Government of Newfoundland and Labrador
Department of Natural Resources

September 17, 2018

[redacted]

Dear [redacted]:

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-130-2017)

On August 28, 2018, the Department of Natural Resources received your request for access to the following records/information:

Any briefing notes related to the use or sale of the Bull Arm site. Time frame since January 1, 2017.

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

As set out in section 42 of the Act you may ask the Information and Privacy Commissioner to review the department's decision to provide access to the requested information. A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your request should identify your concerns with the department's response and why you are requesting a review.

The request for review may be addressed to the Information and Privacy Commissioner is as follows:

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

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

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

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

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

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

Sincerely,

RHynes

Rod Hynes
ATIPP Coordinator

Information Note
Nalcor – Bull Arm Fabrication Inc. (Nalcor – BAF)

Title: Nalcor-BAF Expression of Interest

Issue: As part of its long term strategy and in order to quantify the number of potential post-Hebron opportunities for the Bull Arm Fabrication site, Nalcor-BAF issued a Request for Expressions of Interest (EOI), which closed April 25th, 2017.

Background and Current Status:

- Nalcor-BAF received varying submissions that are conceptual at this stage. Nalcor-BAF is reviewing the information and following up with the respondents.

- The EOI was the first step in identifying what potential opportunities may exist for the Site. The information collected will help inform the long term planning process and may result in the issuance of a more detailed Request for Proposals later this year.

- The purpose of the EOI was to cast a wide net to help determine potential future uses and opportunities for the Site.

- While Nalcor-BAF works to finalize the next steps in this process it is continuing to market the site's capabilities and upcoming availability in key markets.

- Nalcor-BAF is focused on building sustainable business for the Site that will benefit the people of Newfoundland and Labrador. All submissions are being considered with the goal of securing an opportunity that will generate long-term, sustainable jobs for the people of Newfoundland and Labrador; provide optimal economic value, while also continuing asset integrity of the Site well into the future.

Analysis:

NOTE: The information in this section is confidential and commercially sensitive. Its release may weaken the commercial position of Nalcor-BAF in securing a tenant.

- Five submissions were received by 3:00pm Tuesday April 25th. Respondents were:
    - Pennecon;
    - Cahill;
    - Canadian Supply Base (CSB) - a joint venture of Norsea & Integrated Logistics;
    - Building Trades Council; and
    - DFB Driver

  Note: Since closure of EOI, two other organizations, Pennecon Services Group and FMC Technip, have stated that they will likely provide submissions as well.

- Details of the submittals received are as follows:

Organization	Portion of Site Contemplated	General Commercial Terms	General Overview
Pennecon	Marine Facility	Long Term Lease	Pennecon is evaluating the development of a quarry south of site. Pennecon would then lease the Bull Arm Marine Facility, connect the quarry to it and use the Marine Facility as an operations base including offices, garage and a marine loading area for ships exporting the material.
Cahill	Whole Site	Long Term Lease	Cahill (with potential partners) would lease the site as the preferred contractor, giving them guaranteed access and the right to market the site.
Canadian Supply Base	Whole Site	Long Term Lease	CSB would develop a Life of Field Service Centre (essentially an industrial park) at site with supply base operations as the main activity. In addition to leading the supply base operations, CSB would serve as the property manager and site operations lead.
Building Trades Council	Whole Site	n/a	An opinion letter discussing the strategic value of the site and a statement against the sale of the site or any other agreement that would hand over control of the site.
DFB Driver	Whole Site	Long Term Lease	DFB Driver would lease the site as the preferred contractor, giving them guaranteed access and the right to market the site. They would service the NL Offshore and have also identified potential export opportunities.

Action Being Taken:

- Nalcor-BAF will continue reviewing submissions and continue to engage with respondents to gain further insight into their submissions.

- Nalcor-BAF to develop a recommendation on the plan for next steps, including whether an RFP for use of site should be issued and, if so, what the details of that RFP should be (commercial terms, area(s) of site made available, duration etc.)

Prepared by: Jonathan Drummond

Approved By: Chris Kieley

<u>May 05, 2017</u>

Information Note
Department of Natural Resources

Title: Nalcor Energy 2017 Business and Financial Report (Q3)

Issue: To summarize Nalcor Energy's third quarter (Q3) 2017 Financial Statements and Management's Discussion and Analysis (MD&A) to be released November 8, 2017.

