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*Speaker: Honourable Derek Bennett, MHA*

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The House met at 10 a.m.

**SPEAKER (Bennett):** Order, please!

Admit visitors.

Before we begin, I would just like to welcome on the floor of the Chamber the marketing director and senior manager for Power Advisory.

Welcome.

I would also like to welcome people in the public gallery this morning.

**SOME HON. MEMBERS:** Hear, hear!

**Extraordinary Debate pursuant to Standing Order 8(7) – Memorandum of Understanding between Newfoundland and Labrador Hydro and Hydro-Québec**

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

I call from the Order Paper, Motion 1.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

Being able to sit down for 20 minutes is a nice little treat. That's, I guess, the benefit of having an extraordinary sitting of the House of Assembly.

So before I welcome our guests, I'd just like to publicly thank members from the NL Hydro team who were here for two very long and full days.

**SOME HON. MEMBERS:** Hear, hear!

**J. HOGAN:** I heard a colleague of mine behind me say: We should have people, experts on the floor more often in the House. I agree, it was really two of the best

days I've spent in the House of Assembly as a Member. A lot of questions from everyone from both sides of the House and a lot of answers then.

Really when I think back to being asked about why we were doing this extraordinary debate, one of my answers was because I think it will provide information, education, clarification to not only Members in the House of Assembly, but to all Newfoundlanders and Labradorians. We're halfway through this extraordinary debate and the information that has been provided so far has been extraordinary. It's been plentiful, and we still have two days to go. So thanks to the NL Hydro team.

Having said that, though, we did have a request from the opposite side of the House to amend the schedule a little bit. So just to advise the Speaker and everyone that we're agreeable to that. We will continue with the Power Advisory team as scheduled from 10 to 12 this morning and 1 to 5 this afternoon.

However, we will change the schedule – with leave of all Members of the House because we do have rules of procedure for this debate – to have J.P. Morgan move to this evening's session from 6 to 9 and then NL Hydro tomorrow from 10 to 12, 1 to 5 and 6 to 9.

**SPEAKER:** Leave is granted for those changes?

**AN HON. MEMBER:** Leave.

**J. HOGAN:** Thank you very much, Speaker.

I look forward to having NL Hydro back, and certainly give Ms. Williams a chance to maybe get her voice back in the next 24 hours.

Thank you to our two new guests this morning. It was a pleasure to meet you both this morning; I had a quick chance to say hello. I think the best thing to do to start the proceedings today is to allow both of you to

introduce yourselves and maybe give a little bit of background of your work history, your experience and your expertise.

**SPEAKER:** So we'll start off with the Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

My name is Jason Chee-Aloy. I'm the managing director of Power Advisory. Power Advisory is an electricity management consulting firm with businesses and offices across Canada and the US.

Before I get into our experience, I'd like to thank the House for having us here. We very much understand the importance of the matter and we very much understand the historic nature of such a deal.

Our firm is an electricity management consulting firm that has been operating since 2007. We predominantly have experience in electricity market analysis, in multiple markets across Canada and the US. Specifically, myself, I have over 25 years of experience in electricity market analysis across Canada and the US.

Specifically, with respect to hydroelectric generation, I have a history of – in addition to the analysis – contracting for hydroelectric generation across Canada, predominantly in the Province of Ontario. I have worked on hydro matters in BC, in Quebec, in Newfoundland and Labrador and in the US in the Northeast, specifically Maine, regarding some of the export projects into the US.

I'll let my colleague, Mr. Yauch, introduce himself.

**B. YAUCH:** Thank you for having me here.

Brady Yauch, I'm the senior manager of Markets and Regulatory at Power Advisory. I oversee a lot of our price forecasting and market analysis across Canada and across

the Northeast United States. Prior to this, I've worked within the System Operator in Ontario, so the real guts of the electricity grid.

I've worked on this project for two years, along with my colleague. We recognize the importance of the deal and how important it is to the province.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you for that, the both of you.

Just so we can get a bit of a flow, I'll ask the question and the Speaker will recognize – you can choose between yourselves who the appropriate person to answer is. If you both need to answer, you guys can discuss that amongst yourselves as well.

Thanks for the background and the introduction of you two.

Can you perhaps just comment on your total team that was involved in this project. If it was just the two of you or if you had anybody else at Power Advisory and what their roles and expertise would've been as well.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In our firm, we had six consultants that predominantly comprise the team that was led by me. We were engaged to provide market assessments to help value the supply from Churchill Falls and the new development projects. The six consultants are a mixture of three economists, as well as three engineers, with lots of history in assessing markets, power systems and contracting for electricity supply.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

I'll ask you a little bit about what a market assessment means but, first of all, maybe you could just explain, in a little bit further detail, your retention by NL Hydro and perhaps what that retention looks like.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We were engaged to provide assessments of the various markets to which supply from Churchill Falls new developments could be exported to and sold to, and valuing those projects with respect to how to craft that in perspective deals going forward.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** You talked about market assessment – it is easy for you to say and understand; you've been doing this for a long time. Maybe you could just give a bit of a description for members of the public and Members of the House of what exactly that means. What markets are you assessing? I'm thinking more specifically in terms of hydroelectric prices, maybe throughout North America and then, perhaps, focus a little bit on Quebec and Newfoundland and Labrador.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

If I use hydroelectric generation as an example, there are a couple of different aspects to our market assessments. We would look at assessing various markets with respect to the need for electricity supply, how hydroelectric generation can meet those needs and how does hydroelectric generation stack up as an option for supply to meet those needs.

That's germane for every market that we would be assessing, with respect to our

engagement. The other aspect is the value or the price to which the supply can achieve. So we would assess the markets whether it be Quebec, the export markets to Ontario, to New York, to New England and we would assess the supply demand balance for electricity of those markets to come up with price forecasts in those markets to help value the supply from hydroelectric generation, and we can do that for other sources of supply as well.

When I say market assessments, there are two aspects, again: the aspect of how does it fit into the power system to supply electricity and what is its value in terms of the price it can capture.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

We'll get to the memorandum of understanding in terms of advice you would have provided to NL Hydro with regard to that deal. I wonder if you could comment on that to the extent that it's not commercially sensitive information.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Specifically, we valued and we assessed the need for supply in Quebec, the options of supply that Quebec could exercise and ultimately defined what that value could be. Specifically – and I know you had mentioned that we'll get to the MOU – the components in Schedule F, in terms of how to value that supply, we had provided advice on structuring that.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** So we've heard that the basics of this deal – I know it's complicated, but the basics, I'll just put it to you, is that Quebec – or sorry, Speaker, I put it to you for the

guest to answer – that essentially Quebec needed power, NL Hydro has power and projects available to sell, and that in exchange for providing that power to Hydro-Québec, what NL Hydro wanted in return was, fundamentally, fair value for any development projects, either future or existing, here in Newfoundland and Labrador.

So I'd ask you to say is that a fair assessment of the deal and the structure and then comment on what we've heard, that Quebec has needs for power into the future – and I know Hydro-Québec has probably said that there's a need for power in Quebec in the future. So can you comment on those things and the accuracy of those comments about Quebec's need for power?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As long-term analysts of these markets, we've had lots of reason, prior to being engaged, to assess supply needs in Quebec, all the way to sharpening our assessments of those supply needs in Quebec for this engagement.

Hydro-Québec and the Province of Quebec have been very open and public about their supply needs. As produced in their supply plan, as well as their strategic plan, that province requires a lot of electricity supply based on the demand growth that they're projecting for various reasons. So what we did was validate that and also assess what were the options and how the supply from Labrador fit in to meet those options.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

So maybe you could comment on Quebec's demand growth, where that demand comes from and then also what other options

potentially are available to Hydro-Québec or to the Province of Quebec.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

With respect to the demand growth in Quebec, a lot of that growth is being driven by electrification and it's also being driven by economic activity, to which those two factors are being experienced in lots of jurisdictions around the world right now.

For example, auto manufacturers have made commitments to manufacture more electric vehicles. Certain jurisdictions have passed certain laws and regulations regarding the sale of EVs, regarding the emissions that would come from combustion cars. So Quebec is one of the leaders in Canada with respect to the electrification driven by electric vehicles.

The second part, as I have mentioned, with respect to demand deals with economic activity and economic growth. So Quebec has been very public regarding their desire to attract industry and they've made several announcements with respect to different industries that have committed to invest in Quebec.

These are the two main factors that are driving demand for electricity and its growth in the Province of Quebec.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Speaker, is it fair to say and would you agree that Quebec has a significant need based on its demand growth for electricity and that that significant need is sooner rather than later?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

There is significant need, as publicized by Hydro-Québec themselves. The fact that there is a lot of electrification that's happening in that province, relative to other provinces across Canada, the need for electricity supply is more urgent and near term compared to other provinces across Canada.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

So if that need is urgent, which you've said, and we know that Quebec is now getting some of its power from the Upper Churchill under the 1969 agreement, is it fair to say that that is an easily accessible option for Hydro-Québec to fill that significant need for power in the near future and beyond compared to what other options might be available to Hydro-Québec? Can you comment on what those other options might be in terms of timing, where we know that the Upper Churchill power is flowing already to Quebec?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I was saying with my previous response regarding the forecast increase demand for electricity in Quebec as publicized by Hydro-Québec, they've also been equally as clear in terms of how might they meet the supply need to meet that demand.

As a consultant that has been assessing these markets for a long time, over 25 years, I have to say that the situation in Quebec, going back a few years, has fundamentally changed. There was a time when Hydro-Québec were using terms like we want to be the battery of the northeast part of North America. We want to be able to supply jurisdictions in the US and other places, like Ontario.

They don't use that phrase anymore. They're, in our opinion, and as admitted by them, in a position of fully needing supply and that's all documented by some of the actions that they've been taking of late. Years ago, they wouldn't have been so bold in terms of securing and incentivizing development of, for example, wind generation, solar generation. All of these things are happening in a very hydro-rich province.

They've gone on record to say we want to and plan to expand existing hydroelectric energy. But that's not enough, and I think that paints a clear picture of why Quebec needs supply more urgently than before.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

I think it paints a clear picture to provide some more clarity as well as to when you said things have fundamentally changed with regard to electricity in the Province of Quebec over the last few years – it hasn't been very long; I think you said five years.

So, with that context, is this an ideal time for NL Hydro and Newfoundland and Labrador to enter these negotiations and to enter this MOU with Hydro-Québec?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Drawing upon my experience in terms of entering into negotiations based on assessments of supply needs and moving and working towards negotiating contracts, there are only so many points in time where it's opportunistic and there is the ability to execute a deal. Because of the situation in Quebec, married with the ability to supply Quebec, it is our opinion that the time is right for such an MOU.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

In my last couple of minutes, I wonder if you could comment on, not only the fact that the time is right, the fact that Quebec needs that power, the fact that Newfoundland and Labrador has that power to sell – can you comment on, in your opinion, how you feel about the MOU? Is it a good, reasonable and appropriate MOU given the circumstances?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Building upon the last answer, in terms of the timing being right in my opinion, what I objectively see are two motivated parties. On the one side, I just mentioned all the supply needs that Hydro-Québec has stated and how things have changed quickly for Hydro-Québec and the Province of Quebec. So it is clear that they're motivated.

Then on the Newfoundland and Labrador side, as understood by the history of our firm in acting for the Government of Newfoundland and Labrador, Nalcor, Newfoundland and Labrador Hydro over the last 15 years, to the point of my partner, John Dalton, testified at the Supreme Court regarding the Churchill Falls contract, we understand the motivation to get out of that contract and on to a better contract.

So what I see are two parties that are very motivated which, in my opinion and in my experience, is the recipe and the foundation for a good deal.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** My final question – and just so you know, you can finish your answer, despite the clock ticking there – has NL

Hydro extracted fair value in exchange for these developments and the power that will be sold to Hydro-Québec?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We have been in St. John's since Sunday, and we have watched intently over the last two days. I really support and believe the responses that Ms. Williams and Mr. Parsons provided regarding the MOU, specifically with respect to the components in Schedule F, represent lessons learned from the contract from 1969.

Those lessons learned will help ensure that Newfoundland and Labrador receive fair value for its electricity supply, as specified in the MOU, and to be embodied in new definitive agreements.

**SPEAKER:** The minister's time has expired.

The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you, Speaker.

Before I ask some questions of Power Advisory, I'd like to talk first about Justice LeBlanc and the inquiry and read out Recommendations 1 and 2 from Justice LeBlanc.

The first one was: "The Government of Newfoundland and Labrador should never undertake, on its own or through one of its Crown corporations or agencies, the planning, approval or construction of any large project (meaning a project with a budget of \$50 million or more) without: a. Engaging independent external experts to provide robust review, assessment and analysis of the project; b. Providing well-defined oversight after consideration of oversight processes instituted in other jurisdictions."

The second recommendation was: “The Public Utilities Board should review the proposed business case, reliability, cost and schedule of any large project that could potentially impact Newfoundland and Labrador electricity ratepayers. Following this review, the Public Utilities Board should report its findings to the government and the public.”

So my question to the Premier this morning is this: Will you suspend or defer any vote on this MOU until such time as an independent external expert or the Public Utilities Board provide a robust review, assessment and analysis of the MOU?

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

Thanks for the question.

This has been answered throughout the last couple of days, and the Premier’s on record and I think I’m on record, too, in saying that any large project that could potentially impact Newfoundland and Labrador electricity ratepayers will absolutely go to the Public Utilities Board.

At this stage, we have a memorandum of understanding. We don’t have any definitive agreements. We don’t have any projects that have been sanctioned that will impact electricity ratepayers in Newfoundland and Labrador. But, of course, if and when any of the contemplated projects in the MOU do make its way to definitive agreements and those projects are sanctioned and are projects that will affect those ratepayers, then they will go to the Public Utilities Board.

At this stage, we will be proceeding with the debate over the next couple of days and look forward to the vote. It’s too early to talk about – or its inappropriate to suspend the proceedings here in the next couple of days because we are on record as a government

and the Premier is as the leader of this province, that those projects, as I said, if and when they will affect ratepayers, will go to the Public Utilities Board as required by law and as suggested and recommended by Justice LeBlanc.

**AN HON. MEMBER:** Hear, hear!

**SPEAKER:** The Leader of the Official Opposition.

**T. WAKEHAM:** Speaker, I will go back to Recommendation 1, which clearly states the planning. If the MOU is not part of the planning for assigning those agreements, it’s not what’s going to make up what the contracts will look like, that’s what the MOU is supposed to do. It also talks about the Public Utilities Board in terms of the proposed business case. I would suggest that the MOU is the proposed business case.

Again, I will ask the question because clearly we are not following the recommendations of Justice LeBlanc in trying to make sure that we don’t go down the same road we’ve gone down before. So again, I will ask: Will you suspend or defer any vote on this MOU until such time as independent external experts or the PUB provide a robust review, assessment and analysis of the MOU? That’s what we’re asking for. I don’t think that’s an unreasonable ask.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Government House Leader.

**AN HON. MEMBER:** Same answer.

**J. HOGAN:** Thank you, Speaker.

Yeah, it’s the same answer. This feels like I’m in Question Period, getting the same questions over and over again, but here we are.

I think what's not being understood and I'm glad that Hydro's coming back because I think we can put the question to Ms. Williams again. I asked her, yesterday, to explain the difference between Muskrat Falls and this MOU. The difference was very clearly articulated that Muskrat Falls was built as a domestic use project for this province, which is why it should have gone to the Public Utilities Board. It should have gone to the Public Utilities Board to determine how it will affect ratepayers in Newfoundland and Labrador and to get approval of a project that's based on the price estimates, and approval of those cost estimates so ratepayers would know what they're paying.

But what we know happened was that domestic project did not go to the Public Utilities Board. It was exempt from that. Rather than go to the PUB to get approval of the costs, the government of the day brought in legislation to put the cost on all ratepayers of Newfoundland and Labrador, Speaker.

