget?

GNL is still working with the Federal Government on the Carbon Tax and its “made in NL approach” to Carbon pricing. There will be further announcements on this as decisions are finalized.

2. Is the Temporary Gas Tax gone?

GNL has already committed to remove the temporary gas tax as Carbon Tax comes in.

3. a) Is there Electricity rate mitigation in the current Budget plan?

Yes, there is a provision for rate mitigation when MF comes online. It is GNL’s intention that the rates will be on par with the average of the three Atlantic Provinces.

b) How much is funding has been set aside in the forecast?

Approximately $200 million annually when MF comes into service.

c) So how much will the rates be?

As we get closer in time we will have a better view of what the average rate of the three Atlantic Province rate is. The actual rate will be determined based on that and we will adjust funding allocation as necessary.
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<td>Corey Snook</td>
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<td>Corey Snook</td>
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<td>Paul Stratton</td>
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</tr>
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<td>Deferred</td>
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<td>Deferred</td>
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<td>Complete</td>
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<td>24</td>
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<td>Jim Haynes</td>
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<td>02/01/2018</td>
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<td>27</td>
<td>04/12/2018</td>
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</tbody>
</table>

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: March 29th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Auburn Warren)

2. Review Minutes and Action List from March 15th meeting (Jeannine Fitzgerald)

3. Updates
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
   - Provincial Developments (John Cowan/Craig Martin)
     Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN’S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, MARCH 15TH, 2018 AT 2:00 P.M.

Present: J. Cowan  
D. Jones  
R. Hull  
J. Fitzgerald  
J. Haynes  
A. Warren

Regrets: D. Fisher  
C. Snook  
D. Sharpe  
C. Martin

01. SAFETY MOMENT
Jeannine Fitzgerald provided a safety moment regarding fire hydrant safety.

02. ACTION ITEMS AND MINUTES
Jeannine Fitzgerald asked if there any changes to the minutes and action list to note from the March 1st meeting. No changes were noted.

03. UPDATES
Pre-Muskrat Falls Holyrood Fuel Displacement

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

Electricity Exports/Market Opportunities

Province being kept in the loop on market opportunities of a significant nature.

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
Market Optimization

Rob Hull stated that a meeting has been set with the CEO.

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

John Cowan requested that Nalcor provide an information note on path forward after the meeting with the CEO. Rob Hull agreed to develop this information note.

Rate Mitigation Sub Committee

Provincial Developments

John Cowan asked how the Board meetings on rate mitigation were proceeding. Rob Hull and Auburn Warren provided an update and advised that the Board was concentrating in Nalcor driven activities and not actions of the Province.
04. TERMINATION

There being no further business, the meeting was terminated.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: April 12, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Rob Hull)

2. Updates
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization and Access (Rob Hull)
   - Provincial Developments (John Cowan/Craig Martin)

Other Topics:

3. Committee Report / Recommendations – Discussion

4. Update on analysis by Financial Reporting
INTRODUCTION

The electricity operations of Nalcor and its subsidiaries were reorganized in June 2016 to achieve the clear separation of regulated electricity operations from non-regulated electricity operations. Further guidance on specific actions to be undertaken to achieve this desired state was received from the CEO on March 8 and May 8, 2017. The purpose of this document is as follows:

1. To document and confirm the roles and responsibilities of regulated and non-regulated electricity operations (for purposes of alignment); and

2. To document and confirm the March 8 and May 8 guidance received from the CEO, including

ROLES AND RESPONSIBILITIES

Regulated Electricity Operations

Hydro is responsible for conducting all regulated electricity operations. Specifically, Hydro will generate, transmit, and distribute safe, reliable, least cost power to NL customers. Hydro is responsible for the operations and maintenance for all assets Hydro owns. Hydro is also responsible for ensuring there is a secure supply for current and future needs of its customers. Finally, Hydro is responsible for operating the NL bulk transmission system for transmission service and reliable operations.