Background and Current Status

- The Q3 2017 report includes results for Nalcor, its subsidiaries and its share of investments in joint arrangements. The following table provides key financial highlights:

Q3 2017 Nalcor Consolidated Highlights		
For the period from Jan. 1 – Sept. 30	**2017**	**2016**
Revenue (million$)	665	598
(Loss) Profit (million$)	157	74
Capital Expenditures (million$)	2,568	2,434
Electricity Sales (GWh)		
Regulated	5,809	5,658
Export – Hydro Quebec	21,668	20,693
Export – Other Markets	1,235	1,249
Oil Production (bbls)	2,423,545	1,493,742
As at (year-to-date)	**Sept. 30, 2017**	**Dec. 31, 2016**
Total Assets (million $)	17,644	14,063
Total Liabilities (million $)	12,878	9,451
Total Equity (million $)	4,673	4,264
Debt to Capital	68%	61%

- Nalcor's Q3 profit of $22 million is a decrease of $15 million over the same period in 2016 due primarily to lower revenue in Hydro Regulated; reduced revenue in Energy Trading as a result of lower average export electricity prices; the write-down of assets resulting from the settlement agreement in Hydro Regulated; increased operating expenses; higher depreciation and amortization in Hydro Regulated and Oil and Gas; and higher depletion associated with increased production in Oil and Gas. Further details follow below.

- Capital Expenditures decreased by $73 million for Q3 compared to the same period in 2016 while year-to-date capital expenditure increased by $93 million compared to the same period in 2016, primarily due to increase in Hydro Regulated and Muskrat Falls. Significant capital expenditures were incurred in Lower Churchill Project (LCP) Transmission and Muskrat Falls relating to milestones achieved during project asset construction; as well as a higher 2017 capital program in Hydro Regulated combined with additional carry over capital work from 2016. 2017 total capital expenditures are forecasted to be $3.0 billion.

- Nalcor's total assets as at September 30, 2017 were $17.6 billion, compared to $14.1 billion as at December 31, 2016. The company's assets at June 30, 2017 included property, plant and equipment of $13.8 billion (December 31, 2016 was $11.4 billion); investments and restricted cash held for LCP primarily from the proceeds of the LCP financing of $2.8 billion (December 31, 2016 was $1.5 billion); and other assets and regulatory deferrals (ie. an amount that would not normally be recognized but qualifies because it is expected to be included by a rate regulator in establishing the rates) totaling $1.0 billion (Dec. 31, 2016 - $1.2 billion). The change in assets was primarily due to proceeds from the issuance of $2.9 billion additional debt in Muskrat Falls and LCP Transmission and capital expenditures.

- Total liabilities at September 30, 2017 were $12.9 billion compared to $9.5 billion at December 31, 2016, primarily due to the issuance of $2.9 billion additional debt in Muskrat Falls and LCP Transmission.

- Equity as at September 30, 2017 increased $0.4 billion at December 31, 2016, primarily due to additional equity contributions from the Provincial Government combined with an increase in profit during the period, partially offset by unfavourable mark-to-market adjustments on sinking fund investments in Hydro during the period associated with the cash flow hedges that were entered into as a result of the Muskrat Falls and LCP Transmission additional debt issue during Q2 2017. Projected equity funding requirements related to LCP at the end of September are approximately $505 million for the balance of 2017.

- Nalcor's debt to capital increased to 68% for the period ended September 30, 2017 from 61% at December 31, 2016, primarily due to the issuance of $2.9 billion additional debt in Muskrat Falls and LCP Transmission during Q2 2017.

Analysis

- Nalcor's key profit drivers vary across its seven business segments as there are regulated operations, operations with long-term and medium-term supply contracts, and operations in markets where revenues are driven entirely by oil and electricity prices.

Business Segment Profit – Q3 2017 and Q3 2016			
(millions of dollars)	**2017**	**2016**	**Variance**
Hydro Regulated	(5)	1	(6)
Churchill Falls	4	3	1
Oil and Gas	21	20	1
Energy Marketing	3	9	(6)
Bull Arm Fabrication	5	5	-
Lower Churchill Project Transmission	(1)	-	(1)
Corporate and Other Activities	(5)	(3)	(2)
Inter-segment	-	3	(3)
Profit for the period	22	37	(15)

- The business segment that experienced the highest increase in profit in Q3 of 2017 was Oil and Gas ($21 million), primarily due to an increase in Hibernia South Extension production volumes as a result of continued increases in water injection support as well as an increase in average Dated Brent price per barrel as compared to the same period in 2016.