Another thing, it's good timing –

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

The hon. the Government House Leader.

**J. HOGAN:** We heard from Power Advisory this morning – and we have only been here for 29 minutes – and one of their answers was that the timing is right.

**SOME HON. MEMBERS:** Hear, hear!

**J. HOGAN:** The experts, with decades of experience looking at hydro electricity throughout North America and the world, and with a history, it sounds like, on the Churchill River as well, and their independent expert opinion is that the timing is right for a deal between NL Hydro and Hydro-Québec.

That is what this government wants to do. It wants to proceed with the deal. It wants to vote for the MOU to keeping going forward, to negotiate definitive agreements, to have independent oversight of the process as we move from the MOU to definitive agreements. We want the definitive agreements to be executed.

The money that we have talked about, the \$225 billion that we have talked about over the last two days, will come to Newfoundlanders and Labradorians, to all of us, to our children and to our grandchildren so we can exercise the demons of 1969, Speaker.

**SOME HON. MEMBERS:** Hear, hear!

**J. HOGAN:** I can't tell you how excited and proud I was on December 12 when this was announced. I didn't –

**B. PETTEN:** Point of order, Speaker.

**SPEAKER:** The hon. the Opposition House Leader on a point of order.

**B. PETTEN:** Speaker, we've been respectful in the rules of debate, myself and the Government House Leader. What he is doing right now is something that I hoped it would not happen; they're running the clock on the leader who is asking a question they are uncomfortable with and they are running the clock.

We're here to debate this important piece and the Government House Leader is dragging the clock.

**SOME HON. MEMBERS:** Hear, hear!

**B. PETTEN:** He is an experienced lawyer. He knows what he's at and he's dragging the clock. I think it is unacceptable.

**SOME HON. MEMBERS:** Hear, hear!

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

**B. PETTEN:** Yes, he knows what he's at. He's being disrespectful –

**SPEAKER:** Order, please!

There is no point of order there. The question was asked –

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

There is no point of order. There was a question asked and a response has come forward.

Are you finished, Government House Leader?

**J. HOGAN:** No.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** As I was saying, I was very proud on December 12. I guess what I didn't expect was people coming into my office and people calling me and meeting people in the streets – the level of emotion that was outpoured that day and the following few days was really beyond what I expected.

I said, in my comments when we opened the debate on Monday, I talked about the negative emotions that the 1969 contract has brought Newfoundlanders and Labradorians –

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

The hon. the Government House Leader.

**J. HOGAN:** The level of emotion and the negativity and the frustration and the anxiety and we're close, Speaker, to ending all that negative emotion.

**SOME HON. MEMBERS:** Hear, hear!

**J. HOGAN:** To wait to do that, to jeopardize a deal when the experts have told us the time is right, I don't think that the Premier is prepared to do that, Speaker.

**SOME HON. MEMBERS:** Hear, hear!

**J. HOGAN:** We are not prepared as a government and as a caucus to do that. We look forward to continuing the debate rather than stopping it and stopping the deal, which is what sounds like they want to do, Speaker.

Thank you.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you, Speaker, for that speech.

But clearly what is clear from this is that this government is not interested in an independent external review of this MOU, what they are interested in is rushing this through this House and keep moving on, repeating potentially the mistakes of the past which we have all sworn not to do. That's what's happening.

**SOME HON. MEMBERS:** Hear, hear!

**T. WAKEHAM:** I'm not going to waste any more time, because I want to move on and ask questions of the Power Advisory, who graciously came here to answer questions for us. Let me move on, if I can, Speaker.

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you for appearing here today, first of all.

Let me start by asking you, have you reviewed the MOU as released publicly?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Like everyone else, we have a copy of the MOU and we have read it.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

The second question I wanted to ask: What was the scope of work assigned to Power Advisory by NL Hydro in regard to the MOU?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I said in some of my responses this morning, Power Advisory was engaged to support the effort regarding assessing the markets and valuing supply from Labrador with options that Quebec may have regarding supply.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

What was the timeline associated with the work? When was the work started and completed?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

With respect to that specific work as I defined, we started in March 2023.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Okay and when did you complete it? In other words are –

**SPEAKER:** Sorry, your mic is not on.

The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** So you've completed a piece of work up to the formation of the MOU – to what's in the MOU. That piece of work is completed; are you still engaged with Newfoundland and Labrador Hydro?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

All of our work has been completed because it's culminated within certain aspects of the MOU.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** During your scope of work, what was provided to Newfoundland and Labrador Hydro? Were there any reports or recommendations made?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We conducted a lot of analysis regarding supply needs in Quebec, and options that Hydro-Québec may exercise to meet those supply needs. So it was a combination of analysis and modelling that culminated in a series of recommendations regarding those market assessments.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

Can you provide a list of the documents you provided to NL Hydro? I don't mean the documents themselves, but just a list of the documents that you provided to Newfoundland and Labrador Hydro.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Considering that we are just at the MOU stage, to which there is still a lot – a lot – of really tough and hard work to be done, in a fairly compressed time, towards executing definitive agreements by the end of April 2026. Anything that we have produced and provided to Newfoundland and Labrador Hydro, in our opinion, is commercially sensitive because they will be used within support of negotiations of those definitive agreements.

I'm just being mindful, as well, that – I'm pretty sure – Hydro-Québec is tuning in right now.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you for that. Again, that's why it was important to make sure you understood that I wasn't asking for any of the documents themselves, just a listing of the actual type of documents.

During discussions, the negotiations that you had, did Newfoundland and Labrador Hydro provide you with versions of the MOU to review and offer an opinion?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I have been privy to some of the drafts leading up to the final MOU.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

Did you review the current text of the MOU before it was signed to offer an opinion as to whether the electricity rates used to derive the dollar figures in Schedule G were comparable with market rates or other transactions/agreements carried out in North America?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Based on our scope of engagement, we were commenting solely on the aspects to which we've been asked to provide advice on, those being the market assessments and valuing supply. Exhibit G was mentioned, that is out of our scope, therefore we were not asked to comment on that, nor did we.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Again, you told us earlier you've done an extensive amount of work in other jurisdictions. Are there other jurisdictions who are in need of electricity who could have become CF(L)Co's customer, I'm thinking of other provinces like Ontario, New Brunswick, Nova Scotia, or even the Northeast United States, in your option?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** As I mentioned in terms of some of the factors like electrification, economic growth, lots of provinces and states are experiencing higher electricity demand. Every jurisdiction is different in terms of the supply options that it has to meet that demand and they have to counterbalance those supply options that are located within their own state or province, compared to can they import the electricity from a province, such as

Newfoundland and Labrador, and receive the supply that way.

It's our opinion that based on the location of Churchill Falls and the new development projects and considering how the transmission system is configured, there are only so many options to sell electricity from Labrador.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Did you provide direct advice on the MOU that was signed?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We provided advice, again, based on the scope of work that we were engaged to. So, for example, the components listed in Schedule F regarding different ways to value supply from Labrador is something that we did advise upon.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** We all know that Hydro-Québec certainly has the need and we have the power. We know they need capacity. Do you know of any other options that are available to Hydro-Québec?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I was stating in some of my opening responses, Hydro-Québec has been very public – the most public I've ever seen them be, and I think that's an indication, again, of how much supply they need – regarding plans to procure and contract for wind generation, so they're exercising that option; plans to procure contracts for solar generation, they're exercising that option. Again, this is all public in their documents. They're assessing upgrading and expanding

existing hydroelectric generation in their province, and they continue to explore other technologies and other sources like storage of energy and other forms.

We did assess all of that and, again, all of that is in the public domain.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Are you aware of any other large, undeveloped hydro sites in northeastern North America?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Certainly in the northern part of Quebec, there are sites again that have been listed in publicly available Hydro-Québec documents to which they have done preliminary studies going back a decade or so. It's in our opinion that they, being Hydro-Québec, continue to assess those projects as options to meet supply and they've done so alongside assessing and deciding upon execution of securing other supply sources that I mentioned, wind and solar and more hydro. They've valued and they've assessed supply from Labrador, from Churchill Falls and the new developments alongside all of that.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Yes, we're familiar with that. I think it was the president of Hydro-Québec who talked about it would cost them something like 16 cents a kilowatt hour to develop their own and they're certainly getting it for something like an average of 5.9 cents a kilowatt hour from Newfoundland and Labrador. It seems to be, as they have described it in their press, a significant and a great, great deal for Quebec. What we're concerned about is

making sure that we get the full value of our resource.

You indicated earlier – and I'll finish up with this quickly – about the supply and demand requirements. Do you anticipate that demand for electricity will increase and the cost of that electricity will go up as well?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Yes, I do believe that demand for electricity will continue to go up, based on the factors that are driving it that I had mentioned earlier. In terms of the cost of new supply, that has a lot of different factors.

So looking at it today, there are just different options. But the way a utility or a company like Hydro-Québec, or even Newfoundland and Labrador Hydro would assess these things are it's a basket or a portfolio of different generators, different supply resources that all have different capabilities to provide electricity and, because it's a power system, it all has to work together.

Some resources can be relatively cheaper, but you can't just use those resources. Other resources might be more expensive, but they're complements to those other resources.

So it just depends in terms of the options that you have and how they all fit together, which they all have different costs and those costs will change over time.

**SPEAKER:** The Member's time is expired.

The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Thank you very much, Speaker.

Welcome to our guests. It's a nice change to actually have folk on the floor of the

House – whether you think so or not, we can talk about afterwards.

I'm only 30 years old as a Canadian and, contrary to popular rumour, I wasn't around when Churchill Falls 1 was done. It didn't take long, though, even in a small rural community, for the issue with Churchill Falls and its inequities to become a part of the culture that you soak up as a new citizen.

For me, this whole debate isn't as much about me as about two little lads, one called Fynn and one called Easton who are my grandchildren. Because, at the end of the day, when you look at the material in the MOU, they are going to reap way more benefits from this than I am. And that's right, from my point of view.

I'm not going to take a long time and speechify. I'm sure Members opposite will be pleased to hear that. For me, this is an opportunity to educate myself, and I really kind of like these back and tos where I can ask questions that I actually don't know the answer to and learn something as a result of it.

I think the first thing I'd like to do – and I hope the gentlemen opposite won't regard me as rude when you invite someone into your place of work and then question them over in a way which may make granny worry a little bit about your manners, but I'm going to ask about independence.

This isn't anything personal but, as you've been watching the debate over the last couple of days, independence has come up as an issue. You are paid consultants. You receive money in return for your expertise, which is only right and proper. I came from a background as a physician where that was the case; it was expert knowledge.

What makes you think you're independent of the person who pays you?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Really, any question that gets thrown at us over the course of this morning and this afternoon is A-okay by us. We're used to it. In fact, in parallel, we've been preparing for an Ontario proceeding to which Mr. Yauch and I have to testify tomorrow. So we have a long history in doing this.

But back to the response with respect of independence, I have a couple of things to say why we are independent, and it's really that simple. First of all, in listening, as I said in one of my responses earlier, I'm extremely appreciative of one of the responses that one of the Members of the House provided the other day about his experience as an independent consultant, what that really means and how that just practically works. If you're going to entertain business and you're going to make decisions, there's an acknowledgement that there are outside or third party expertise that should provide it – good use of providing it.

I think that was a perfect answer, and I definitely subscribe to that. Along those lines, it is about professional integrity. The electricity sector is a pretty small sector, and we act across Canada and the US. Specifically, I do a lot of executive advisory across Canada. If I were not full of integrity, if I wasn't viewed as independent, I wouldn't be working and our firm, Power Advisory, would not be successful and growing.

Now, to that, my second point as a practical matter and as example, building off what I said about typically advising executives. Boards of directors for some of the biggest utilities in Canada, some of the biggest publicly traded independent power producers in Canada have brought us in based on following their own governance – despite whatever their executive team have told them – come in, speak to us, talk to us about our business and help us be better.

So that's an example where boards of directors, with their responsibilities, would seek out people like me, firms like Power Advisory, to provide independent advice alongside whatever their staff, whatever their executive have been advising them. That's just the nature of our business.

**SPEAKER:** The Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Thank you.

So that's excellent. Thank you.

Do you feel that Hydro or Newfoundland and Labrador government have exercised any influence over your ability to produce these recommendations and the material that you've put in or has been incorporated into that report?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

There has been no direct influence in terms of a type of conclusions in the form of recommendations that were made. I'm not going to go into the details because of, again, commercial sensitivity. But, for example, I keep referring to Schedule F and those components because it's very, very important the lessons learned from the first deal and how to derisk and to best ensure the best value and the greatest value for supply from Labrador.

A lot of back and forth, based on our independent analysis, based on our independent input in terms of where the markets are going for the supply of electricity and how supply from Churchill Falls and the to-be-developed projects fit into all of that, working towards the best deal for Newfoundland and Labrador.

**SPEAKER:** The Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Thank you very much.

I'm glad you mentioned Schedule F because this is where I get to learn something about electricity, I hope. I only have very limited experience of it, small amounts of DC current.

Schedule F, it was referenced repeatedly yesterday, you've brought it up a couple of times and I know Ms. Williams talked about insulating the new deal against the vagaries of the market by a portfolio approach to selling their produce, their electricity. I need a conceptual model. I'm perhaps a visual kind of person to learn, but this talks about blocks with different qualities and pricing and duration. It talks about a pricing methodology and transparent pricing mechanisms.

Maybe I just need to ask you: Could you explain, in very simple terms, how a company would sell electricity?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm going to answer that question and I think I can do it in a very clear way to draw a straight line and also connect some of the things I've been hearing over the past two days.

First off, we know – and I don't have to get into the details of what the price is under the existing Churchill Falls contract to sell lots of supply to Quebec – the electricity moves from Churchill Falls and it lands in the Quebec system. This is where Schedule F comes in. There are, then, a bunch of ways to use the electricity. Quebec uses it for its own internal consumption and there's a price to that, that's regulated by government law in Quebec.

Speaker, 5.9 cents is a lot higher than that price. But when we get to, now, the components, the bullets in Schedule F, we

know, based on all public documents, that Hydro-Québec sells a lot of electricity. They sell it to Ontario. They sell it to New York. They sell it to New England. They sell the electrons, the electricity on what's called a daily spot market, and that's a price. That price, based on all of our analysis, has been less than 5.9 cents.

Now, what also happens in Quebec, because they have to meet their own supply, it's not just being supplied totally by Churchill Falls, it's being supplied by their generators, owned and operated by Hydro-Québec and they also contract with other third parties – call them independent power producers. They enter into contracts with those. I'm predominantly thinking about wind generation in the province, some of it hydroelectric generation. I've heard the price 11 cents a kilowatt hour being used in this Chamber. That's basically the price to which those contracts are getting paid to those independent power producers.

Schedule F picks that up; it accounts for that. I think Ms. Williams and Mr. Parsons did a really good job in saying in the future, as Quebec needs more supply – as I've established this morning, needing a lot of supply urgently – when they make decisions to commit to build their own supply – so, for example, their next hydroelectric generator – that's where the 16 cents a kilowatt hour comes in. That's the replacement cost. That's included in Schedule F.

So not the derisking notion of all of this and the value and the fair value of all of this, because as you go through time, over a 50-year contract, things can change. Everyone knows this based on the contract that was signed in 1969. That's why we have lessons learned under Schedule F.

Five years from now, how much is the electricity from Churchill Falls being valued at? It's captured in Schedule F. As we go through time, situation changes – and to use the example Ms. Williams was using, when Quebec decides they're going to build

a new project, and let's use 16 cents, that 16 cents gets factored in Schedule F, gets factored into the payment for Churchill Falls electricity. That is how this is framed to work.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** For clarity, if Churchill was supplying power and Quebec decided it need more, built a nuclear power station or whatever, for the sake of argument, and then the cost of the electricity they were feeding into their system was 16 cents a kilowatt hour, that would positively affect the price Newfoundland and Labrador would receive for the power it was already supplying. Is that correct?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Mr. Speaker, thank you.