Non-Regulated Electricity Operations

Nalcor is responsible for conducting all non-regulated electricity operations, including non-regulated power development, bulk power supply to its customers (i.e. Hydro, Hydro Quebec, and Emera), and the conduct of energy marketing operations in external markets. Nalcor is responsible for the operation and maintenance of all assets to which Nalcor and its non-
regulated electricity subsidiaries own, including the Churchill Falls Plant, the Muskrat Falls Plant, the Labrador-Island Link, and the Labrador Transmission Assets.

MARCH 8th/MAY 8th GUIDANCE

Structural Changes

As described above, Hydro will be responsible for the conduct of regulated electricity operations and non-regulated electricity operations shall be conducted by Nalcor. Accordingly,
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: April 26th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)

2. Updates
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
   - Update on GNL Rate Mitigation Deck (Jeannine Fitzgerald)
   - Provincial Developments (John Cowan/Craig Martin)
Electricity Rate Mitigation

Unmitigated Domestic Rate projected to be 22.89 cents per kWh in 2021 (excluding HST)

Mitigation Measures:

- Government and Nalcor have formed a Rate Mitigation Committee to identify and develop rate mitigation measures. Subcommittee working groups have also been established to focus on key areas such as electricity marketing strategies, and electrification/oil substitution.

- Government has budgeted approximately $200 million annually, starting in 2021.

Goal is to ensure that our electricity rates are competitive with the Atlantic Provinces.

Speaking notes:

Current Domestic Rate:

11.7 cents per kWh (excluding HST)

From Budget Speech:

All options are being explored and may include:

- Continuing to purchase and import less expensive power via the Maritime Link and Labrador Island Link;

- Exporting surplus recall energy from the Upper Churchill;

- Bringing surplus power from Labrador across the Labrador Island Link for use on the island in 2018;

- Finding ways to use energy more efficiently, reduce peak demand, to free up capacity for exports and domestic customers; and

- Expanding customer base within the province.

How much will the rate be?

As we get closer to Muskrat Falls coming online we will have a better view of the rates of the three Atlantic Provinces. The actual rate will be determined based on this information and we will adjust funding allocation as necessary.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: May 24th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Rob Hull)

2. Updates
   - Update on GNL Rate Mitigation Deck (Rob Hull)
   - Provincial Developments (John Cowan/Craig Martin)
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
MINUTES OF THE RATE MITIGATION STEERING COMMITTEE (RMC) MEETING HELD IN LEVEL 5, CONFERENCE 1, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, MAY 10TH, 2018 AT 2:00 P.M.

Regrets: D. Fisher, C. Snook, J. Haynes

01. SAFETY MOMENT
Auburn Warren provided a safety moment regarding street safety; reminder with spring arriving there is an increase in children on streets (bikes, roller blades etc.) and to slow down.

02. UPDATES

Rate Mitigation Deck

Rob Hull noted that materials have been gathered and a version is being reviewed internally within Nalcor, with an aim to have a version to socialize with leadership by end of next week. He also reiterated that the deck would have to be reviewed by both Jim Haynes and Stan Marshall prior to being circulated to GNL. Rob Hull also noted that the financial reporting implications have not yet been sorted out and would be provided at a later time.

Provincial Developments

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)
03. TERMINATION

Sections 29.(1)(a); 35.(1)(d); 35.(1)(f) & 35.(1)(g)

There being no further business, the meeting was terminated.
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: May 10th, 2018 @ 2:00 p.m.
Location: Level 5 Conference Room 1

Standing Items:

1. Safety Moment (Auburn Warren)

2. Updates
   - Update on GNL Rate Mitigation Deck (Rob Hull)
   - Provincial Developments (John Cowan/Craig Martin)
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
Newfoundland and Labrador
Financial and Economic Overview and Outlook

June 2018
Electricity Rate Mitigation

Projected Rate 2021
Unmitigated domestic electricity rate estimated at 22.89¢/kwh (excluding HST)

Budget 2018 committed $200 million annually to rate mitigation beginning in 2021

Rate mitigation committee formed to explore options

Commitment
Electricity rates competitive with other Atlantic provinces
Key Message:

Our Current Domestic Rate for electricity is 11.7 cents per kWh (excluding HST)

The Projected Rate for 2021 with the onset of Muskrat falls is projected at 22.89 7 cents per kWh (excluding HST)

Budget 2018 committed $200 million annually for rate mitigation beginning in 2021.

