

September 23, 2018



**Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act, 2015* [Our File #: PRE/25/2018]**

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On August 22, 2018, the Premier's Office received your request for access to the following records/information:

*"All records, briefing notes, emails, text messages, meeting minutes, etc. related to the August 22 announcement that the Muskrat Falls debt will not be paid for by rate payers between June 22nd and August 22nd."*

I am pleased to inform you that a decision has been made by the Chief of Staff of the Premier's Office to provide partial access to the information requested. Access to some of the information contained within the records, has been refused in accordance with the following exceptions to disclosure, as specified in the *Access to Information and Protection of Privacy Act* (the *Act*):

**29.** (1) *The head of a public body may refuse to disclose to an applicant information that would reveal*

*(a) advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;*

**34.** (1) *The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to*

*(a) harm the conduct by the government of the province of relations between that government and the following or their agencies:*

*(i) the government of Canada or a province,*

**35.** (1) *The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose*

*(d) 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;*

*(f) positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on behalf of the government of the province or a public body, or considerations which relate to those negotiations;*

*(g) 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; or*

Please note the following information has been fully redacted from the package:

- Nalcor Presentation -Rate Mitigation Update Presentation to the Province (July 20, 2018)
  - Pages 9-11, 13-15, 19-21, 23-28, and 31-32 have been removed in accordance with subsections 29(1)(a), 35(1)(d), 35(1)(f) and 35(1)(g)
  - Pages 34-35 have been removed in accordance with subsections 29(1)(a) and 35(1)(d)
- NR Presentation – Rate Management Overview (July 17, 2018 – Date incorrect on initial slide)
  - Pages 5-11, 13 and 16 have been removed in accordance with subsections 29(1)(a), 35(1)(d), 35(1)(f) and 35(1)(g)
  - Page 12 has been removed in accordance with subsections 34(1)(a)(i).

You may appeal this decision by asking the Information and Privacy Commissioner to review this response, as set out in section 42 of the *Act* (a copy of this section of the Act has been enclosed for your reference). 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 appeal should identify your concerns with the response and why you are submitting the appeal.

The appeal may be addressed to the Information and Privacy Commissioner 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*.

This response will be published as outlined on the Completed Access to Information Requests website (<http://atipp-search.gov.nl.ca/>). If you have any further questions, please feel free to contact me by telephone at (709)729-3570 or by e-mail at [joybuckle@gov.nl.ca](mailto:joybuckle@gov.nl.ca).

Sincerely,



Joy Buckle  
ATIPP Coordinator  
Enclosures

## **Access or correction complaint**

**42.**(1) A person who makes a request under this Act for access to a record or for correction of personal information may file a complaint with the commissioner respecting a decision, act or failure to act of the head of the public body that relates to the request.

(2) A complaint under subsection (1) shall be filed in writing not later than 15 business days

(a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or

(b) after the date the head of the public body is considered to have refused the request under subsection 16(2).

(3) A third party informed under section 19 of a decision of the head of a public body to grant access to a record or part of a record in response to a request may file a complaint with the commissioner respecting that decision.

(4) A complaint under subsection (3) shall be filed in writing not later than 15 business days after the third party is informed of the decision of the head of the public body.

(5) The commissioner may allow a longer time period for the filing of a complaint under this section.

(6) A person or third party who has appealed directly to the Trial Division under subsection 52(1) or 53(1) shall not file a complaint with the commissioner.

(7) The commissioner shall refuse to investigate a complaint where an appeal has been commenced in the Trial Division.

(8) A complaint shall not be filed under this section with respect to

(a) a request that is disregarded under section 21;

(b) a decision respecting an extension of time under section 23;

(c) a variation of a procedure under section 24; or

(d) an estimate of costs or a decision not to waive a cost under section 26.

(9) The commissioner shall provide a copy of the complaint to the head of the public body concerned.