Thank is absolutely correct.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** So it's kind of like a rising tide and all boat.

Okay, I can grasp that. Two other questions – there were other adjectives used there, which I haven't heard in terms of electricity. Duration is obvious, but quantity is a bit different. All I remember about electricity is Ohm's law and after that, I'm stuck. How do you do that?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I think I'm going to have to ask you to rephrase your question. The how do you do that, I'm not sure what you're referring to.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** How do you quantify electricity? I mean, this may be high school physics, which I've long since forgotten, but is it – I'm not going to speculate. You tell me that answer to that question, please.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

So that's an example of part of why we've been engaged. We would assess and we have assessed the supply needs that Quebec has. I had said earlier that there are a lot of options, but I also said that different options have different capabilities and it all has to work together. So we would be assessing, how much can you rely on wind energy in Quebec; how much can you rely on solar in Quebec.

Very different answers compared to how much can you rely on hydroelectric generation. There are different aspects to hydroelectric generation, depending on its capabilities and where it's located on a river system and can you store some of the energy. All of that is what a utility would do to plan its system.

So what we've done is to figure out how Hydro-Québec would plan their system and then how best to fit in Churchill Falls and the new developing projects. Then how do you value them based on the supply that could be used for multiple reasons, therefore valued in different ways, as I described, as contemplated and framed in Schedule F.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Okay, that's very helpful, I think – pardon the pun – the light bulb is going on.

Transmission: Now, part of the MOU talks about a new transmission line. There are already existing transmission lines there. When the owner of a transmission line is not the generator of electricity, how does a

transmission company generate money, and what control do they have over who a generator can sell to?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I won't bore the House with all the very geeky engineering rules that go along with how do you operate a power system and transmission, but the simple answer is: The energy that flows over a transmission line is calculated and the amount of energy consumed at the end of that transmission line is calculated, then you do a lot of math and you figure out a transmission rate, basically the charge of using the transmission line.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Yeah, and I don't want to go too geeky in math, because that was never my forte, either.

So presumably some transmission lines are more efficient, i.e., they don't consume as much electricity as others. On that basis, would they cost more or less? And the second thing is: What control over where that electricity might go, and whether it goes on it at all, does the owner of the transmission line have?

It has been suggested, for example, that an unfriendly neighbour might actually turn the switch off, for example.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Turning the switch off is very much not easy. I mean, it's a power system, it's regulated by governing bodies that their reason to be is to ensure that the power system is working reliably, and therefore they set standards.

That's part of what I was mentioning in terms of the geeky rules and all of that. So it's not as simple as just turning it off. Frankly, the way it generally works is, if you own the transmission, so long as it's being used and you're getting paid for that based on its usage, you're A-okay where it goes.

**SPEAKER:** The hon. the Minister of Municipal and Provincial Affairs.

**J. HAGGIE:** Thank you.

This has all been very helpful.

Again, there was some reference yesterday – and maybe this would be better addressed to a financial group – but the investment in infrastructure is something that does not pay itself back over a short period of time.

What is a typical kind of amortization period, in your experience, for a new project that you might build, a hydro or transmission line?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

One of the things that we do see across all markets, most hydroelectric generation is rate-regulated. So the types of things that you're referring to in your question would be addressed by the regulator of that jurisdiction.

Now, if the generation project is being financed off a contract for hydroelectric generation because of the life of that asset being fairly long, we're talking multiple, multiple decades relative to other forms of generation supply – a gas-fired generator only has a lifespan of maybe 30 or 40 years; hydroelectric is easily double – so the contract terms are typically longer. We see industry norm about 40 or 50 years.

As for details about amortization and financing, I know that J.P. Morgan will be before the Chamber this afternoon or this evening, they're better suited to respond to that.

**SPEAKER:** The minister's time has expired.

The hon. the Member for Terra Nova.

**L. PARROTT:** Thank you, Speaker.

First, I'd like to thank the two gentlemen for attending here today. I know they're busy individuals and their job takes them perhaps all over North America, so thanks for your attendance. I look forward to asking some questions.

Earlier in your preamble, you said you worked for Newfoundland and Labrador Hydro for approximately 15 years, on and off. Is that correct?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As a firm, we have.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** During that time has your firm ever done any work with CF(L)Co?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I don't recall, to be honest, because I wouldn't have been involved in that. I know that members of our firm have done work for – well, Nalcor is not CF(L)Co, so I don't know.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Is there a way you can find that out for us?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I can find out.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** During that 15-year period, while you worked with Newfoundland, have you done any consulting in Quebec?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Our firm has done consulting in Quebec, never for Hydro-Québec.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Thank you, Mr. Speaker.

Has your firm ever done any consulting with regard to Quebec on the Churchill River or any possibilities with the Churchill River, dating back 15 or 20 years looking forward?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Our firm was engaged by the Government of Newfoundland and Labrador based on supporting the Churchill River Energy Analysis Team, CREAT, so we had done a lot of assessments on the markets, including price forecasts and supply needs for that initiative.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** My question was: Has your firm ever supplied any information to the Province of Quebec or Hydro-Québec on the Churchill River or any potential assets that exist in Labrador?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you.

Only insofar as I understand on the CREAT process and based on those assessments, were there aspects of resources on the Churchill River.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Has your firm ever been involved with the Newfoundland government or Newfoundland Hydro to do any consulting whatsoever on Muskrat Falls?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

It wasn't me, personally, so I don't have all the information. We were engaged by Nalcor during the time when there were inquiries about Muskrat Falls. We were, at the time, looking at what restructuring in Newfoundland and Labrador and for Nalcor might mean.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Can you provide a time frame when you may have done work for Muskrat Falls?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Yes, I can provide it. I just don't recall off the top my head because neither of us had done that work.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** You said you were engaged by the Churchill River management authority or the board that was set up, the

committee that set up back in 2021, I guess. Since that work, you then moved on, knowing their recommendations to advise or provide – my understanding is what you said today is you provided an overall assessment of Quebec's needs, which we've heard here over the last couple of days, that Quebec needs five times more power than we are going to be able to supply with Gull under the CF PPA and under Churchill Falls 2.

So you provided that assessment and the negotiating team took that and those numbers and went and negotiated it, or were you guys a part of the negotiation also?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We weren't directly involved in the negotiation because we were on the negotiating team. Our assessments were inputs to aspects of the negotiation.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** You provided inputs to hard numbers, hard assessments to the negotiating team?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That's correct.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** I just want to backtrack for a second – not a question, but I want to read the Key Recommendation of the LeBlanc report that says "The Government of Newfoundland and Labrador should never undertake, on its own or through one of its Crown corporations or agencies, the planning, approval or construction of any

large project (meaning a project with a budget of \$50 million or more) without: a. Engaging independent external experts to provide robust review, assessment and analysis of the project; b. Providing well-defined oversight after consideration of oversight processes instituted in other jurisdictions.”

Over the last three days, the Premier, the minister and certainly the House Leader have stood in front of cameras out in front of this building and said that you guys were basically the third-party assessment and you analyzed all of the MOU, that it is your word on the MOU, in its entirety, I will say that, that we are supposed to take and vote on.

Would it be fair for me to say that was your role, because it's not what I'm hearing from you?

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

I don't think the question is phrased accurately. I think what we have said was –

**L. PARROTT:** (Inaudible.)

**J. HOGAN:** I disagree with the ascertain in the question, that –

**L. PARROTT:** Is he standing on a point of order, Mr. Speaker?

**SPEAKER:** The rules of debate are either can answer.

The hon. the Government House Leader.

**J. HOGAN:** The ascertain in the question was that the Premier, and I think he said the minister and the Government House Leader, which is the same person, I think, have said that Power Advisory were the experts, independent external experts to

provide robust review assessment and analysis of the project.

That is not what we have said. We have said that there's been independent advisors to NL Hydro throughout the negotiation process towards the MOU.

**SPEAKER:** Would you like to add to that, Power Advisory?

The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

The only thing I would add is, again, we were engaged with a certain scope of work and that's what we delivered on.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** This question is for the House Leader: Who were the experts?

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** The experts that provided advice, there were others than just Power Advisory and J.P. Morgan, who will be here this evening. There was a list of other experts who provided advice.

Again, as I said this morning, if and when any of these proposed development projects, CF2, CF1, Gull Island, construction of those are undertaken by Newfoundland and Labrador or one of its Crown corporations or agencies and a budget of over \$50 million and they have to go into the – there will be oversight of those projects if and when they are sanctioned, Speaker, it's as simple as that.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So now we understand that there is no oversight of the MOU. There was a team of people that were hired in 2021 in

order to do an assessment on the Churchill River. That was a board that provided a report. Now we know that. That's fair. I get that.

My understanding is they weren't paid. Yesterday, the Premier said publicly that he wouldn't trust anybody that wasn't paid. He said that in the scrum. That's the first thing.

The next thing is we've been led to believe during all of this that individuals that will be in front of this House are the external experts that reviewed the MOU. Now we're being told it's not. But we're told that there will be. Now we understand that.

I will go back again to the individual who sat at the LeBlanc inquiry, the House Leader, who has harped on Recommendation 1, previously, who has intentionally excluded Recommendation 1 in the beginning of all of this. I will ask him why it doesn't apply to this MOU.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

Key Recommendations 1 and 2 will be followed, and they always will be followed by this government. I've said this morning and I've said publicly over the last couple of days in the House and to the media that the Public Utilities Board will "review the proposed business case, reliability, cost and schedule of any large project that could potentially Newfoundland and Labrador electricity ratepayers. Following the review, the Public Utilities Board should report its findings to the government and the public."

We are at an MOU stage proceeding towards definitive agreements and the recommendations will be followed. In the meantime, there has been independent, expert advice provided to the negotiating team as they negotiated the MOU. On top of that, there will be external, independent oversight of the MOU as it moves towards

definitive agreements to provide advice as necessary.

Thank you, Speaker.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Mr. Speaker, Recommendation 1 clearly says a "robust review, assessment and analysis ...."

We're being asked to vote on a memorandum of understanding that, at one point, had nothing in it that was binding; now it does have stuff that's binding. At one point, it was going to supply tens of thousands of jobs; now we don't know if it's going to supply any. That clearly, as answered by the CEO of Newfoundland Hydro, is using data that's 12 years old, in government's own pressers that they released the day of their announcement, and we're supposed to vote on that thinking that this has been reviewed, there's been an assessment and there's been analysis by an outside committee.

I can tell you right now, clearly the minister just said none of that has happened. Maybe they've had advice, but guess what? They had advice in 1969 and they had advice on Muskrat Falls. Here we are trying to move things forward and we're right back in the same place. Government is trying to convince the public that it's okay, that they have it all done. Let's rush this through.

We haven't asked for anything except this: We have asked for an independent panel to review this MOU. If government is so confident in this MOU, I don't know why that is a huge issue.

Here's the other thing. The Premier himself said this morning: You cannot move forward. The CEO of Newfoundland Hydro sat here yesterday and she, herself, said that the analysis of the MOU could be done concurrently as things move forward. That

was her words, yet the Premier says it can't happen.

So here we are in a situation – anyhow, obviously, if the public doesn't understand this now, they never will because I can tell you, this is as clear as it gets. This is being ramrodded through the House of Assembly. I don't even understand why. I really don't.

Do I think that this is important? One hundred per cent. Do I hope that this is the absolute best deal for this province? Absolutely. Do I want to make the same mistakes that we've made historically? Definitely not. I would like to think that the Members on the other side of the House feel the same. If they're so confident to stand and say they're going to support this, blindly, then why not let it go forward? Why not get the review done?

I'll go back to the managing director now for Power Advisory. What analysis was completed on Gull Island and the development projects?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

The analysis was, as I said, how does that supply fit in or rank regarding other supply options to Hydro-Québec.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Could you give us some insight as to what you think the difficulties are in providing an accurate market assessment for a period over 50 years?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'll go back to the whole framework of Schedule F, and what I had said earlier, that 50 years is a long time and a lot can

happen. That's why there are multiple components that all would represent different points of value for the supply from Churchill Falls.

To go back to some of the points that Ms. Williams and Mr. Parsons had mentioned over two days, married with what I had said earlier, there are going to be times when the value will be more so pegged to exporting the energy to New York, New England or Ontario. Then there are going to be times over the course of the contract, over 50 years, where it will be more so valued on the replacement cost of new supply in Quebec.

Those are all different prices, they're all different values and they will all be reflected in the price received for supply from Churchill Falls.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** During your assessments, was Muskrat Falls ever brought into your assessment?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We assessed Muskrat Falls with every other generator, every other supply source in Newfoundland and Labrador to understand how that supply would meet the demand needs within Newfoundland and Labrador, therefore understanding that jurisdiction, that province's needs and how that all relates to how much supply would Newfoundland and Labrador have to then provide Hydro-Québec; then, how that is valued.

We took a holistic, broad view knowing that there is one jurisdiction and it's connected to this other jurisdiction, and we have to look at it from all of those sides to properly assess the value of Churchill Falls and the new projects.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** I'd assume there was an evaluation done on the potential capacity for Gull Island. What was the capacity you came up with?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In terms of the numbers, I'm going to ask my colleague, Mr. Yauch, to respond but it's what was provided to us based on preliminary engineering studies in terms of what is the capability of supply from Gull Island.

Mr. Yauch.

**SPEAKER:** The Senior Manager, Markets and Regulatory.

**B. YAUCH:** Yeah, the numbers provided on the engineering studies that are currently available for Gull Island, and it's around 2,250 megawatts just for the Gull Island site.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Can you remind me who provided you with those engineering documents?

**SPEAKER:** The Senior Manager.

**B. YAUCH:** Thank you, Mr. Speaker.

We were provided the numbers by the NLH team.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So Newfoundland Hydro provided the information. Okay, that clarifies things.

Did you guys convert the cost to construct Gull Island into an electricity rate?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Before I go on to that I just want to follow up with Mr. Yauch's response. I think it's perfectly reasonable to get that information on Gull Island from Newfoundland and Labrador Hydro because there has been lots of preliminary work done on the Gull project in terms of preliminary engineering, which our firm would not have any reason to have done that or had privy to that information, because that was never something that we had worked on before. So it was perfectly reasonable to get that information from Newfoundland and Labrador Hydro.

In terms of the cost, we didn't have to factor that in, because again we weren't asked to look at that impact. We were asked to look at developing Gull Island and what does that mean for sale to Hydro-Québec, and what's that worth and what's that valued at.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Just for clarity, so that wasn't a slight against you guys. I just wanted to understand, because the information on Gull Island obviously came from somewhere. The information that Newfoundland and Labrador Hydro has put out is 12-year-old information that isn't reflective of real numbers. So I'm trying to understand how accurate your numbers would've been. I mean, they've got it out in the press that it's going to take 13 million person-hours to construct Gull Island. Realistically I'd say that's off by as much as 87 million man-hours, which is a lot when you start thinking about cost and the overruns and everything. So I just wanted to clarify that for the general public.

Did Power Advisory carry out any kind of a risk assessment on the assumptions which underpin Newfoundland and Labrador Hydro's numbers?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Our scope didn't include any risk assessment on any specific numbers. What we did do based on our assessments of Quebec supply needs, their options, the options of building new generation projects in Labrador to meet those supply needs in Quebec, there was a lot of scenario analysis that was done to really try to get to the best set of recommendations regarding the valuation of Churchill Falls and new development projects in Labrador.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Would it be a fair statement to say that your information, obviously, is based on your long history of work, your expertise in the market, but also by the information provided to you by Newfoundland and Labrador Hydro. The information that they provided you, if inaccurate, you probably would not have the best numbers. Is that fair to say?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

With respect to the valuation of supply options in Quebec and how Churchill Falls supply and new development projects supplied from those, those were purely our numbers.