In his 2018 Finance Minister Osborne, stated that all options are being explored including including:

- Continuing to purchase and import less expensive power via the Maritime Link and Labrador Island Link;
- Exporting surplus recall energy from the Upper Churchill;
- Bringing surplus power from Labrador across the Labrador Island Link for use on the island in 2018;
- Finding ways to use energy more efficiently, reduce peak demand, to free up capacity for exports and domestic customers; and
- Expanding customer base within the province.

Further, the Government and Nalcor have formed a Rate Mitigation Committee to identify and develop rate mitigation measures. Subcommittee working groups have also been established to focus on key areas such as electricity marketing strategies, and electrification/oil substitution.

So, how much will the rate be?

As we get closer to Muskrat Falls coming online we will have a better view of the rates of the three Atlantic Provinces. The actual rate will be determined based on this information and we will adjust funding allocation as necessary.
Rate Mitigation Update
Presentation to Province
July 20, 2018

Boundless Energy

Privileged & Confidential
Abbreviations

- **DSCR** – Debt Service Coverage Ratio
- **GNL** – Government of Newfoundland and Labrador
- **GRA** – General Rate Application
- **kWh** – Kilowatt-hour
- **LCP** – Lower Churchill Project
- **LIL** – Labrador Island Link
- **MF** – Muskrat Falls
- **MW** – Megawatt
- **NLH** – Newfoundland and Labrador Hydro
- **O&M** – Operating and Maintenance
- **PPA** – Power Purchase Agreement
- **PUB** – Public Utilities Board
- **RMC** – Rate Mitigation Committee
- **TFA** – Transmission Funding Agreement
- **¢/kWh** – cents per kilowatt-hour
- **(f)** – Forecast
- **p.a.** – per annum
Outline

- Background
- Mitigation/Subsidization Analysis
- Rates Analysis
- Electrification Initiatives
- Challenges and Risks
Background
Purpose

• To provide the Province an update on rate mitigation and rate subsidization related to the Muskrat Falls Project
Background

- Rate Mitigation Committee ("RMC") formed in August 2017
- Comprised of representatives from Nalcor/NLH, Department of Natural Resources, and Department of Finance
- Chaired by Assistant Deputy Minister, Energy Policy
- Executive Sponsor – Jim Haynes
- RMC Mandate
  "To ensure that initiatives undertaken to fulfill the goals and objectives of the rate mitigation strategy are realized and the activities are coordinated between the Province, NLH and Nalcor in an integrated manner to ensure that maximum results to achieve tangible rate mitigation are achieved"
Rate Mitigation – Strategy

• The rate mitigation strategy is two-fold:
  – To establish and maximize a pool(s) of funds through capitalizing on external opportunities and making internal arrangements to mitigate future rates. The funds will be accumulated over time and applied to reduce customer rates, at levels to be pre-determined by the Province; and
  – To undertake initiatives and take actions to protect and/or economically grow provincial load

• Following development of the strategy, the RMC created a sub-committee in Q4 2017, comprised of representatives from Nalcor, NLH, Department of Natural Resources, and Department of Finance, to consider initiatives to protect/grow load and to consider other identified potential opportunities for rate mitigation and subsidization
Measures to Reduce Electricity Rates

• Rate Mitigation
  - Use of Nalcor assets to generate funds and/or economically grow provincial load so as to reduce future electricity rates

• Nalcor Subsidization
  - Use of Nalcor cash flows that would otherwise have been distributed to the Province that may be used to reduce future electricity rates

• Provincial Subsidization
  - Use of Provincial cash flows to reduce future electricity rates

• Other
  - Use of structural changes in contractual arrangements that enable more favourable timing of cash flow requirements from ratepayers
Mitigation/Subsidization Analysis
Rates Analysis
Rates Analysis Overview

Provide:

- Current and forecasted (mitigated and unmitigated) NL Rates by Customer Class
- Proposed cost of mitigation by Customer Class
- Comparison of proposed mitigated NL Rates by Customer Class to the Maritime Provinces
- 2017 HQ Electricity Rate Comparison
Assumptions