### **Direct appeal to Trial Division by an applicant**

**52.** (1) Where an applicant has made a request to a public body for access to a record or correction of personal information and has not filed a complaint with the commissioner under section 42, the applicant may appeal the decision, act or failure to act of the head of the public body that relates to the request directly to the Trial Division.

(2) An appeal shall be commenced under subsection (1) not later than 15 business days

(a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or

(b) after the date the head of the public body is considered to have refused the request under subsection 16(2).

(3) Where an applicant has filed a complaint with the commissioner under section 42 and the commissioner has refused to investigate the complaint, the applicant may commence an appeal in the Trial Division of the decision, act or failure to act of the head of the public body that relates to the request for access to a record or for correction of personal information.

(4) An appeal shall be commenced under subsection (3) not later than 15 business days after the applicant is notified of the commissioner's refusal under subsection 45(2).

**Date : 7/23/2018 3:19:26 PM**

**From : "Joyce, Luke"**

**To : "Cannizzaro, Michelle" , "Barfoot, Scott" , "Foote, Carla" , "Card, Jason"**

**Subject : Rate Mitigation KMs**

**Attachment : KMs - Rate Management V2.doc;**

Michelle, please see attached.

- Luke

## 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.

**Island Interconnected Domestic Rate Projections (Without Mitigation)**

<b>Year</b>	<b>Cents per kilowatt hour</b>
2021	22.89
2022	23.34
2023	23.44
2024	23.64
2025	24.26
2030	25.34
2035	28.00
2040	32.46

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

**Forecast Electricity Rates (2020)**

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

Source: Nalcor, Muskrat Falls Project Update, June 23, 2017, page 19

The noted attachment, NR-100-2018 ATIPP Response, is publically available at: <http://atipp-search.gov.nl.ca/public/atipp/requestdownload?id=7992>

**Date :** 8/21/2018 3:05:14 PM

**From :** "Foote, Carla"

**To :** "Quinton, Diana" , "Cannizzaro, Michelle" , "Card, Jason" , "Barfoot, Scott" , "Joyce, Luke" , "Budgell, Marc" , "Collins, Chrysta"

**Subject :** RE: NR-100-2018 ATIPP Response

Thanks Diana

Pls also advise when this response is posted online.

**Carla J. Foote**

*Associate Secretary to Cabinet (Communications)*

Government of Newfoundland and Labrador

Tel: 709-729-4781

Cell: 709-691-6673

[www.gov.nl.ca](http://www.gov.nl.ca)

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**From:** Quinton, Diana

**Sent:** Tuesday, August 21, 2018 2:52 PM

**To:** Cannizzaro, Michelle; Card, Jason; Foote, Carla; Barfoot, Scott; Joyce, Luke; Budgell, Marc; Collins, Chrysta

**Subject:** NR-100-2018 ATIPP Response

Please note. The attached ATIPP response will be going to the applicant today.

The request was:

In Ashley Fitzpatrick's article in the July 24 edition of The Telegram re NL Hydro's rate increase application she mentioned a "RATE MITIGATION COMMITTEE" inside the Department of Natural Resources. When was this committee established? Who is on this committee? How often have they met? Are minutes of the meetings kept or reports generated? The article also referenced NL Hydro providing information to this committee, please provide copies of the information received from NL Hydro along with any minutes or reports generated by this committee and any briefing notes related to this committee.