With respect to anything dealing with assessing supply and demand in Newfoundland and Labrador, we led the modelling and there was some input, and that makes natural sense, based on it is

Newfoundland and Labrador Hydro's system.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Just one more question, Mr. Speaker.

A question for the House Leader. The House Leader referenced the amount of expert witnesses he's had. I would ask him if he can table the list of the expert witnesses that have been involved in the MOU.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Yes, we can provide that.

**SPEAKER:** The Member's time has expired.

Next speaker.

The hon. the Member for Lake Melville.

**P. TRIMPER:** Thank you, Speaker.

Welcome to our experts.

I've been compiling my notes for the last few days and I actually had entitled it: Exercising the demons of Muskrat Falls. I feel that's the elephant in the room that I want to speak about today, especially with this expertise here, especially in response to the Member for Terra Nova and what he just had to say and his, frankly, very incorrect assertions.

As I indicated, and I think many know my background, I've been around environmental assessment and consulting for the better part of three decades. I did raise the point about independence and I appreciated our experts response to the question on independence. I want to tackle that item first, before I get into the demons of Muskrat Falls.

There is a substantial difference between an independent consultant backed by a firm such as we see here and their reputation, their professional integrity and so on, versus an embedded contractor, an embedded employee, and who makes the ultimate conclusion.

I'll just start that as my first thought to our guests and look for a comment on that.

Thank you.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I agree with those points. There is a difference between a third party that's being engaged to provide specific expertise resulting in specific advice that isn't ingrown or germane in day to day, throughout time, within an organization. As I said earlier, I think it's just a necessary part of doing good business. That's why you have the ability to bring in third parties as, if you will, subject matter experts, to provide that independent advice.

**SPEAKER:** The hon. the Member for Lake Melville.

**P. TRIMPER:** Thank you.

Now, I'd like to talk about what I was doing in 2008. Instead of spending Christmas, myself and other lead consultants found themselves here in St. John's rewriting thousands of pages of environmental assessment. We reordered Muskrat Falls to go first versus Gull Island.

I'd like to reach out to our experts to speak about, first of all, the attractiveness of Gull Island versus Muskrat Falls and then the foibles of that decision.

Frankly, and as Jennifer Williams said yesterday, the people working at Muskrat Falls and the way it's working, it's working as designed and predicted. The cost

overrun, the grief, the protest and the stress that my colleagues in Labrador feel, that we feel across this province, that we're going to feel for generations to come, it comes about as a result of very misguided decisions, such as to proceed with Muskrat Falls first.

I look for a comment from my experts.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Because of our history in acting for various entities in Newfoundland and Labrador, as well as my own personal experience, I first came into understanding all of this when I was working at the Ontario Power Authority. My role there was to procure and contract for all of the supply for the Province of Ontario, and that's when I met the executives at Nalcor. I had many meetings with them, as they were looking to Ontario as a counterparty to contract for a supply for Muskrat Falls.

From that point, I do understand and acknowledge the events that took place in terms of trying to find an off-taker on the buy side of a contract or an agreement for electricity supply from Muskrat Falls to decisions made by Nalcor to start the project and engage in construction. As I said earlier in one of my responses, on the backend, after the facility was built and there were a lot of inquiries and there were a lot of considerations at the time in terms of how to address all of those things and how to move forward, we were engaged at one point to look at all of that.

Again, it's just a clear reminder that what we're talking about here today is extremely important. I agree that there are a lot of feelings that went into and there are a lot of real economic outcomes that went into all the things Muskrat Falls. So I think it's perfectly expected that there would be a lot of questions about Churchill Falls, a new agreement and new development.

As we've been saying this morning, and as Ms. Williams and Mr. Parsons have been saying over the last two days, there are a lot of lessons learned from Muskrat Falls. It's been top of mind in terms of all the analysis, all of the meetings – as I said, I have not been in the negotiations, but I'm sure they are top of mind in the negotiations for the Newfoundland and Labrador negotiating team, and I can see the outcome of all of that embodied in certain parts of the MOU.

I've been referring continuously to Schedule F as those components helping to realize value for supply from Churchill Falls, but also derisk issues with respect to not realizing that value in the future under a new agreement.

**SPEAKER:** The hon. the Member for Lake Melville.

**P. TRIMPER:** Myself, I've worked on three iterations of the Lower Churchill Project over the last 30 years, and the assertion from the Member for Terra Nova was that somehow, this 2,250-megawatt statement, in terms of the amount of energy that we could achieve from Gull Island, was somehow recently developed from a source that we may not be able to trust and so on, that number, frankly, has been on the books for decades.

When you think about the attractiveness – and I guess I will turn for some commentary – of Gull Island is quite remarkable in North America. When statements are made about its untapped feasibility in terms of hydroelectric development in this continent, it's always been touted as so exciting. The unfortunate events of 2008 and the political decisions as a result of, frankly, legal opinions in Quebec, resulted in us going down a road that we are, as I said, going to continue to pay for.

I'm not sure, I'll turn to the experts to see if they have a little comment on that aspect.

Thank you.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Let me offer up some perspectives that reside outside of Newfoundland and Labrador, because I think the Member of the House has articulated, very accurately and well, the sentiments of Newfoundlanders and Labradorians regarding Muskrat Falls and all the things that happened from that. As I've suggested, based on my understanding, my history, and having worked on these matters for a while, I understand it too.

With our practice, we are all over Canada. To personalize it, as I said earlier, the types of engagements I have are with leaders and executives of big companies and big utilities across Canada. When this MOU was announced on December 12, the reaction outside of Newfoundland and Labrador, Western Canada had executives commenting on, oh my God, did you see this? This is incredible. How did they get this done? Were you involved?

From Calgary to Central Canada, in Toronto, into the US, that's been the reaction outside of Newfoundland and Labrador. To me, stepping back, that makes sense. It's a lot of megawatts. It's a lot of supply. For those in the sector that understand electricity, they're the most appreciative and they're applauding this deal.

A good friend of mine who works for the Ontario Independent Electricity System Operator, Katherine Sparkes, is from Newfoundland. She had no idea I was working on this. So she texted me right away and she said: My family in Corner Brook, they're going to be so excited. Do you realize what it's been like in our province for decades?

So I offer you the outside perspective. That's how this is being viewed. It's being applauded across the country.

**SPEAKER:** The hon. the Member for Lake Melville.

**P. TRIMPER:** Thank you.

I'll just throw to the House, just sort of a layman's, from a terrestrially ecologist's perspective, we always look at the two projects as – and initially, the plan had always been to start with Gull Island and then moving on down to Muskrat Falls. It was always looked at as a riskier part of that Lower Churchill Project. It was always envisaged that you would have your camps, all your engineering, your procurement, your hiring, your training, everything in place and then we could move to that secondary component down the river.

Just to put some numbers in people's heads, we always thought that if you start with Muskrat Falls and you look at its cost and the amount of output, essentially for 50 per cent more of the cost, you have three times the power. That is the attractiveness of the Gull Island project. So truly remarkable.

I just want to throw a few more demons out there, because I get it and, as my colleague, the Minister of IET often says, he understands the Opposition's perspective and what they're trying to go at. I am arguing, in these comments, the demons lie outside of this kind of expertise. They lie outside of the engineering. They lie outside of so much of the good working people inside Newfoundland and Labrador Hydro.

I'll give you another couple of examples. At the time that the Lower Churchill Make Muskrat Right campaign was coming on board, I think I was the only voice in this province that was speaking about maintaining the Institute for Environmental Monitoring and Research. Questions were being raised around the concern of

methylmercury. There was not, at that time, any third-party opportunity to get those questions answered.

The IEMR ran successfully for some 20 years, and we just watched it go away. My voice, I found, had carried no strength, and I can tell you that those of us from Labrador, that 5 per cent of the population, we have a very different view of what went on in Muskrat Falls from the rest of this province. We suffered protests, we suffered hunger strikes, I lost a friend, arrests, you name it. It's still, frankly, to this day, these are the demons that these experts are also much aware of.

Some other key decisions that were made at that time – and I think my colleagues, if I can say that, in the consulting community would also appreciate – I can tell you we felt the shudder when it was announced that Nalcor was going to proceed on their own. They were not going to engage SNC-Lavalin to go ahead and build this project. They were going to do it themselves.

We just went: Woah. Why not just go to an entity who's used to doing this, knows what they're doing and say, give us a price, give us a schedule; go do it. You know what happened, Nalcor ended up hiring SNC-Lavalin anyway. That was after the fact. In the meantime, all that risk, all that grief was borne by the province, by Nalcor. It could have been borne by somebody who knew what they were doing.

I use that comment to also lead into the fact that this partnership and the opportunity – and I liked a lot of the comments about how this is a good deal for both provinces. I've also lived in Quebec, I get it. I understand. They have the expertise. They have the capability and here's an opportunity for us now to put our resources together in this MOU. It's really quite remarkable.

Another comment I want to make, another decision that led to so much – and the Member for Torngat Mountains in her

questioning, I think it was last evening, she was stating: What about the other entities? I'm completely with her. The Innu Nation is rightly a partner of this project. Absolutely. When you understand what went on with the Upper Churchill and how it flooded, essentially graves of their people and of their land.

The other challenge we have in Labrador – and I've spoken in the House before about some of the archeological work that our company did over the years and so on – the fact of the matter is, do you know what? All of the Indigenous people of Labrador used Mista-shipu, that massive highway going into the country. They were on top of each other, they respected each other, they worked with each other and supported each other.

The decisions of the day in 2005 and '06 was: We'll just do the one IBA. We'll do the one deal with the Innu and we'll ignore the other two. The grief and the stress and the protests that caused, I can tell you, I have too many personal scars to speak about in the House, but they were landed on myself and all of us in any kind of decision-making as we tried to defend and push back against that.

So I find myself here today, and in the days leading up to the December 12, and I must say just as importantly December 13 in Labrador, when I started to understand – and I heard this morning from these experts saying – that they see those lessons learned. They see those demons from the past being reflected in this MOU. That gives me a kind of comfort. When I came to understand the calibre and the quality and the approach of the team that was in place that included expertise from NL Hydro and, yes, by the way, those independent consultants from world-renowned, reputable firms providing us that advice, I started to become very, very comfortable.

I'm still going to watch. It's my duty. I love Labrador. I love the people I represent and

I'm going to continue to do that, but, Speaker, I must tell you, we're at a good point in our history. Let's keep going.

Thank you.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you, Speaker.

I just want to take a couple of minutes and then I'm going to hand it off to my colleague.

I want to make a point quite obvious that, I've heard the talk from people across the country talking about this deal and what it means, that's what is so important here because all of us in Newfoundland and Labrador want this deal to be the best deal possible. We have all lived with the last 1969 contract and the disappointments that has provided and the unfairness of the contract, and despite opportunities to try and reopen the contract, none of that happened. For a whole number of reasons, Quebec just didn't want to negotiate or renegotiate that particular contract.

Now what we heard this morning – and I'm going to paraphrase it because what I heard sounded to me like Quebec are desperate, Quebec are desperate for power and we have the power. So we have the resource. Again, I keep saying this, it's the resource of the people of Newfoundland and Labrador and there's been a lot of work done by a lot of people, Newfoundland and Labrador Hydro and others, to develop this MOU.

So the MOU is now before us and we're sitting here and we're going through it and debating it and speaking on it, but the more and more we talk about it, the more and more questions come up – legitimate questions and concerns.

If you listen to the people of Newfoundland and Labrador and what they're asking, and

a lot of people out there with a lot of expertise, a lot of opinions, that have studied this and have reviewed it, they have concerns that they're raising about this particular MOU. It's not that anyone is against anything. It's about making sure that we get the best deal possible.

**SOME HON. MEMBERS:** Hear, hear!

**T. WAKEHAM:** We've heard concerns about the numbers. We've heard concerns about the years. We've heard lots of those concerns and we continue to ask them. That's why, sitting here as 40 MHAs – and maybe everybody else is an expert, but I don't consider myself to be an expert here in engineering or anything else, but I do consider myself to be a passionate Newfoundlander and Labradorian who wants to make sure that we do not leave, for the next generation and generations after that, any kind of money on the table.

**SOME HON. MEMBERS:** Hear, hear!

**T. WAKEHAM:** That's what I've been calling for since day one. We have a MOU in front of us, we have a huge opportunity in this province of ours to right a wrong, to do something that needs to be done. We have a province – and I will say that again – who appears to be desperate for power. They have the need, we have the power, let's make sure we do it.

But sending it to an independent external expert to let them look at this, to have that extra analysis done to make sure that is what's there, I see no risk in that. I see no risk in it. We're going to negotiate definitive agreements, but if this is to form the basis of those definitive agreements, then let's make sure to have that independent set of eyes take a look at this and guarantee that before we, as Members of the House Assembly, stand here and vote. That's all I've been asking for since day one. I will continue to ask for that.

I do have a follow-up question quickly for the gentlemen. This morning I asked a question about how the electricity price contained in the MOU compares to that contained in other contracts or transactions in other jurisdictions. I was told that it was outside the scope of Power Advisory. I respect that, but I have a question for you.

How can Newfoundlanders and Labradorians be assured that we are getting the best value out of the electricity, if no comparison was conducted? It's like going to a grocery store and buying an apple without knowing the cost of an apple in other grocery stores. So I'd just ask that question to you.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

My response now is not anything to do with our mandate for Newfoundland and Labrador Hydro, but to answer your question. As I said earlier, most hydroelectric generation is rate regulated. There is a provincial or state regulator that administers a proceeding and then the rates for the supply from the hydroelectric generation are determined.

In Ontario, most of the hydroelectric generation is provided by Ontario Power Generation. Those facilities have been operating for years, just like Churchill Falls has been operating for years. That regulated rate is under 5 cents a kilowatt hour.

When I look to Western Canada and I look at the same, operating hydroelectric facilities in Manitoba, operating hydroelectric facilities in BC, those regulated rates are under 4 cents a kilowatt hour, all lower than 5.9 cents a kilowatt hour. For existing facilities, providing the same electricity, that is the most apples-to-apples comparison in terms of a Granny Smith versus a Red Delicious.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** I understand you're talking about the regulations and the regulated rates and those things, but when Hydro-Québec has been able to buy our electricity in the past at an extremely low rate and sell it for eight and nine and 10 times that value and they've been getting as much as up to 10 cents. We know that there are spot markets and there are guaranteed markets and such, so when you say that it is limited to 4 and 5 cents, you're not talking about selling electricity to the market. That's not what you're talking about there, for sure, because it's being sold for much more than that.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In fact, those are the rates or prices sold in those markets so that is a direct comparison.

With respect to Hydro-Québec and their activities to sell Churchill Falls energy or supply to higher-priced markets, I don't know where the 10 cents comes from. I can tell you where the export markets have been and where our forecast go. Back to the point that I have been making all morning, components in Schedule F account for that.

So if prices rise in New England, as example, under this agreement and if Hydro-Québec sells into New England at a higher price, that higher price will be reflected in the price received by Churchill Falls.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** I just want to reiterate something our leader said and make it clear. There are four individuals in this

House right now that are either from or have lived in Labrador or currently live in Labrador or represent Labrador, and I'm one of them.

My family is in Labrador West and I understand what this deal means for the people of Labrador and for the people of Newfoundland. There is nobody on this side of the House that doesn't want this deal, I can tell you what. What we want is the best deal and we need to make sure of that.

I will go back to December 12 when the announcement came, because I was asked by lots of people what I thought. My initial response is the same as everyone's, I'm sure: On the surface, it looks really good. I stand by that: On the surface, it looks good. But we don't understand all of the contents inside the MOU and we are looking for someone externally to review the MOU to make sure that the foundation of this project, moving forward, is as rock solid as possible so we know we are going to get the best deal; so we know we are going to right the wrongs of the last 56 years; so we know that the people of Newfoundland and Labrador can be proud of the utilities they have; so we know that the Indigenous peoples of Labrador are looked after; so we know that this is done the right way.