• Atlantic Average is a simple average of Nova Scotia, New Brunswick and Newfoundland (mitigated Island)
  – Excluded PEI due to magnitude of energy consumption
• Potential future investments in other Atlantic provinces are not included and therefore would likely increase rates in these jurisdictions
• Impacts of carbon related costs are not incorporated and may materially affect forecasts
• Fuel prices (coal, natural gas, oil) assumed to escalate at inflation
• For comparative purposes, rates for the Atlantic Provinces have been calculated utilizing usage patterns for each customer class consistent with that filed by NLH with the PUB
Limitations of Comparative Rates Analysis

- 2018 to 2020 rates for the Maritime provinces based on publicly available utility data – beyond 2020, NS and NB rates are assumed to grow at 2% per annum – PEI only provides 2018 rates and are held flat thereafter\(^1\)
- As such, public rates data for the Maritime provinces is not available for any years post-MF – therefore a modest growth rate for electricity rates was used to determine comparative rates
- However, this modest growth rate may not reflect variations in capital and other expenditures, carbon costs and fuel prices in future years – therefore, extreme caution should be taken in drawing conclusions from this analysis

Notes:
1. Forecasted rates are subject to regulator approval and may be materially different than forecasted by the utilities
# 2017 HQ Electricity Rate Comparison

<table>
<thead>
<tr>
<th>Power demand Consumption</th>
<th>Residential 1,000 kWh</th>
<th>Small Power 40 kW</th>
<th>Medium Power 500 kW</th>
<th>Large Power 5,000 kW</th>
<th>Large Power 50,000 kW</th>
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<tr>
<td>Load factor</td>
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<td>28%</td>
<td>56%</td>
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<td>St. John's, NL</td>
<td>11.15</td>
<td>10.14</td>
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<td>7.89</td>
<td>6.95</td>
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<td>11.74</td>
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<td>11.88</td>
<td>11.50</td>
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<td>10.26</td>
<td>7.38</td>
<td>6.47</td>
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<td>15.39</td>
<td>10.51</td>
<td>9.68</td>
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<td>Ottawa, ON</td>
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<td>15.03</td>
<td>15.23</td>
<td>13.08</td>
<td>12.93</td>
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<td>Regina, SK</td>
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<td>11.60</td>
<td>9.68</td>
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<td>Toronto, ON</td>
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<td>16.10</td>
<td>19.19</td>
<td>15.47</td>
<td>14.14</td>
</tr>
<tr>
<td>Vancouver, BC</td>
<td>11.08</td>
<td>11.38</td>
<td>11.66</td>
<td>8.72</td>
<td>8.11</td>
</tr>
<tr>
<td>Winnipeg, MB</td>
<td>8.71</td>
<td>8.54</td>
<td>9.45</td>
<td>6.58</td>
<td>5.56</td>
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<td><strong>AVERAGE</strong></td>
<td><strong>12.31</strong></td>
<td><strong>12.09</strong></td>
<td><strong>13.72</strong></td>
<td><strong>10.35</strong></td>
<td><strong>9.45</strong></td>
</tr>
</tbody>
</table>


### Notes:
1. Rates in effect as of April 1, 2017, excluding taxes
2. Rates include both demand & energy costs
3. Rates are for major cities and may not be reflective of rates in other parts of the provinces
4. HQ assumes average monthly residential consumption of 1,000 kWh; whereas NLH assumes 1,517 kWh
Electrification Initiatives
Challenges and Risks
AGENDA

RATE MITIGATION STEERING COMMITTEE

Date/Time: June 21\textsuperscript{st}, 2018 @ 2:00 p.m.
Location: Level 6 Boardroom

Standing Items:

1. Safety Moment (Jeannine Fitzgerald)

2. Updates
   - Update on GNL Rate Mitigation Deck (Rob Hull)
   - Provincial Developments (John Cowan/Craig Martin)
   - Update on Rate Mitigation sub-committee (Dave Jones)
   - Pre-Muskrat Falls Holyrood fuel displacement (Rob Hull)
   - Electricity exports/market opportunities (Rob Hull)
   - Market Optimization (Rob Hull)
KEY MESSAGES

Natural Resources
Electricity Rate Management
July 20, 2018

Summary:
• Residents of the province are very concerned about increases in electricity rates expected as a result of the Muskrat Falls Project.

