

1 Q. **Reference: Supply Cost Accounting Application, Evidence page 10 (p. 25 pdf), Note 21**

2 Citation:

3 There is no explicit provision in legislation requiring the value of export sales by
4 the Muskrat Falls Corporation to be credited back to ratepayers to offset the
5 cost of supply from Muskrat Falls. However, the current government has
6 indicated that export sales will be used to mitigate potential increases in
7 electricity rates. Source: Letter from the Premier to the Minister of Natural
8 Resources dated December 14, 2015.

9 a. Please provide a copy of the letter from the Premier dated December 14, 2015.

10 b. Please explain why Hydro attributes a commitment found in a letter from the Premier dated
11 December 14, 2015 to the “current government”.

12 c. Has the Furey government in any way confirmed the commitment made in the letter of
13 December 14, 2015?

14 d. What formal instruments, if any, are required for Hydro to apply export sales as proposed in
15 the Application?

16 e. “Credited back” to which ratepayers?

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19 A. a. Please refer to LAB-NLH-005, Attachment 1 for a copy of the letter from the Premier dated
20 December 14, 2015.

21 b. The Government of Newfoundland and Labrador recently reconfirmed its commitment to
22 providing rate mitigation.¹ Newfoundland and Labrador Hydro (“Hydro”) has not received
23 any different direction with respect to the use of export sales for rate mitigation purposes.
24 Until such time as new direction is issued, Hydro relies on the most recent policy direction
25 either publicly available or provided directly to the corporation.

¹ “Securing a Strong Future for Newfoundland and Labrador,” Government of Newfoundland and Labrador, July 28, 2021, <<https://www.gov.nl.ca/releases/2021/exec/0728n06/>>.

- 1 c. Please see Hydro's response to part b.
- 2 d. The export sales referred to in the citation are owned by the Muskrat Falls Corporation.
3 Government can direct the export sales of the Muskrat Falls Corporation be provided to
4 Hydro to provide rate mitigation. Hydro would then credit this funding to the Rate
5 Mitigation Fund component of the Supply Cost Variance Deferral Account.
- 6 Under the Muskrat Falls Power Purchase Agreement, Hydro has excess Schedule 2 energy
7 that it can export to provide benefits to the ratepayers on the Island Interconnected System.
8 The application proposes a Net Revenues From Exports Variance component be
9 implemented as part of the Supply Cost Variance Deferral Account which credits Hydro's net
10 revenues from exports to partially offset deferred Muskrat Falls Project costs.
- 11 e. As the customers on the Island Interconnected System are required to pay the cost of the
12 Muskrat Falls Project, Hydro has proposed the net revenues from excess Schedule 2 exports
13 be credited to the benefit of ratepayers on the Island Interconnected System.



Government of Newfoundland and Labrador
Office of the Premier

December 14, 2015

Honourable Siobhan Coady
Minister of Natural Resources,
Deputy Government House Leader,
and Minister Responsible for the Office of Public Engagement

Dear Minister Coady:

I am honoured to welcome you to your role as Minister of Natural Resources, Deputy Government House Leader, and Minister Responsible for the Office of Public Engagement. We have been given an extraordinary opportunity to serve the people of our province and together we will work to create a stronger tomorrow for Newfoundland and Labrador. Over the next four years, we will fulfill our commitments, building on the trust placed in us on November 30, 2015. We shall, without fail, act with integrity in all aspects of our service, striving for excellence in discharging our responsibilities.

Embarking on this journey together, we will be guided by *A Stronger Tomorrow: Our Five Point Plan* to Restore Openness, Transparency and Accountability; Build a Stronger, Smarter Economy; Improve Health and Healthcare; Support Safe and Sustainable Communities; and Invest in Our Future Through Education.

As Premier of Newfoundland and Labrador I expect you to follow the principles of openness, transparency and accountability. It is my intention to ensure policy decisions in government are informed by research, evidence, and evaluation so that citizens can understand how and why decisions are made. It is critical that our government's decisions are also informed by engagement with stakeholders, including our Aboriginal partners, to ensure everyone's voices are heard.

Our government is committed to modernizing our province's legislative process in accordance with these principles and I call upon you to engage your fellow Members, constituents and the general public; avail of the Committee process of the House of Assembly; and seek opportunities for non-partisan cooperation.

We are also committed to creating an environment that captures the full potential of our province's many riches, through diversification, job creation and growth. We will take action to improve the health and well-being of people, empower sustainable community development, protect public safety and advance educational opportunities and outcomes.

Our province is facing significant fiscal challenges that require our collective leadership and the engagement of the public. Together, our government will lead our province towards a more sustainable, economic future.

As Minister of Natural Resources, you will oversee the stewardship and development of the province's natural resources through the Mines and Energy Branches. In addition to the ongoing operations of the department, I want you to focus particularly on activities that lay the foundation for well-planned and well-managed resource development built on the principles of innovation, excellence, and sound business and regulatory practices.