There is nobody on this side of the House saying we don't want this deal. We are saying we want an independent panel to review the MOU to make sure the foundation of this deal, before we start the definitive agreement negotiations, is done correctly. That's pretty clear.

There is nobody questioning these gentlemen or Newfoundland Hydro and saying that they are wrong. We are trying to make sure they were given the proper information, because we know in the past the proper information has not been disseminated. And now we know, as of this morning, that the information came from Newfoundland Hydro and we also know that

some of the information that was put out publicly was 12 years old.

We just heard, a few minutes ago, that there is most likely, based on the numbers that Power Advisory were given, some kind of quantitative or substantive engineering already done on Gull Island. Think about that. They've moved forward with engineering – we've been told that here this morning – and there are no agreements or no one who is going to built it. So we need to make sure we're doing this right, and I don't know how anyone in this House can argue against that.

At the end of the day, we've done things wrong too often. I'm not questioning anybody's independence. I've worked in industry and I understand how it works, but these gentlemen were not hired in line with Justice LeBlanc's recommendations. They were not hired to do that work that's outlined in that. They were hired to assist Newfoundland Hydro to come up with a plan to move forward.

So whether or not they're an independent third party that's working with Newfoundland Hydro, that's not disputable, that's exactly what they are; but they are not the expert panel that was recommended in the Justice LeBlanc report and there is nobody in this House of Assembly that can say they are, and it has been said, as clear as mud.

I'll go back to a question to the gentlemen from Power Advisory. Obviously, this morning, you said that some of your numbers came from Newfoundland Hydro and the engineering that they had already carried out. In your opinion, how far along are we in engineering on the Gull Island project?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That's not our area of expertise in terms of engineering for hydroelectric generation. Having been in the business a long time and have negotiated contracts for hydroelectric generation and worked along side companies that build and operate hydroelectric generation, the only thing I can offer up is there needs to be preliminary engineering done and it should be done with enough time to understand the geology, all the different components, to citing the project, its capabilities, how it's going to connect to the grid and how it's going to supply electricity, and those things take years.

So I can't comment on exactly what was done and exactly what should be done, but I do believe it's prudent that something was done in the past to assess the project to start.

**SPEAKER:** The Member for Terra Nova.

**L. PARROTT:** So we know that CF(L)Co obviously looks after the Churchill Falls facility. Were you ever tasked or asked to consider the contract expiring 2041 coming and the possibility of CF(L)Co – because I know people will argue that we don't have transmission capability, but in 2041 things get a little different and we all know that – selling its power directly to some of the customers who they already sell it to: Ontario, New England, Maine? Was that ever a part of your overall assessment?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As part of our assessment, we did assess the ability or the potential for supply from Churchill Falls to be sold not to Quebec, but to other jurisdictions. The reality is there are two parts to this. Number one, to do that, to move the amount of energy – it's thousands of megawatts – would require a lot of transmission build from Labrador to the Island, expand the capability of transmission

from Newfoundland to Nova Scotia, expand the capability from Nova Scotia to New Brunswick. If you're bypassing Quebec, then you have to build transmission somewhere else, either land it in Ontario or you land it in New England – very expensive and very time consuming.

I think the other thing I'd offer about that is another reason why our analysis concluded certain things is because, back to the deal, by working towards a new deal for Churchill Falls with Hydro-Québec, structuring it in such a way where there's value that's being realized for that supply – as I said earlier, there are components in Schedule F that deal with the export markets – Churchill Falls would be getting a price and paid, driven off those export prices, without having to build the transmission to receive those prices. Because the deal would already encompass using the existing right-of-way, the existing transmission to send the energy to Quebec, and then it gets sent on elsewhere.

We concluded it's just a much more cost-effective deal.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Did Power Advisory carry out an evaluation of the potential capacity of electricity generated by the second plant at Churchill Falls?

**SPEAKER:** Th Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We didn't get into any of the assessments regarding upgrades or expansion with Churchill Falls. Again, we were using information provided to us from Newfoundland and Labrador Hydro in terms of just the actual megawatts capability.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** I just have to go back to something you said earlier. Would it be fair to say this number, 5.9, or any of the numbers associated with the schedule, allows Quebec to get our power at a cheap price and subsidize their own electricity consumption?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I think the first point is, as I've been saying, Schedule F will provide for payments to Churchill Falls based on the various components, exports, replacement costs, things like that.

The second point is – and this isn't in the agreement; it's just a matter of fact – as I said earlier, Hydro-Québec, publicly, through their supply plan, through their strategic plan, declarations they've made publicly, they need lots of supply to meet their own internal needs.

So certainly supply from Churchill Falls will do that, but I believe so long as Churchill Falls is getting paid value that's higher than whatever government-set price for Quebec residents that are going to consume the power, that's neither here nor there. What's important is you're getting the value from other things.

**SPEAKER:** It's 12 o'clock, does the Member want leave to continue?

**L. PARROTT:** Yes.

**SPEAKER:** Is leave granted to continue on with debate?

**AN HON. MEMBER:** Leave.

**SPEAKER:** Leave granted.

The hon. the Member for Terra Nova.

**L. PARROTT:** Speaker, we were going to ask leave, actually, to adjourn and resume after 1 p.m.

**SPEAKER:** The hon. the Deputy Government House Leader.

**L. DEMPSTER:** Thank you, Speaker.

I move, seconded by the Minister of Education, that this House do now stand in recess until 1 p.m.

**SPEAKER:** This House do stand in recess until 1 p.m. this afternoon.

### Recess

The House resumed at 1 p.m.

**SPEAKER (Bennett):** Order, please!

Admit visitors.

We're going to continue with debate.

The hon. the Member for Terra Nova.

**L. PARROTT:** Thank you, Mr. Speaker.

Before we broke, I asked a question about if Power Advisory had carried out an evaluation on potential capacity for Churchill Falls second powerhouse and expansion, and we got an answer.

Just a question: The numbers provided to you in order to come to that conclusion, I assume, came from Newfoundland Hydro, so they would have some substantive engineering done on both the 11-turbine upgrade and the second powerhouse at Churchill Falls?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

The numbers for Churchill Falls upgrade and expansion were provided to us by

Newfoundland and Labrador Hydro. To the extent of what level of engineering has been done, I don't know.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** The number 5.9 cents is being used on a regular basis. Can you give me an idea of where that number comes from, the specific 5.9 cents?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

The number is generated from the components in Schedule F. As has been described prior by Ms. Williams and Mr. Parsons and by myself this morning, to be a little bit more detailed, there are forecasts around those components and then those components basically were put together based on the time frame and estimate of when those components would actually be used in the calculation.

So, for example, replacement costs at some time in the future. More so today, prices on the export markets in Ontario, New England and New York, and it culminates in that effective price.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** You had made the comment about existing power supply, the price being based on that. What would you project the price would be if Churchill Falls didn't exist today? Would that still be 5.9 cents or would that be 11 cents or 16 cents? Where do you think it would be if it was a new facility?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm going to answer that in two ways. If Churchill Falls didn't exist today, I still believe that the framework that is used in Schedule F would be and could be applied to valuing a similar resource that's already existing and if Hydro-Québec were able to import the energy from somewhere else. So I believe that to be the case.

You mentioned the price of a new project and what would that be. I think it's been established that it will be higher. The 16 cents was used this morning by me. It was used by Ms. Williams and Mr. Parsons over the past two days. That component, replacement costs, building new supply in Quebec is included in Schedule F. And that's why the actual price received by Churchill Falls under that circumstance, if it were to happen, would move higher based on accounting for replacement cost as per Schedule F.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So it's a well-known fact that Quebec mitigates all their prices and they utilize their multiple assets in order to do that. Some produce cheaper, some are owned, some are new, some are thermal generation and some are hydro. We've got a facility that costs us way too much money in Muskrat Falls, which is adjacent to Churchill Falls.

Has there been a study done of the possibility of running a transmission line from Muskrat Falls to join in to the CF(L)Co transmission line and rediverting the cheaper CF(L)Co power back through Newfoundland in order to mitigate our prices and exporting the Muskrat Falls power?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I mean, based on our scope of work, we didn't undertake any analysis like that. So I can't comment on how the power system

could be developed alternatively within Newfoundland and Labrador and then impacting exports into Quebec or otherwise.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So, by your own admission and description this morning, your task was to study markets in Quebec and you have studied the Churchill River extensively – 15 years is what you said. I am presenting you with an option that I think should have been explored. Do you think that option should have been explored?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Regarding the ability to end the existing Churchill contract 17 years sooner, therefore receiving the 30 times upside of higher payment to Churchill Falls without having to build any transmission anywhere, I think, is the right direction, and that was the direction taken and that has culminated in the MOU today.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** Fair point, but I will say that Quebec has been getting free power – and that's not my words; that's the words of both the CEO of Newfoundland Hydro and government – for 56 years. We are in a bit of a bind, I would say, because of, perhaps, ill-advised or pompous decisions, it put us in a situation where we are paying a lot and we pay a lot to mitigate and we have a huge debt.

What I just suggested – although I understand the engineering and the things that would be involved with it, from a negotiating standpoint, we've already determined that Quebec doesn't want our power. We determined that Quebec absolutely needs our power. We determined that they would possibly pay well over

double than they are paying right now, even at 5.9. That is the admission of the Premier of Quebec.

So if we took the 5.9, redirected to our own people here in Newfoundland and utilized our own power and I would argue that even if it was only 65 per cent that we had access to and we sold the power to Quebec even at nine cents, or eight cents, for argument sake, if they need it as much as they say and everybody – because by everything I've heard in here is that they need five times the power of what we're going to supply, not an upgrade to Churchill Falls, not 11 turbines, not CF2 and not Gull Island. They need everything that can be supplied to them.

Why wouldn't that be something that you guys would advise Newfoundland Hydro to look at? Or, even a better question, why wouldn't Newfoundland Hydro ask you guys to look at that, if that was the role?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Thank you for that. I caught all of that, so I'm going to unpack it in three different ways. Your first point about Newfoundland and Labrador – I'm paraphrasing you – specifying the need or identifying that, I think it's pretty clear as I said this morning, and as documented in Hydro-Québec supply plan, strategic plan, public declarations, it's pretty clear from their own words and their own mouths that they need the power.

I think the fact that they're at the table says a lot, and I'm saying that also out of experience in dealing with Hydro-Québec. I know historically how difficult it has been; not just things I've done for or been involved in regarding Newfoundland and Labrador in the past, but also when I was at the table on behalf of Ontario, across from Hydro-Québec, and I testified in Montreal back in 2016 for a day and a half, on behalf of

small, independent power producers, hydroelectric generators that were trying to renew their contracts with Hydro-Québec.

I understand first-hand how hard it is to deal with them, and I understand how they negotiate. So with that experience, I do believe what is in the MOU is a very good accomplishment. The fact that there are components in Schedule F that will allow the price to increase, that would assign fair value to Churchill Falls supply, is a big win. I realize that there's still a lot of heavy negotiation; it won't be easy, and that is where those components will be defined.

In terms of alternates in Newfoundland and Labrador as I said, we weren't asked to look at that, but I also believe that if you're building more infrastructure, with a view of positioning yourself in the future to then maybe get a better deal by selling at that point in time, I don't know and I don't think that that's the most direct route to think about this opportunity for Newfoundland and Labrador right now. And I do note that in the Churchill Falls – in the MOU, there are discrete periods of time identified in one of the schedules in the MOU, where there are supply megawatts going back to Churchill Falls for use and supply within Newfoundland and Labrador. I think NLH has done a really good job to negotiate that as well.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So that would be 605 megawatts that become available in 2035 – which is a long way away when you think about, especially given the necessity of power for Labrador West, expansion of Kami, Wabush 3, Tacora, Alderon, any other, Search Minerals, anything else that's going to happen in Labrador. So 10 years is a lifetime.

I'll ask you this, 5.9 cents, leaves Churchill Falls, goes to Quebec. Schedule F, I understand the escalators, I know how the

numbers work. Goes to Quebec, instead of Quebec selling that power externally, I would argue that the 5.9, while its above their mitigated rate now, it's the cheapest power they have access to. I would think that if I were Quebec, I would utilize that power for my residents. If I were the premier of Quebec that's exactly what I would do. And I would export my expensive power outside in order to mitigate price, increase profit and do better for my province.

Would it not be fair for us to look at doing the same thing? I mean isn't that what we're looking for?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I understand the premise, and I just believe that the framework that's in the MOU is just a better way of doing that. Because it doesn't require Newfoundland and Labrador Hydro to build more infrastructure to be able to export to the same markets that Hydro-Québec is already doing. The framework in the MOU under Schedule F allows Churchill Falls to receive a higher price based on those export opportunities.

I'll readily admit Hydro-Québec is very good at managing and trading between their market, across markets and making a lot of money. They've been providing the Quebec government with \$2 billion a year in dividends.

The way I look at this deal, it's allowing Newfoundland and Labrador to have and take some of that in the form of payments under the contract. The more Quebec does better, the better Newfoundland and Labrador does.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** So the \$17 million that's always quoted that's leading up, it is a misleading number.

**AN HON. MEMBER:** Seventeen billion.

**L. PARROTT:** Seventeen billion, sorry. That \$17 billion includes money that's coming to us for an equity stake in Gull Island, should it go ahead.

**A. FUREY:** No.

**L. PARROTT:** No? Okay.

**A. FUREY:** (Inaudible.)

**L. PARROTT:** It's separate? Okay, perfect, all right.

**B. PETTEN:** Put it on record, if you're speaking.

**A. FUREY:** Sorry.

**SPEAKER:** Is that a question?

**L. PARROTT:** Yeah, go ahead, yeah, get him on record.

**SPEAKER:** The hon. the Premier.

**A. FUREY:** Thank you.

Sorry, I misspoke, Mr. Speaker.

**SPEAKER:** Your mic is not on.

**A. FUREY:** Sorry, I misspoke, Mr. Speaker, out of turn. I apologize to the hon. Member.

But just for clarity, the \$17 billion is from Churchill Falls PPA, and then the option payments are \$3.5 billion, in addition to the \$17 billion.

**SPEAKER:** The hon. the Member for Terra Nova.

**L. PARROTT:** I will ask you this: The MOU makes an assumption that everything is

going to happen in a perfect world, that the PPA is going to be done, the 11 turbines are going to operate at a certain capacity, that maintenance, based on a certain periodicity, is going to happen – and we should, I would hope, understand what maintenance means going forward.

I would hope that those numbers are also derived from construction cost of CF2, coupled with maintenance going forward, staff and all the overheads associated with all the things that we need to do to get those numbers and, again, Gull Island, same thing.

I believe that if we construct those things, unlike the, I will call it, propaganda I guess, unlike the information that was put on in the technical briefings, the propaganda that was saying 13 million person-hours – I think that number is delusional and it should be somewhere in the vicinity of 100 million man-hours, from a constructability standpoint. If all of that goes ahead, this all sounds somewhat reasonable to me. I mean, I can't argue that. It's the what-ifs and it's the unknowns in the MOU.

So I will ask you this: What happens to Schedule F if nothing happens with CF2 and nothing happens with Gull Island and Quebec abandons it? Because, as we have already said several times, right now, Quebec is looking to increase their power five-fold based on what they are getting from us. I would argue that they have an opportunity, while they are looking to increase their power, to find a cheaper alternative.

Here is my take on it. If I am from Quebec and I'm signing an MOU and I have information from the Province of Newfoundland and Newfoundland Hydro that tells me their estimates are \$24 billion and 13 million man-hours, I am going to run with that. I can tell you, there are people back here behind me in this audience who know that I'm right when I say this. It's not

even close to the person-hours it's going to take to construct that facility.