Anticipated Question:
• What is government doing to manage electricity rates?

Key messages:
• This government is very concerned about the rate increases as a result of the Muskrat Falls Project; a project that should never have been started.
• We will use all opportunities to ensure that the impact of the Muskrat Falls Project is minimized on the people of the province.
• Despite the harsh realities of Muskrat Falls, this government is determined to keep rates competitive with Atlantic Canada.

Secondary Messages:
• In Budget 2018, government allocated up to $200 million annually in the return to surplus plan for rate management once Muskrat Falls comes online.
• Government has directed Nalcor to find ways to address rising rates. We expect their report this fall.
• In addition, government has established a committee tasked with finding additional ways to address the impacts to consumers of the Muskrat Falls Project.
• First power for the Muskrat Falls Project is expected by the end of 2019; full power by 2020.
Current Canadian Electricity Rates, July 2018

Source: NL Hydro

Notes:
- This was not a formal rate survey and **is not to be published**.
- NL Hydro prepared this data based on published rates for each utility; however, they are not experts in those utilities rates.
- Both Hydro Quebec and Manitoba Hydro publish formal rate surveys where they contact each utility and ask them to calculate their average rate based on consistent usage parameters. This ensures that the experts in these rates (each respective utility) provide the calculation for the survey.
- Neither the Hydro Quebec nor Manitoba Hydro surveys have been published for 2018 therefore; the above information was compiled by NL Hydro.
- Hydro picked one utility/city to represent each province for simplicity however, rates can vary across provinces.
**Island Interconnected Domestic Rate Projections (Without Mitigation)**

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<th>Year</th>
<th>Cents per kilowatt hour</th>
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</thead>
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<tr>
<td>2021</td>
<td>22.89</td>
</tr>
<tr>
<td>2022</td>
<td>23.34</td>
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<tr>
<td>2023</td>
<td>23.44</td>
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<td>2024</td>
<td>23.64</td>
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<td>2025</td>
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<td>2030</td>
<td>25.34</td>
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<tr>
<td>2035</td>
<td>28.00</td>
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<td>2040</td>
<td>32.46</td>
</tr>
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</table>

Source: Nalcor, Muskrat Falls Project Update, June 23, 2017, page 21

**Forecast Electricity Rates (2020)**

<table>
<thead>
<tr>
<th>Province</th>
<th>Cents per kilowatt hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nova Scotia</td>
<td>17.2</td>
</tr>
<tr>
<td>PEI</td>
<td>Not available (forecast to be 16.0 in 2019)</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>13.2</td>
</tr>
<tr>
<td>Ontario</td>
<td>17.5</td>
</tr>
<tr>
<td>Manitoba</td>
<td>10.5</td>
</tr>
<tr>
<td>British Columbia</td>
<td>Not available (forecast to be 9.9 in 2019)</td>
</tr>
</tbody>
</table>

Source: Nalcor, Muskrat Falls Project Update, June 23, 2017, page 19
Hydro proposes revised options for 2019 electricity rates

July 2x, 2018 – As part of our ongoing rate application and following negotiations with intervenors (Newfoundland Power, Industrial Customers and the Consumer Advocate), Newfoundland and Labrador Hydro (Hydro) has filed additional options with the Board of Commissioners of Public Utilities for 2019 electricity rates.