Oil and Gas Industry Development Council

You will lead the creation of an Oil and Gas Industry Development Council, consisting of government officials and industry stakeholders. The Council will determine the long term vision for the province's oil and gas industry, and will be mandated to create a transparent energy policy with a focus on developing a more sustainable and competitive industry. Strong project benefits agreements must align with the vision and goals of the policy.

Offshore Exploration and Development

Regulatory certainty and maintaining an attractive and stable business environment for operators and investors is critical to the long-term success of the province's oil and gas industry. Your actions to create conditions for increased offshore exploration and development will include: streamlining the processes for regulatory approvals and certification; establishing a generic royalty regime for future developments; and, pursuing options for the exploration and development of offshore natural gas. You will ensure that any future decisions regarding the hydraulic fracturing industry are based on scientific evidence, and most importantly, on a social license from the Newfoundlanders and Labradorians who may be affected. I also encourage you to enhance openness and transparency in the oil and gas industry by ensuring effective cooperation and communication between government departments and agencies, regulatory bodies, and industry stakeholders.

Oversight at Nalcor

Newfoundlanders and Labradorians must be the primary beneficiaries of the Muskrat Falls Project. You will direct Nalcor to sell surplus power generated from the Muskrat Falls Project and use revenue to mitigate potential increases in electricity rates and ratepayers' bills. You will open the books on Muskrat Falls to ensure that Nalcor publicly discloses details surrounding the Muskrat Falls Project, including how taxpayers' money has been spent. In addition, I expect you to improve management oversight of Nalcor by having open and transparent appointments to the Board of Directors through the use of the Independent Appointments Commission, and by reviewing the operational structure of Nalcor to ensure accountability.

Distributed Energy Generation

In order to expand into more diverse sources of energy generation you will encourage distributed energy generation by seeking out opportunities to develop wind farms and small scale hydro. During this process, priority should be given to communities that are isolated from the primary power grid, including coastal regions of Labrador. I also expect you to work with the utilities to set timelines to develop and implement net metering programs within the province and keep the public informed on the progress towards implementation.

Energy for Domestic Use and Export

Newfoundland and Labrador's vast energy resources provide a competitive advantage in attracting industrial development and energy security. You will act to maximize the net benefits from in-province use of energy and energy export by: intensively marketing cost-competitive electricity generated by wind and hydro to regional, national, and international markets; encouraging investment and innovation in electrical power generation projects; and, seeking opportunities to develop the Gull Island Hydro Project, which will include identifying potential markets and access routes.

Mining

The mining industry remains a valuable contributor to the provincial economy with strong potential for recovery and growth in the coming years. To promote growth in this sector you will: encourage the expansion of mining operations in both Labrador and on the Island by increasing the annual investment in the Junior Exploration Assistance Program to \$1.5 million; consult with industry to explore the possibility of a new venture capital fund for mineral exploration and development; continue to fund prospector grants throughout NL; and, work with the Department of Finance to review the current mining tax regime to ensure that it is competitive.

One of the hallmarks of our government will be a continual conversation with the people of the province. As Minister Responsible for the Office of Public Engagement, your work will be central to that conversation. We will create an environment of openness and sharing of information, building a community of Newfoundlanders and Labradorians, both at home and abroad who share experiences, knowledge and opportunities with each other and with government. To that end, I want you to focus on citizen engagement and network building, as outlined below.

Engagement

Every citizen deserves to have their voice heard. Residents of the province can provide valuable insight into issues that matter to their lives. To engage the public, I expect you to host regular engagement activities including town hall meetings in communities throughout the province and use technology to expand the options to participate. Through these engagement activities government policy will better reflect the needs of Newfoundlanders and Labradorians.

A Global Network

Newfoundlanders and Labradorians live all across the globe and they have an unbreakable connection to this place. With assistance from and in collaboration with your colleagues, you will create a global network designed to connect Newfoundlanders and Labradorians no matter how far away they live from our shores. This network will enable Newfoundlanders and Labradorians to share and leverage their global experience, knowledge and opportunities, and connect individuals living away and enable them to be advocates and champions for their home province.

In fulfilling your responsibility as Minister you must ensure collaboration, in a positive and constructive manner, with your Cabinet colleagues. I take this opportunity to remind you that as you carry out your responsibilities, as a Member of the House of Assembly and Member of Cabinet, adhering to the Code of Conduct and the Conflict of Interest guidelines are mandatory, to ensure you discharge your duties with the highest ethical standards.

Deputy Ministers are your key source of support and will provide you with non-partisan advice in meeting your responsibilities. I expect you to develop a positive, respectful and trusting relationship with your Deputy Minister and the public service. I would also ask that you be mindful that Deputy Ministers, among their various responsibilities, are ultimately accountable to me, through the Clerk of the Executive Council. I will meet with them to monitor progress towards our stated objectives.

Our government will report back to the public annually on the achievement of our commitments and make adjustments as required. As a Minister you are accountable for achieving these priorities and meeting other responsibilities within your Department.

Together, we will provide strong leadership to deliver the change we need to move beyond today's challenges and on to a stronger tomorrow.

Sincerely,



DWIGHT BALL

Premier