But if they can find a cheaper alternative – as you have said, they're pretty astute in what they do – they are not coming here to build Gull Island. It's gone. Contrary to what government says, we could have Gull Island tied up for 34 years. It comes due in 15 years, passed 2029, and they can do basic groundwork for 15 years and we can't argue with them – we can take them to court. We just took them to court for 56 years and we got nowhere. For that 15 years, they can get there. Then they can say we are going to construct and move forward, which could tie it up for as much as, like I said, 35 years. If Gull Island doesn't go ahead, if CF2 doesn't go ahead, what are the prices? Are they still good?

I know that the escalating is there. That's not what I want to hear. The overall deal is based on the assumption that all this happens. If all of this doesn't happen, how do you feel about the deal now?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I still like the deal a lot because it's been explained by Ms. Williams and Mr. Parsons, based on the terms of the MOU, if Hydro-Québec doesn't move forward with the new developments, the Churchill Falls agreement is intact.

**SOME HON. MEMBERS:** Hear, hear!

**J. CHEE-ALOY:** So all of the things I've been talking about all day regarding value in Schedule F, potential for higher payments, didn't need to take on costs with respect to more infrastructure build, like transmission, those things are all true.

I mean, with respect to the time frame of the exclusivity, I'm not going to opine on that because that's not what we were asked to do. But just understanding this market and

other markets, at the end of the day, it's a big endeavour to build anything. We've talked about Muskrat Falls a bit in terms of some of its challenges and its lack of a buy side to a long-term agreement. I think that could still happen.

If you had to figure out do I build Gull, do I expand Churchill Falls, the same assessment would be needed. How much do I need it for my internal consumption; do I have enough demand to justify the project? That means, I think, given the size of those projects, the need for a clear buyer, off-taker, within a long-term agreement.

So, to me, you have that right now and you're playing the hand that you have.

**SPEAKER:** Okay, the Member's time –

**L. PARROTT:** (Inaudible.)

**SPEAKER:** One quick question?

The hon. the Member for Terra Nova.

**L. PARROTT:** But is it fair to say if none of that happens, the numbers that government are throwing around, a quarter of a trillion dollars – \$220 billion, which is not actually a quarter of a trillion but it's pretty close – \$220 billion is not a realistic number if Gull Island and CF2 does not happen.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I mean, the number is less, I can't comment. I don't know what's driving all of those numbers, what's driving the payments, what's driving the corporate structure of the various entities. I mean, we have not opined on that at all and I'm not going to do that now.

**SPEAKER:** Premier, are you further wanting to respond to that?

**A. FUREY:** Yes.

**SPEAKER:** The hon. the Premier.

**A. FUREY:** Thank you, Mr. Speaker.

I just want to be clear that if Quebec decides not to go ahead with this, the CF PPA new agreement, with all the future proofing intact and Schedule F is intact. Is it reasonable to suggest that if a project doesn't go ahead and the subsequent revenues don't go ahead, do we not get those revenues? Of course, we won't get those revenues.

But the revenues embedded in the new CF PPA are approximately \$180 billion in their own right, and that's cash to the Treasury. That's after you subtract the cost of the facility. That's after you take off the share to Hydro-Québec.

If I'm wrong, Ms. Williams can correct me tomorrow, but that's my understanding about the allocation of the deal space.

**SPEAKER:** The Member's time has expired.

Next speaker.

The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you, Speaker.

I'll begin today, as I began at the beginning of Monday, by saying I appreciate the opportunity, but, more importantly, I appreciate the time of the individuals that have chosen to be here. I don't know if the official term is witnesses, but they've chosen to be here on the floor of the House. I appreciate your expertise, the fact that you're here and the work you put in.

I can say this on behalf of myself, and probably on behalf at least two other Members in this House, I only wish I had the opportunity to have people on this floor to

ask questions to about 10 years ago in this House. That is where a lot of what I say comes from and I know some of my colleagues.

I've been listening intently. There have been good questions coming from both sides, good points and I appreciate the excellent answers you've given, but I think you've justified one of the decisions that I think was important, just on sort of the openness side, which is you've justified the decision to open the House.

Because one of the decisions that we had to make was: When do we have this? We said we wanted to do it as early as possible. We want the people that were a part of it to be here and to be questioned, to be televised. Anybody can choose to watch this and, in fact, they can choose, as I've had – I've had people emailing me questions, thoughts. I know other Members have as well.

But part of it, too, is the question about the timing and the review. There are going to be reviews, going to be oversight, but to have the people here to answer their thought process as a part of this process, rather than after, to have a review without even talking to some of the people that formed the mindset that got there, is one of the reasons that I, again, think that we made that right decision and I appreciate your time.

Now, the first question I'm going to ask is actually a question that comes from a colleague of mine. He's asked it a couple times. I think he wanted an opportunity – again, there are time constraints, but this 5.9 cent sale from CF(L)Co to HQ, the kilowatt per hour sale, do you feel – and I know this is sort of a broad question – that's fair market value for the resource?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Simply put, I do. It is based on just, one, our analysis as consultants that assess markets and that understand the Quebec market well and the export markets well. And it's, two, based on my experience, having dealt with and negotiated discussions with Hydro-Québec and just understanding that, to get to this point, required a lot of effort.

Every deal is difficult and tough. At the end of the day, I am still reminding myself that – as the term has been used by Ms. Williams and others today – it is kind of like Quebec has been getting free power from Churchill Falls. This was an opportunity to make sure that we have learned from the past, lessons learned, and it is a good deal.

**SPEAKER:** The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you.

I want to, again, go to the oversight, which I think in fact that you – and I never heard this myself, but that you may have had some commentary with the media and talked about oversight, heard what the Premier has said repeatedly on oversight for the three days here, as well as before, and I think you've heard what the Premier said – you guys have been following this.

Can you give me your position or thoughts, using your experience over the last couple of years, on oversight and oversight as it relates to this process?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'll say this, I agree with the Opposition in the sense that they're asking for independent oversight. That has to happen – it has to happen.

Now, I'm not going to opine on the governance of Newfoundland and Labrador and when that should happen because

that's, to me, what's at play right now. There is an ask to do it now, with the MOU, and there is a declaration made by the Premier that we're going to establish a panel and, presumably, that's before the definitive agreements have been executed.

It has to happen somewhere because, one, based on experience, I've seen many different ways for that to happen in different jurisdictions. But I've also seen what happens when it doesn't happen, and that's not good.

So that's my position on it, that it needs to happen. But, again, I think it's best suited to figure out in Newfoundland and Labrador based on your governance when it should happen.

**SPEAKER:** The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you.

I want to go back to a comment that the Premier made during the lunch hour in a scrum outside in front of all the media. He was asked a couple of questions. Some were about the incoming president of the United States; we're not going to talk about that here.

But one of the things we talked about is – and not only has it been brought up in here but it's been brought up outside – the term “cheap” power. The Premier addressed it by saying – and I'm paraphrasing – yes, the term that has been brought up is cheap, but if you ask the premier of Quebec and even what he said at the press conference, it's cheap compared to the alternative.

Is that a statement that you would agree with or can give some context to?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Those are all, in my mind, kind of off the cuff, subjective ways of viewing things. I mean, as I said this morning, there are all these supply options, whether it's Hydro-Québec to meet their needs or Newfoundland and Labrador to meet their needs or another jurisdiction to meet their needs. Power systems are complicated. You assess what your demand requirements are, you assess the supply that you have and the capabilities of those supply resources and then what do you need going forward to maintain your power system's reliability. You want to do it as cost effective for your customers. That's a complex thing.

So depending on how you look at it, if you just look at it through a very specific and small lens and compare one thing to the other, that view is very different, if you compare it in totality.

That's why I keep coming back to Schedule F – and I'm probably saying that a lot – it's trying to factor in all of those points.

**SPEAKER:** The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you.

I think that actually is what was said in the scrum today. Schedule F is something we've also been talking about quite a bit.

Now something that I think was brought up by the Member prior to me was when we talk about construction of the assets, and I think one of the worries of the Member opposite is about not building – in fact, I think what the Member was saying is that there was a mindset of: We should do this ourselves, build it ourselves, build the transmission and not rely on Quebec for various reasons.

**AN HON. MEMBER:** I never say that.

**A. PARSONS:** Well, you'll get a chance to speak. There is lots of stuff you said that I didn't agree with but I didn't chime in.

**AN HON. MEMBER:** (Inaudible.)

**A. PARSONS:** Okay.

Do you want the rest of my time?

**SPEAKER:** Order, please!

**AN HON. MEMBER:** No, you can keep that.

**A. PARSONS:** Okay.

So what I would say to the Member opposite, who will get a chance to correct the record, he's making an argument, it seems, about building the assets. But I want to talk about the fact that one of the beauties of this deal, in my opinion, is the fact that we're going to work with the partnership on that, on the building of the new asset.

Can you talk a little bit more about that? I think you've already brought it up but I'd like to hear it again.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Just for clarification, are you referring to the partnership in building the new assets in Labrador?

**SPEAKER:** The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Yes.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** This was outside our scope but having enough experience this way in terms of working with developers building projects, including hydroelectric

generation, as well as being on the other side contracting for the supply of hydroelectric generation.

Hydroelectric generation is complicated to build. It's not as straightforward as a generator fuelled by natural gas or a wind generator or a solar generator. It's very site specific. The permits and approvals, the siting that goes along with hydroelectric generation is more onerous than everything else from the supply side, other than nuclear generation. So there's a lot to manage.

I can point to certain projects like Site C in BC and Keeyask in Manitoba where there were real challenges, and my opinion on that is because those utilities that were developing those projects hadn't been developing projects for quite some time. So it's a pretty specific expertise and how you manage that entire project.

One of the Members of the House has discussed Muskrat Falls and when SNC-Lavalin came on the project; all of these things matter. I do believe, based on Hydro-Québec's track record, they've kept their chops up.

They've basically gone from one project: build, assess; another project: build, assess; and the last project they built was la Romaine. When you compare la Romaine to those other projects I've mentioned in Manitoba and BC, it's not even close which one was done on time and a lot cheaper.

So I believe that leveraging that expertise and partnership between Newfoundland and Labrador Hydro and Hydro-Québec is a prudent thing to do.

**SPEAKER:** The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you.

Again, I thank you for the answers and your time here. I'm just going to make a couple of

comments and then – I know that my colleague from Labrador West may be speaking to this and I'm sure one of the things that he's going to talk about is mining and power in Western Labrador.

One the important things here is we talk about the timelines and when power is available. I think it's important to note that 2035 is not when power is first available, as has been said by Members opposite, that 2035 is not. It's 2031 and I think it's just over 300 megawatts available. That allows for transmission to be built.

We have to build these lines, okay, and it's going to be available. In fact, what I think is important to note, it's right in Kami's EA, this fits exactly with their current timelines as filed by the company. It fits in with the timelines for Julianne Lake. It fits in with the timelines for IOC and Rio Tinto. I talked about this and, believe me, I'm going to talk about it again later, is that the timelines as proposed are extremely reasonable.

One of the questions, one of the points that's been brought up is: Well, we're trusting Quebec and what if they walk away? Well, it's my submission, I don't know of many people, companies, governments, that are willing to say: Here's \$1.3 billion that you can keep, no worries, we're not worried about this \$1.3 billion to the bottom line. We really weren't interested in getting this done.

I would submit, that, yes, as has been said by both sides here, they want and need the power and I think, if anything, they want to move quickly. It's a sign of why we are here and how we are here. So I want to point that out, that these things need to be said.

It's not a case of they control this or we get nothing. As the Premier just pointed out there, the Gull Island situation, well, there's a whole other part of that with \$180 billion, but again there's \$1.3 billion, which is just over 10 per cent of our provincial annual budget, if they do nothing. I would submit

that is not their intent, that's not their mindset and that's why we are here with the MOU that we have.

Thank you for your time.

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you, Speaker.

Just a couple of questions here for our guests. Given that this MOU is long out, a 50-year deal, and your expertise in the North American market, is 50-year deals still a commonplace objective, or like we see with some of the contracts that Quebec has made with New England, New York, they're like 20- or 25-year deals, is this still a commonplace deal length given the situation on the rest of the markets?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

For hydroelectric generation projects that are under contracts with utilities or other forms of off-takers, the norm is much longer term than 20 years. Forty, 50, I've seen contracts more than 50, and that's still going on today, because it recognizes that hydroelectric generation is a long-term asset. It can literally operate in some circumstances over 90 years. And it's still used and useful over decades, well into 50s and 60s and 70s, years of operation.

The contracts that are being executed that are shorter duration, 30 years and down, 20, is kind of the bogey in terms of the average contract term. It's really for wind and solar generation, the useful life of those assets is a lot shorter, so that's basically the industry norm.

**SPEAKER:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you, Speaker.

Given in Schedule F, the fair value concept has been proposed in this MOU, is that a norm in contracts now, going forward, in the North American market? I know it's a first-time use for us here in this province, but I just wanted to know if this is a concept that is used in the contract negotiations in hydroelectricity?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In my experience, this is different, in the sense that it is trying very hard in an attempt at flexibility to properly value the supply from Churchill Falls over a 50-year period. In most circumstances in the market, there is a price; it is a single price that is typically adjusted by some inflation factor that is included as a provision in the contract. So therefore, I can think of lots of examples where over 20 years, was that contract – quote, unquote – good or bad? It just really depends on what side you're on. The approach here, again lessons learned from the past, is trying to mitigate what I just said.

**SPEAKER:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you, Speaker.

Now with the marketing and processing and then your explanation of the fair-value concept that's applied here and marketing. Is there any concern that the inflationary aspects of commodity pricing will create any pressures on this that may skew it one way or the other or that may have anything that we should keep our eyes out for with these different pressures? I know looking at the New England markets and seeing that they can be pretty wild on the spot markets sometimes. Is there anything in that concept that probably would skew it in a way that may be of any concern?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm really glad you asked that question because I've been trying to figure out when is the right time to raise these points.

The reality is, in my opinion, building generation and the electricity markets, as we sit here today going forward, there's a lot of uncertainty. Money markets, like interest rates and things like that, commodity prices, inputs into the supply chain to build generation and transmission, all of that stuff is uncertain.

A lot of it is because we're living in a different time now, right? We have wars happening that are affecting supply chain and money markets. As I said earlier this morning, we have changes in the power sector based on increase in demand because of electrification. What I didn't talk a lot about was change in supply mix; preferences to non-emitting resources, like wind, solar, hydro; battery storage. It's all changing. I've listened for two days regarding is this the right time, and I said this morning that it is the right time.

Here's another reason why the time is right. It's firming up all of those uncertainties in definitive agreements today. You can't do that completely in an MOU, because it requires a lot of detailed negotiation and a lot of detailed contract provisions.

For example, I was in Ottawa back in November for a series of meetings and I got talking to an executive at Siemens. They provide a lot of supply chain, a lot of equipment to build transmission and power generation. I asked that executive, what are you observing in the market? He says, well, my biggest clients are BC Hydro, Hydro One in Ontario and Hydro-Québec. I have to tell you right now, Hydro-Québec is cleaning all of their clocks. Why? Because they're thinking forward.

They're making reservations for equipment. They're building in the flexibility to have the supply chain and to know what prices they're locking in so they can hedge against the things you're talking about and the things I'm talking about that might render these things more expensive or, in certain circumstances, equipment that's unavailable.

That's one reason why I believe that the time is right. Because, as I said earlier, every jurisdiction is going through this. Increase in demand, needing supply, and by the way, a lot of it is replenishing supply. The stuff was built decades ago. It needs to be replenished.

Everyone is going through this now, so it's a big race to lock in these types of equipment all along the supply chain, and services. I believe that Hydro-Québec has been pretty good at doing that over time and I think that's why they've been a very profitable utility.

When I step back and think about the opportunities for Newfoundland and Labrador and how to best go about it, that's why I think this all makes sense.