Hydro

- In relation to NLH's 2013 General Rate Application (GRA), during the quarter, PUB-approved rates came July 1, 2017 which concluded the 2013 GRA.

- Hydro filed a new GRA in July 2017 for new rates in 2018 and 2019 including a request for interim rates effective January 1, 2018 and final rates effective January 1, 2019 noting that due to timing of conclusion of GRA process, interim rates will not be in place January 1, 2018 but will be addressed in 2018; the hearing is scheduled to begin on January 30, 2018.

- Hydro Regulated has applied to establish a deferral account starting in 2018 which will include fuel savings and costs associated with off-island purchases, with net savings being set aside for the benefit of customers. This will include savings from the use of Recapture power by Hydro Regulated that was previously sold to Energy Trading for export.

- The disposition of the RSP Surplus Refund began in Q1 2017. At the end of Q3 2017, approximately $127.7 million (92%) of the balance due has been refunded to customers.

- On July 28, 2017, Hydro filed its 2018 Capital Budget Application seeking approval for approximately $206 million with an anticipated order before the end of 2017. It has filed seven supplemental capital applications to date in 2017 totaling approximately $25 million, all of which were approved by the PUB.

- On September 18, 2017, Hydro reached a settlement agreement with a prospective industrial customer relating to costs associated with a transmission line in Labrador West that was being built to provide service to the customer. Settlement proceeds of $9.5 million were accrued by Hydro during the period and approximately $12.9 million of construction in progress costs were written off, resulting in a loss of $3.4 million in profit or loss.

- Churchill Falls (CF) profit was comparable with the same period in 2016. Revenue for the nine months ended September 30, 2017 was $65 million compared to $70 million for the same period in 2016, a decrease of $5 million. Year-to-date, the decrease was primarily due to lower energy sales to Hydro-Quebec, as a result of a 20% decrease in the rate charged in accordance with the Renewal Contract which came into effect September 1, 2016. The decrease is partially offset by an increase in GWh billed to Hydro-Quebec combined with higher revenue achieved under the Guaranteed Winter Availability Contract (GWAC) between Churchill Falls and Hydro-Quebec.

- On July 27, 2017, Muskrat Falls and LCP Transmission purchased three structured deposit notes in the amount of $2.1 billion using proceeds from the $2.9 billion debt issue in May

2017. The deposit note investments are restricted in nature and subject to the provisions contained within the Project Finance Agreements.

- On June 22, 2017, Nalcor provided an update on LCP, including the current projected schedule and expected costs for the project. The facilities capital cost forecast for the project is currently estimated at $10.1 billion, along with financing and other costs of $2.6 billion, for a total of $12.7 billion.

- In June 2017, Bull Arm finalized the close-out value of the Exxon Mobile Canada Properties (EMCP) multi-year sublease agreement and recorded a one-time adjustment to lease revenue of approximately $26 million. In March 2017, Nalcor issued a request for Expressions of Interest to invite and assess interest for the potential use of the facility following the completion of EMCP's sublease. Submissions were received and a Request for Proposals was issued on October 30, 2017 with a deadline of November 27, 2017.

- Energy Marketing profit for Q3 was $12 million compared to $17 million for the same period in 2016, a decrease of $5 million primarily due to lower average export electricity prices. Revenue for the nine months ended September 30, 2017 was comparable with the same period in 2016. Currently no commodity contracts are in place for 2017 to mitigate fluctuations in commodity prices, however, Nalcor continues to assess exposure to commodity prices in the context of risk management objectives and may enter into hedge contracts in Q4.

- Corporate operating costs were for Q3 2017 were $51 million, an increase of $4 million for the same period in 2016 primarily due to increased costs associated with operations during construction of assets in LCP Transmission; increase operating and maintenance activities related to Menihek in Other Power supply; and increase in business development costs in Commercial and Other.

Prepared/approved by: R. Montague/C. Snook
Ministerial approval:

November 7, 2017