Key Points:

- To help offset future rate impacts of Muskrat Falls for customers, Hydro originally proposed that savings gained by bringing power to the island from Labrador or Nova Scotia, be set aside to help smooth future rates when Muskrat Falls comes into service.
- Negotiations have been ongoing between Hydro and the Public Utilities Board, the Consumer Advocate, Newfoundland Power and other intervening parties. On July 16th, all parties agreed that Hydro’s original rate smoothing option should not be considered as part of this application.
- The original proposal was expected to save approximately $170 million to put towards stepping in projected rate increases when Muskrat Falls is in service.
- Through settlement negotiations, there is a reduction in Hydro’s operating and depreciation costs originally requested in our general rate application, of over $15 million.
- As a result of the agreement, estimated electricity rates for most residential customers on the island effective January 1, 2019, are 1.2%. This would result in an average increase of 0.15 cents/kilowatt hour for residential customers.
- Hydro has put forward another rate smoothing option for consideration by the Board – a rate stability rider. The rate stability rider could be applied to current electricity rates to help smooth the transition to post-Muskrat Falls rates. Information included in the filing is intended for consideration only, and to help inform any decisions to further assess or pursue this option.
- For 2019, the approval of a rate stability rider could result in an additional rate increase of 6.5% (7.7% total) on January 1, 2019. Information filed by Hydro also identifies the potential stepped rate increases that would be required in future if such a rider was applied during the transition to post-Muskrat Falls rates.
- A final decision on 2019 electricity rates is expected by the Public Utilities Board later this year.

Quote:

Dawn Dalley
Vice President, Corporate Affairs and Regulatory Services

“We hear the concerns being voiced by our customers today about electricity rates. While the estimated rate increase has been significantly reduced for 2019, we know customers cannot bear the steep increase predicted when Muskrat Falls comes in service. Hydro has been working hard to carefully manage our costs, however we still firmly believe that more measures are needed today to help customers manage the impact of future rates. We, however, also respect the input of the intervenors in our rate application
and we have proposed another option for consideration of the Board of Commissioners of Public Utilities."
Message from the Chair

As Chair of the Board of Directors for Nalcor Energy, I am pleased to present the 2017 annual report. A company’s annual report offers the opportunity to reflect on its achievements and shortcomings and to set for a plan for its future goals. The past year was not without its challenges, but we continued to move forward to support growth and sustainability in managing our Province’s energy resources.

Last year, shortly after our collective appointment, your board committed to ensuring that sound governance would guide all of our decisions in overseeing Nalcor and its many subsidiary companies. This commitment included (i) setting a clear vision (including establishing objectives, goals, strategies and plans), (ii) enforcing strong financial controls and cost discipline, (iii) ensuring forward-looking human resource assessment and capacity-building, (iv) managing enterprise risk, and (v) acting as brand ambassadors that shape a progressive and high-performing corporate culture.

It is my belief that we made significant positive progress on all of these fronts in large part due to the leadership and commitment shown by our CEO, our senior management team, and our dedicated and experienced employees. The diversity of our board gives us a wealth of knowledge around the table, which better informs our decision-making and guides us in steering the company continuously towards optimal performance.

Our commitment to open and transparent governance ensures our work here is sound, focused and fiscally responsible. Last year we supported the CEO in his restructuring of certain divisions to better position Nalcor to succeed in the critical areas of power generation and power distribution. This year we saw the positive results of that restructuring process, as for the first time, we met, and in some instances, we exceeded our targets in respect of the Muskrat Falls construction project. With the project approaching 89 per cent completion, we are looking forward to first power coming on line in 2019.

Our work as a board in managing Nalcor is not only focused on the short term, but also on building a longer term vision for the effective and strategic stewardship of the Province’s energy resources. Our responsibility to the people of Newfoundland and Labrador is to lead the way in ensuring your interests are our priorities.

With the construction aspect of Muskrat Falls under better control and significantly de-risked, the board and management turned its collective attention to identifying short and long term opportunities for rate mitigation. This focus is grounded on the principle that our customers should reap the maximum benefit from our energy developments, including increased capacity and enhanced reliability, at regionally competitive rates.

Underpinning that vision is our unwavering commitment to safety, environmental integrity, and community engagement and partnership. Every day across the entire province, our employees work hard to bring their best to their jobs, to ensure the safety of their coworkers, and to focus on excellence in providing reliable, quality service to our communities and industries.
On behalf of all of my fellow directors, thank you again for placing your trust in us. We collectively look forward to another year marked by successful milestones and accomplishments.

Brendan Paddick,
Chair, Board of Directors