**SPEAKER:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you.

I guess my final – it may be my final question maybe – you look at Schedule E and the breakdown of expiring blocks and that for power for recall for this province. Do you see any concern there with that kind of expiring block giving low projections in the future for our own region, but also low projections in Quebec, the scheduling of those blocks? Do you see any concern or anything like that for making sure to securing our power for 50 years?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That was an area that we weren't asked to opine on, but just quickly I will say that – and it kind of can be tied to the timing and independence of this whole thing – at the end of the day, I view the MOU as a necessary step. It's a framework to enable guardrails to negotiate definitive agreements.

I think all the things that you're describing and all the things I've been describing have to be thought about and factored into when negotiating these definitive agreements. That's why everyone is saying that's going to be difficult, that's going to be challenging, that's going to be tough, but this is enabling framework that allows you to do that with guardrails.

At a certain point in time there will need to be oversight on what those definitive agreements say and what those provisions are, because there will be certainty with what's about to be signed. So to your question, are those risks addressed in those definitive agreements, yes or no? That's the more appropriate time to ask ourselves is this the right thing to actually execute.

**SPEAKER:** The hon. the Member for Labrador West.

**J. BROWN:** Thank you.

Also on this – and I know you said it earlier in conversation – you've never worked for Hydro-Québec but you've worked for small utilities that sell into the Hydro-Québec grid, the smaller privately owned plants and that. I guess with your work with them, what do you think of dealing with Quebec on that side of it, as well as what's (inaudible).

Can you give us some perspective of the mind of Hydro-Québec, because I think we're all here trying to figure out what are they thinking? Can you give us a little bit of perspective on that?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I think Hydro-Québec is a very well-run company, it's a very well-run utility and their financials clearly show that. I've always known them to be very comprehensive, very good, can be very difficult to negotiate and deal with.

Again, based on that experience that's why I said it this morning, I'll say it again, two motivated parties. They were getting, and they continue to get up until January 1, 2025, only so many days ago, very cheap power. The fact that they're willing to renegotiate that, given everything that I just said and all the experiences others have had in terms of trying to do deals with Hydro-Québec, that says a lot. That's another reason why I said earlier the timing is right.

**SPEAKER:** The Member's time is expired.

Next speaker.

The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much, Mr. Speaker.

Thank you very kindly for being here today and for being so clear and succinct in answering these questions. They're very, very important to the people of Newfoundland and Labrador. They're important for making our decisions.

I really listened well and I appreciate – and perhaps it bears repeating that you talked about – this is just an enabling framework and providing the proper guardrails to get to a definitive agreement.

Sometimes I think that there's some confusion as to whether or not this is the definitive agreement. But I think you were

very clear that this is the guardrails, this is the enabling framework so that we can continue over the next 16 months to get to a definitive agreement, as the Premier has been very clear to the people of the province, to return to the House of Assembly at that time.

I don't want to put words in your mouth, so I'm going to ask you, I thought I heard you say that would be the proper time to make sure that we have the right oversight, make sure that we have the right language, make sure that we're very clear in those definitive agreements.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Yeah, I have said that I believe there needs to be independent oversight. I think that it can happen in different places, as I've said. I've seen examples, I've lived examples in Ontario where there was no oversight and I've seen the outcomes of that. So I stand by that.

As I said, I believe that when the definitive agreements or at the point in time when things are much clearer in terms of what are the main economics of the deal and all the things, like in terms of, for example, the new developments, how is that going to happen and what are the covenants around that, all of these things are important. Understanding the history again in Newfoundland and Labrador, there is necessity to have oversight on that for sure.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I just want to remind the people of the province that the Premier has been very clear on that oversight and making sure that we have, what I'm going to call, another element, a further element, that includes an

expert panel that will provide third party, independent advice to Cabinet as we negotiate those final agreements. I think that's very important.

I just want to go back. You established this morning – we talked a lot about your independence, your expertise and the information that you provided to guide this MOU.

Is your advice reflected in this memorandum of understanding?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

It's most reflected in Schedule F.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** That's exactly where I was going, so thank you for that. Because there has been a lot of debate in public about ensuring that we don't replay the original 1969 deal and some have suggested that it is the 1969 deal but for less money. I have actually seen that quote.

So I'd like for you to take a moment to review Schedule F and the pricing mechanisms and give your expertise on how this differentiates between the 1969 deal and today, and how there is an ability to price adjust. I'm trying to get into Schedule F.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I will start the answer – I'm getting a little parched, so I'm going to give myself a break and I am going to allow Mr. Yauch to continue.

The answer is they're completely different. I mean, 1969 was a fixed-price contract. In

contract terminology, there were no reopeners. There were no price escalators. There were no adjustments to that price. It was a fixed price.

By the way, I mean, those contracts generally don't exist at all. They just don't exist at all today. There is always some sort of adjustment. I've seen a lot of contracts with reopeners for certain circumstances that happen. It may not even be about power; it could be outside of power.

So as I said earlier, through lessons learned from that process and what's transpired, based on that original '69 contract, the components listed in Schedule F are meant to properly value supply from Churchill Falls over the life of the contract, being 51 years, and by way of that, it is derisking that Churchill Falls is not going to receive that fair value at that point in time in the future.

I'm going to ask Mr. Yauch maybe to run down and give some colour to some of the key points or components in the Schedule F.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** As my colleague said, the 1969 contract is a fixed price that went until 1969 to 2041. What you see in Schedule F and what the new deal is attempting to do is take various blocks of supply from Churchill Falls, as from 2025 to 2075, and tie those to various components. Now we talked a lot about those components but maybe we'll spend a little bit of time on them.

Some of those components are spot-market pricing that we've talked about, ISO New England, New York, Ontario, there's a value to those prices that's set every hour and some of that value will come to Churchill Falls.

Some of the price is going to be based on replacement costs. We've heard a lot about replacement costs, things like a new hydro facility. So a certain block of energy that

comes from Churchill Falls, we price at that block.

Capacity is included. There's a difference between capacity and energy. We can get into it, but there is a capacity value that is almost embedded in the energy price.

So what happens as we go forward, these various blocks can change. We can move towards replacement costs and more towards spot-market pricing, but the importance is that as markets change, as electricity grids change, as supply dynamics and demand dynamics change, those changes are reflected in the contract, as opposed to the past, where it didn't matter what changed, the price remained the same.

So you can call it hedging, you can call it the portfolio approach, I think it's been described many different ways, but the importance is that changing dynamics of the electricity grid and the electricity markets now flow through to Newfoundland and Labrador through the new contract.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

That was comprehensive and I appreciate that because there has been some confusion, I'm going to call it, in the public about whether or not this was better than 1969 and I'm glad you articulated so well why it's different and why it's so much more improved.

You indicated this morning that the memorandum of understanding was being applauded nationally and indeed I think you said in the United States, so internationally. Why is that? Is it that this is such a good deal for Newfoundland and Labrador? Perhaps you can –

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I believe that those comments, the positive comments applauding the MOU, are coming from a few areas. In no particular order, the sheer size of the deal. I think a lot of people in the sector acknowledge that these types of deals don't happen every day. They're not regular.

So I think that's the first thing. I think the second thing is, especially in Canada, there's acute awareness across the country about Churchill Falls and at what price has Hydro-Québec been getting supply. It's been well publicized, whether it be the Supreme Court challenges or what have you.

As electricity sector professionals, they understand what that means, but they also understand what that means for Quebec and they understand what Quebec has been doing and how they've been enjoying the spoils of that contract. So, frankly, there's a lot of shock across the country that Quebec's actually doing this. That's the truth.

Then I think the third thing is – and this is with respect, I don't say this negatively – it's challenging to negotiate deals with Quebec. It just has been. Whether it's trying to reserve transmission through Quebec and having to deal with that or renegotiating the Power Purchase Agreement at its expiry, whatever. That's because I think Quebec is very good at what they do.

So the fact is there are a lot of people around this country because they've said it to me: Wow, good on them.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you.

I like that good on them. I like that comment.

Earlier in debate, a Member of the Opposition questioned would we be better off if we developed and went to export markets ourselves. You did a very good job helping us understand why this is the best approach, for a couple of reasons. One is the construction risk, but also because of the way that you've been able to do the pricing model.

Could you articulate that again? I think it bears repeating. It was an important point because there are some saying, well, we should go on our own and do it and build our own transmission lines. So perhaps you could bear repeating why moving on this memorandum of understanding toward a definitive agreement would be a good approach, the best approach.

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

So, again, two paths, and I think this is the correct path that's been chosen in the MOU. It is ensuring that the price and the value of the Churchill Falls supply is commensurate – I'm saying in a different way now, purposely – with the prices and the value as realized by Hydro-Québec.

I used the example before, if an export price goes up, then the Churchill Falls price goes up. If the replacement cost price kicks in and it's higher, as I used examples this morning, then that causes a result in increased price to Churchill Falls for that supply.

That path is without the need to build any transmission. As I said, earlier this afternoon, Hydro-Québec does good, Newfoundland and Labrador Hydro does good. I think I've established, at least, my opinion, Hydro-Québec is really good at doing those sorts of things: optimizing resources and making money.

The alternate path is more risky and more expensive, and it's building the transmission infrastructure in Labrador, improving and expanding the transmission to Newfoundland, expanding and building the transmission from Newfoundland to Nova Scotia, expanding and building the transmission from Nova Scotia to New Brunswick and then, finally, building transmission, for example, to New England.

Not only is that expensive, back to some of the points about timing. There are a lot of different entities I just described. All of them have to be party to some form of agreement to allow for this to happen. Based on my experience, in terms of electricity infrastructure build, it takes a lot longer today to build anything compared to several years ago; for sure, 20 years ago.

Citing and associated requirements, permits and approvals, I mentioned those before. I'm now mentioning projects should always have Indigenous consultation, Indigenous participation, whether through an impact benefit agreement or equity, those things have to be negotiated, and then stakeholder engagement.

In my experience having procured, on the other side, a lot of supply, I've seen things change very quickly over a short period of time. As we were building a lot of generation in Ontario – and I'm starting to see it in Alberta – the corners that were cut before in terms of how you cite something, how you permit something, how much consultation do you do, they don't exist any more. You have to go through all of that in a very detailed and robust way. That takes time and money. That's in addition to the actual cost of the transmission.

So I think clearly – I'll say it this way: I don't know how much studying you have to do to realize that that path is inferior to the path that's been chosen today under the MOU.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you.

I believe you've expressed your opinion, but I'm going to ask you directly. Is this the right direction and decision to move forward on a memorandum of understanding toward definitive agreement? Of course, those definitive agreements, we're a long way off from that yet. It's going to take 16 months and a lot of work to get to those definitive agreements, and it will be brought here for review and debate.

Is it your opinion that this is the right direction and decision point for us to do so?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Yes, I stand by what I said, and I think it is the right direction.

I liken this to, if I was negotiating with a private company, a publicly traded, independent power producer, which I have in the past, and I wanted a contract for 1,000 megawatts of whatever the supply is, a new build, typically, I would negotiate and they would want negotiated a term sheet. So those are the high-level terms that drive the conditions and provide the guardrails for what that actual agreement or contract would look like.

So it allows the two parties to negotiate concepts. It allows for the agreement of direction and concepts. At its best, it can define the overall economics. Importantly of what it is, it's also acknowledging what it is not. It's not supposed to be the actual contract. It's not supposed to be all the details about how do you actually build this and if this happens on the way of building it, then what are the remedies that have to be negotiated and then what are other covenants to rectify all of that. That will take forever.

This is a very useful step – the MOU – to get to the point of having a more effective

series of negotiations for those definitive agreements.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I'm going to ask a question: Did we extract fair value for Newfoundland and Labrador in this memorandum of understanding?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I believe so. I've been saying that all day. I think a lot of lessons learned, and I'll say it again that it'll be hard work to define what those components really are in terms of their actual definition from schedule F. The negotiating team, I'm sure, will work really hard to come up with metrics and mechanisms to create clarity so there won't be disputes about it in the future, well, this is what that meant; no, this is what that meant. It needs to be as clear as possible to define what that value is in the future, to apply it to the actual price, therefore payment to Churchill Falls.

It's not just one thing. As my colleague, Mr. Yauch, described, it's a series of components or blocks, if you will, in terms of different ways to value the Churchill Falls supply – export markets, replacement costs – and all of those things have to be negotiated.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you.

I appreciate your candour with which you're answering the questions and your clarity. So thank you for that.

One final question – it was something that was raised this morning and there was

some question about the Newfoundland and Labrador Hydro information. You talked about how you used Newfoundland and Labrador Hydro information in your analysis.

Could you please advise if that is standard practice in the industry? I thought I heard you say yes this morning; but again, for the people across the Province of Newfoundland and Labrador, you would've expected to have the right and proper information and were provided same?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

The only information that we used from Newfoundland and Labrador Hydro related to Labrador projects and Churchill Falls itself. That's just prudent because that's who is operating as a part owner – Churchill Falls. In terms of whatever studies they've done preliminarily – I know they have for Gull, as I said earlier; I don't know for sure for Churchill Falls Expansion upgrades – our firm wouldn't have that information.

I can clearly say again that any information that dealt with or was in regard to Quebec, any other jurisdiction that we assessed, like Ontario, New York, New England, any other information dealing with best practices in terms of contracting, any industry trends, all of that information, all of that analysis was solely driven by Power Advisory.

**SPEAKER:** The Member's time has expired.

Next speaker.

The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you, Mr. Speaker.

I would like to start with Power Advisory. Just coming back to this morning, with regard to their mandate of work, you

indicated it was about helping put this MOU together. Did that include maximizing value for Newfoundland and Labrador?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In the sense that the payments that Churchill Falls would receive, as I've been describing, under Schedule F, to maximize the value of the supply, the answer is yes, we were involved with the components and the concept of the portfolio, or as described by Mr. Yauch, Ms. Williams and Mr. Parsons before, embodied in Schedule F.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you, Mr. Speaker.

So let's come back then to some of the body of work that you were involved in, Schedule F. I asked a similar question to the VP of NL Hydro yesterday. That \$33.8 billion, he indicated it was a target. Basically, a locked-in target. What is your assessment of that \$33.8 billion in Schedule F?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I recall Mr. Parsons and what he had said, and my opinion is the word "target" was used to describe the context to which the entire MOU was put together. So I used the term "guardrails," and I'm going to use them again because I think this is a good example of that. Procedurally, there was a lot of negotiation as I understand it – because again, I wasn't in the room – regarding the components in Schedule F.

There was forecast to those components, which created a value. Then that was negotiated. That value – I haven't used this term a lot; you did – \$33.8 billion in net

present value, which generally equates to an effective price of 5.9 cents a kilowatt hour, that's a pin. Put that pin in, and that was negotiated. From there, all the other aspects are connected knowing that pin is there. It's just my opinion. I believe that's the way he was using the word "target."

Now, do I believe that is a target in the sense of that is the price and the only price: 5.9 cents a kilowatt hour? No. As I've been describing all day, that will move – and it can move up – based on how the components in Schedule F get triggered during the life of the agreement.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Mr. Speaker, I guess I somewhat disagree with that. I'm looking at how it is viewed in Quebec, that this is a guaranteed price of four cents. If you look at, really, the 5.9, you take off their 35.2 dividend, it's four cents. They're pretty crystal clear in that. We can't be at a stage here now where we're trying to interpret this MOU on the fly. This is locked in by the Province of Quebec, four cents.

Power Advisory, did you recommend the 5.9-cents pricing?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We recommended the framework as embodied in Schedule F. We did not recommend a single price.

As I said it earlier when I was asked about 10 cents – and then now the number four cents is out – I don't know what's being said in the media. I know lots of stuff was said in the media. All I know is as an independent consultant that's been engaged to work on these matters, and as I described earlier, based on the history that I have and others in our firm, understanding the history with

respect to Muskrat Falls and Churchill Falls, we take this seriously in terms of our advice.

What I'm saying is the truth, in the sense of how this framework in Schedule F and the payments to Churchill Falls will actually occur.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** It still comes back to what is being viewed in Quebec, so this is a guaranteed four cents.