**Rate Mitigation Update  
Presentation to Province**  
July 20, 2018

Boundless Energy



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# 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

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## Outline

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

# Background

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## 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 [REDACTED]
- 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 [REDACTED]
- Provincial Subsidization
  - Use of Provincial cash flows to reduce future electricity rates [REDACTED]
- Other
  - Use of structural changes in contractual arrangements that enable more favourable timing of cash flow requirements from ratepayers [REDACTED]



# Mitigation/Subsidization Analysis

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# Rates Analysis

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## 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<sup>1</sup>
- 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

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## 2017 HQ Electricity Rate Comparison

Power demand Consumption Load factor	Residential	Small Power	Medium Power			Large Power	
	1,000 kWh	40 kW 10,000 kWh	500 kW 100,000 kWh	1,000 kW 400,000 kWh	2,500 kW 1,170,000 kWh	5,000 kW 3,060,000 kWh	50,000 kW 30,060,000 kWh
St. John's, NL	11.15	10.14	10.36	7.89	7.36	6.95	4.90
Halifax, NS	16.15	15.33	17.03	12.77	11.74	10.14	10.14
Moncton, NB	12.97	13.49	14.50	11.88	11.50	7.86	7.50
Charlottetown, PE	16.42	17.11	17.96	14.56	14.06	9.31	9.31
Montréal, QC	7.07	9.90	12.07	7.97	6.76	5.18	4.91
Calgary, AB	10.45	9.69	10.26	7.38	6.47	6.09	6.06
Edmonton, AB	10.34	9.88	15.39	10.51	9.68	7.68	5.28
Ottawa, ON	15.21	15.03	15.23	13.08	12.93	12.46	6.06
Regina, SK	15.94	13.50	15.79	11.60	9.68	8.67	7.30
Toronto, ON	16.32	16.10	19.19	15.47	14.14	14.55	6.36
Vancouver, BC	11.08	11.38	11.66	8.72	8.11	7.54	6.29
Winnipeg, MB	8.71	8.54	9.45	6.58	5.56	5.01	4.32
<b>AVERAGE</b>	<b>12.31</b>	<b>12.09</b>	<b>13.72</b>	<b>10.35</b>	<b>9.45</b>	<b>8.38</b>	<b>6.28</b>

Source: Hydro Quebec, 2017 Comparison of Electricity Prices in Major North American Cities  
<http://www.hydroquebec.com/data/documents-donnees/pdf/comparison-electricity-prices.pdf>

### 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

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## Challenges and Risks



# Rate Management Overview

July 17, 2017

# Overview

- June 2017 cost update noted average island residential electricity rates would increase to 22.89 cents (plus HST) per kWh in 2021
- It had originally been anticipated at project sanction that the rate would be 15.1 cents
- The PUB historically defines rate shock as anything more than a 10% increase in electricity rates in a given year
- For an average Island interconnected residential customer who uses 1,517 kWh/month, every additional cent per kWh adds about \$15.00 to their bill monthly

# Rate Management - Commentary

## Nalcor

- Directing Nalcor to identify other opportunities to bring rates closer to those at sanction – June, 2016
- Role of CEO to put in mitigation options – September 20, 2016
- 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.- Budget, April 6, 2017
- To make sure rates don't go much above 17 cents per kWh; Nalcor to start paying their way
- May 30, 2018 - "When we talk about mitigation it's about using our assets to accrue some savings and giving it back to the customer. Anything beyond that in terms of public policy decisions on subsidization is up to government, not up to us."

# Rate Management Activities

Rate Management Committee (RMC) – First meeting August 24, 2017 – [REDACTED]

- [REDACTED] 29(1)(a)
- NR – ADM
  - FIN – ADM; Director
  - NLH – President
  - Nalcor
    - General Manager, Growth and Commercial Management
    - General Manager (Financing Planning, Treasury, Risk & Technology)
    - Manager, Investment Evaluation
    - Manager, Business Development

[REDACTED]

29(1)(a)

# Annex

# Opportunities – BC Hydro Review

## 2018 Comprehensive Review of BC Hydro

- To contain rate increases, control costs and position for future success

### Phase 1

- Government working with BC Hydro to identify cost savings, efficiencies, new revenue streams and other changes to keep electricity rates low and predictable over the long-term

### Phase 2

- Establish an expert panel to provide recommendations to ensure BC Hydro is well positioned to maximize opportunities flowing from shifts taking place in the global and regional energy sectors, technological changes, and climate action.