October 4, 2018

Dear [Redacted]:

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-137-2018)

On September 6, 2018, the Department of Natural Resources received your request for access to the following records/information:

On September 5th 2018 the Minister of Natural Resources said in response to questions to the media that she has received draft reports from rate mitigation committees. Please provide these reports as provided to the Minister.

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.

We are providing access to the most information possible but have made redactions in accordance with Sections 29(1) (a), 35(1)(d), 35 (1)(g) and 35(1)(f) of ATIPPA, 2015 as follows:

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

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

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

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

We have also redacted in full using the codes referenced above the following pages of
Rate Mitigation Updated Presentation to Province July 20, 2017:
9 to 15, 19 to 21, 23 to 28, 31, 32, 34 and 35.
In addition, the following pages of Proposed Approach Rate Mitigation August, 2018:
3 to 7, 9 to 20, and 22 to 24.

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,

Rod Hynes
ATIPP Coordinator
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
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 (e.g. HST rebate; S. 29 (1) (a) S. 35 (1) (d) S. 35 (1) (f))

- **Other**
  - Use of structural changes in contractual arrangements that enable more favourable timing of cash flow requirements from ratepayers

Privileged & Confidential
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

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<th>Power demand Consumption Load factor</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>Medium Power 1,000 kW</th>
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Source: Hydro Quebec, 2017 Comparison of Electricity Prices in Major North American Cities

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
Proposed Approach to Rate Management

August, 2018
Overview

- June 2017 cost update noted average island residential electricity rates would increase to 22.89 cents (plus HST) per kWh in 2021
- June 2017 update noted of the 22.89 cents per kWh, 11.7 cents was attributed to the Muskrat Falls Project (MFP), and 11.3 cents per kWh relates to operation of NL Hydro (NLH) and Newfoundland Power (NP)
- Rate at sanction was 15.12 cents/kWh
- NLH recent General Rate Application filings estimates that each 1 cent/kWh in rate mitigation provided to customers requires approximately $70 million per year in funding
Opportunities for Provincial Focus
Other Actions