You've been with Newfoundland and Labrador Hydro for the past 15 years so it comes back to beg the question, do you understand the dividends structure for CF(L)Co – a simple yes or no.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Our engagement was nothing to do with corporate structure, ownership, how the dollars flowed. I said that earlier and I'm saying it now and I'll continue to say it all day.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** You've done a market assessment, probably across Canada and across Quebec, looking to advise NL Hydro. What did your market assessment discover with regard to reasonable source of energy in Quebec on a kilowatt hour base, please?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm going to start and then I'll let Mr. Yauch complete the answer.

As I said earlier, we did assess the Quebec market, and I've also said that there is a lot

of information that has been put out there by Hydro-Québec. We know that they've been contracting for wind. We know, through their regulator, generally what the prices are for wind. We know that they're going to contract for solar. We know they're contracting for more hydro, and we generally understand how they're considering building out their system.

So before I hand it over to Mr. Yauch, we looked at different supply options. All of those supply options have a different cost. As I've established earlier, it all has to work and fit together; different supply resources provide different things. We considered all of that and 5.9 cents is in the range.

Mr. Yauch.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** The only thing I would add to that is that as part of the analysis and the work that we did for Newfoundland and Labrador Hydro, as I said, we did a detailed system buildup of the Quebec grid in all the different options they can rely on in terms of meeting future demand and then the associated costs and value of those various supply options. All of that was used in order to extract the value that a facility like Churchill Falls provides to the Quebec grid and those values are then underpinned and flow through Schedule F.

Essentially, Schedule F is trying to mimic the value that Churchill Falls provides HQ as it moves through what is a very significant and material supply need.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you, Mr. Speaker.

This morning they indicated for Gull Island it was approximately 11 cents. I would hope that if they've done the review – and I thought my question was pretty

straightforward: What is the next reasonable source of energy?

So let me answer it. Just through open-source googling – and I googled what Mr. Sabia said. He said that their next reasonable source of energy would be 12 cents. Now, further open-source googling would show that it is somewhere between 12 cents to 16 cents. So why did we offer up a contract of six cents when Quebec was coming to the table, really from Mr. Sabia, based on 12 cents?

At 12 cents, that 12 cents is really, in effect for Quebec, eight cents because of the dividend that they will get back. So I ask Power Advisory: Based on the replacement supply in Quebec, why did we agree to a contract that is 50 per cent lower than what Mr. Sabia came to the table with in 12 cents?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

You're referring to replacement costs at 16 cents. I have established multiple times that is one of the components in Schedule F. I have said multiple times that when that component kicks in, the price will be higher than 5.9 cents.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Mr. Speaker, here, numbers matter. Even one cent matters because one cent here in the difference in the price is \$300 million, approximately, to CF(L)Co, \$180 million to the province. If we had negotiated or was planning to negotiate a contract for 12 cents, essentially eight cents for the Province of Quebec, then that would have been an increase of six cents, \$1.8 billion for CF(L)Co. So essentially, \$1.2 billion, on a nominal recurring basis, to the Province of Newfoundland and Labrador.

Let that sink in and let that sink in as we need to take a moment to reflect on the numbers here. What does that \$1.2 billion mean? That \$1.2 billion then is a direct transfer from the people of Newfoundland and Labrador back to the Province of Quebec. Really, that is reverting to 1969.

So since you're not aware of the pricing and the agreements, you've indicated some challenges in putting a deal together over 50 years. Was it your intent in recommending a deal then for 50 – well, in this case, 51 years. Can I –?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I said earlier a few times, hydroelectric generation contracts in the sector are longer term. So 50, 51 years is the norm.

To the comments about higher prices, Newfoundland and Labrador will receive all of those dollars as described under conditions in the future that would drive prices to reach 11 cents, 12 cents and the same dollars will flow, as described earlier, to Newfoundland and Labrador.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Mr. Speaker, like I said, I think we're locked in at \$33.8 billion, and that's pretty clear.

So let's move on to some understanding the market and negotiating with Hydro-Québec. A question for Power Advisory: Are you familiar with the 18-Ks that Hydro-Québec files with the Securities and Exchange Commission?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

We are familiar with the SEC in the US, where we're familiar with how export and import transactions need to be accounted for between Canada and the US. So we are familiar with the form in general.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** I'm glad you're aware of them because, again, my quick Googling of those shows that, in 2022, the average sale price that Hydro-Québec got for its exports was 8.18 cents. Last year, 2023, 10.3 cents.

So why, then, did you agree to a price of 5.9 cents?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I've been saying continuously, if the export price goes up, the price to Churchill Falls goes up.

As for what was in the SEC form, I don't know; I did not look at that form.

I know the export markets in New England, New York and Ontario on average last year ranged from about 3.4 or so cents a kilowatt hour to 5.6 or so cents a kilowatt hour. So I can't validate this. I don't know where the 10 cents is coming from.

I would only be speculating to say that – back to my point – Hydro-Québec are very good at doing what they are doing. If they're hedging and they're using hedging mechanisms to improve their position, then that's a good thing. If they're going to do those things in the future, which I would expect them to do, Newfoundland and Labrador Hydro will enjoy the benefits of that. As Quebec does better, Newfoundland and Labrador Hydro will do better.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Mr. Speaker, that may be so if it's a floating target – it's not. This is a fixed target of \$33.8 billion. That was confirmed yesterday. We are locked in.

As for the numbers, the numbers are there, plain, open sight, open source, with regard to Quebec's 18 kilowatts; and that is 8.8 cents in 2022, 10.3 cents in 2023.

For Power Advisory, let's look out, then, to 2041 in the last couple minutes that I have left.

Did Power Advisory compare the cost of electricity, as determined by the MOU, to the cost CF(L)Co could have charged if the existing contract expired in 2041 and Newfoundland and Labrador Hydro then chose to sell that electricity on the open market?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As part of the market assessments that were used as inputs into the MOU in terms of what was negotiated, we did forecast prices in Quebec, in Ontario, in New York, in New England. So we did have a forward view, our view, of 2041.

The reality is that helped inform really what components should be in Schedule F. So it was a useful exercise to drive how to look at the export markets and how to then value the export markets in the future to the benefit of the Churchill supply under the contract.

Again, in 2041, if the prices go up, then the Churchill Falls payments goes up.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you, Mr. Speaker.

One more for Power Advisory, and this comes back to 2041: Did you compare the

cost of electricity as determined by the MOU based on, you know, you are proficient in market analysis, assessments for electricity, to Quebec's cost to construct or find alternate capacity after August 31, 2041?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I had said earlier, it's very clear based on public documents and declarations from Hydro-Québec that supply is needed. As we are here today, they are still making decisions on what supply to commit to by way of building within Quebec.

As we move through time, throughout the term of the Churchill Falls contract, with every successive year, the chances of Hydro-Québec committing to build new supply to meet their own needs within Quebec increase.

For example, by 2041, if Hydro-Québec has made the decision to commit to build new hydroelectric generation in Quebec at a certain price – call it 16 cents because we've that price by way of Schedule F – that price will be included in the calculation of the price that Churchill Falls will receive and therefore the price and the payments the Churchill Falls will go up.

**SPEAKER:** The Member's time is expired.

The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** Thank you very much, Speaker, and thank you to our witnesses for appearing before us in quite an extraordinary, highly relevant, and unusual sitting of the House in special session.

I think I speak on behalf of all of us in the House that we truly respect and appreciate your analysis, but also the professionalism and the merit that you bring to your reputations to this House in answering complex questions that we pose before you

about a complicated deal but a very important deal.

I first want just to say, and say with a measure of pride, that we do share a mutual acquaintance, a relationship, in that I am the Member for Corner Brook, the Sparkes family do say hello, and please say hello to Katherine on your next encounter.

It is remarkable on so many respects because there are many, many, Newfoundlanders – maybe Katherine might be one of them – who will be looking for opportunities to spend more time at home, to bring their expertise, their talents and to do so within their chosen fields and maybe that might be the case in the future because of this deal.

With that said, the opportunity before us has been to zero in on specific details to which you have acute expertise and capacity. The discussions here today, and for the last several days, have really more focused around an independent review and whether or not this was the right time for the deal.

But there is one particular question that I could not get an answer from Google or Wikipedia on, which is the \$33.8 billion which hon. Members have referred to as being locked in. I believe the hon. House has heard from you that it is not locked in.

Can you provide, with definitive clarity, for the benefit, not just of this House, but for all Newfoundlanders and Labradorians, for anyone that has an interest in this, is \$33.8 billion locked in or is it not?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

So \$33.8 billion is not locked in.

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** For the benefit of those who may not necessarily be convinced by someone with 25 years of expertise, who does not necessarily take his research from Google, can you explain why you feel that is not locked in?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

It's not locked in because there has been a recognition over the term of the contract, the 51 years, that value of the Churchill Falls supply will change. The components that have been listed in Schedule F identify different blocks, as my colleague, Mr. Yauch, has described, of value. Some of them deal with, as we've been saying, prices to sell to Ontario, prices to sell to New York, prices to sell to New England. All of those are different. All of those will be factored in over time based on the calculation of what price Churchill Falls will receive.

There are other components, as mentioned earlier, and by Ms. Williams and Mr. Parsons, I think pretty clearly, I just gave an example of 16 cents and new supply built by Quebec. Some of it has been referred to as replacement costs. So when those activities actually happen, based on however the definitive agreements will define all of that and define those metrics and clearly define how it triggers adjustments to the price and the payments, that's the construct to how Churchill Falls will be paid under the new agreement, which is very fundamentally different and far more lucrative than the existing 1969 contract.

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** Speaker, I would like to thank our witness for providing a very specific answer and clarity to the specific answer.

I'm sure that those who have been listening, paying attention to, are convinced and comforted by the explanation that you provided, that the \$33.8 billion is indeed not a locked in sum.

So with that said, one of the things that I note in special sessions such as this, is that we've been in session now for three days. This is the equivalent of two weeks of House time. If you were to take this block of debate, which is condensed, and express this as regular House time, this would be the equivalent of two weeks of debate time that we're taking on. That's the seriousness of this issue.

One of the things that would be said around Corner Brook, after many, many years, 50 years of a Churchill Falls agreement which did not meet our best interests, it's time to take the paralysis out of this issue and get to a good deal, not only for the generation of today, but for the generation of tomorrow. The political paralysis, the fear of actually engaging in this discussion must end. That's what my constituents in Corner Brook have said to me. We need to arrive at the best deal for our province recognizing that the best deal is achieved through a good relationship with a good partner.

Again, succinctly, is this the best deal that you could see coming forward?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

As I said earlier, I think the timing is right. I believe, objectively, based on my experience and my understanding of all of these markets in question that have something to do with considerations regarding the MOU, that there are two motivated parties. I think because of those circumstances and what has transpired with the conditions and the terms and what's in the MOU that this is a good deal.

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** The next question that often arises when I discuss this with my constituents and people across the province and my relationships across the entire country, some will question or ask the question: Was now the right time? They'll make a point that prior to this may have been too early. They may say that waiting, dragging the puck a little bit or negotiating later on, down the road, closer to 2041, may be a better negotiating position for Newfoundland and Labrador. At the same breath, others in that conversation may say that there is a sweet spot where too early is too early but too late is too late. Things happen, decisions must be taken by both parties.

Would you like to express your thoughts as to whether or not we came to this point too early or too late?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Well, I definitely don't believe it's too early. As I said earlier, and I recently just said it, I see two motivated parties. If I unpack that a little bit more, and I alluded to some of this prior, I don't have to tell Newfoundlanders and Labradorians and Members of this House, this is probably the most real opportunity, today, right now, to be in position to strike an agreement that will terminate the existing 1969 contract. That is obviously extremely important. So the fact that that is on the table, in and of itself, means the time is right.

Parking everything else, I think that is true. As I said earlier, we understand that as a firm. My colleague, John Dalton, testified on behalf of Newfoundland and Labrador at the Supreme Court of Canada, and all the work leading up to that, we understand how difficult it has been living with that contract. I'm not nearly suggesting that just because

the time is right, Newfoundland and Labrador don't be tough, don't be smart in negotiations with Hydro-Québec.

Again, I think what's embodied in the MOU shows that they have been tough and they have been strong. I'm saying that, also, as I said earlier, based on my experiences, having dealt with Hydro-Québec as a consultant in Power Advisory and in the Ontario Power Authority as the person who was in charge of procuring and contracting for supply on behalf of the province. The fact that there are components in here that will cause the price to increase based on future value, as we've established earlier, in markets that are growing in their uncertainty is a big win – is a big win.

So that in itself, and then I get to all the other reasons in terms of it takes longer to build things, it takes longer to do this, it's harder to do this, it's more expensive to do that, it just makes sense.

My final point is this is not just a deal in itself, right? Whether Quebec's demand numbers are accurate or not, I believe directionally they are accurate. So I can't tell you if they're going to double the power by 2050 or not, but I would take the bet that the demand will increase in Quebec. As I said, they're very good at what they do and they have been very public with all of that, the most public I've ever seen them. I think that's a sign of where they're at as a company and as a utility.

So the fact is they have to maintain reliability of their system, not just feed new loads or new demand. They're not going to wait forever just to figure out whether they have deal or not. Because again, back to the point, they know they have 5,400 megawatts at Churchill Falls at a very low price. They're opening that up. The fact is these are all indications to me that they have to do something from a supply point of view and they're willing to open up the contract and look towards developing and co-developing new agreements.

The point is all the analysis shows they can't wait forever and they will move on to do something else just because they simply have to.

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** I thank the witnesses for that consideration and that explanation because it segues to the – I'll advance that question a little bit more.

You're suggesting that this is the sweet spot. If I'm hearing you correctly, this is the right time. Earlier might have been earlier and later causes risk because decisions have to be taken by Hydro-Québec and they will be advancing their interest by making alternative arrangements, if I'm understanding you.

Could you schedule for this House, if there are risks in waiting, what those risks may be, whether they be commercial interests by Hydro-Québec, whether they be technological change? Just as the OPEC crisis of the '60s, early '70s caused electricity markets to change and change dramatically, technology is the great disrupter. Is that a potential disrupter going forward that this deal mitigates risk for Newfoundland and Labrador?

Would you be able to speak further to that point as to whether or not waiting further may actually be of much higher risk, not necessarily of any value?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Simply put, the risk is just losing the deal. By that simple phrase I mean, without the deal, Newfoundland and Labrador is straddled with 17 more years at getting paid at the price of the existing contract, not knowing what's going to happen to that supply after 2041.

I believe that by the time 2041 rolls around, Hydro-Québec would be well on their way of meeting their own needs. They would have alternate plans and the opportunity is simply lost potentially and that's a lot, a lot of money.

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** I thank the witnesses.

At this point in the debate, often the cut and thrust of politics would result in a particular issue that has been identified or something which is of a keen political interest. That does not appear to have come forward, this being day three. The keen interest remains independent review. You've effectively dealt with the \$33.8 billion being falsely locked in. The only other issue that appears to be of focus is independent review.

On one extreme, you could argue that any compensation offered for expert review or engagement is indeed no longer independent. The expression may go that you can carry the king's coin; you can carry the king's rifle. I believe that you have made a very convincing argument within the field and the professionalism of the field that you represent that one can provide expert, independent advice, maintaining high integrity while still being remunerated for those services of the expertise that you provide.

To argue otherwise would be say that no lawyer is truly independent or can ever be expected to represent their client's best interests without prejudice because they are paid by their client. I think the legal profession upholds an integrity while being paid for their advice, and I think the same goes for you.

But if you were to take this on an extreme example or an extreme case, that anyone who is paid is therefore tarnished, can you offer any advice to this House – could you

advise anyone who we might summon who would be prepared to offer expertise in electricity engineering, electricity transmission, electricity markets, in the entire field and scope of electrical generation and sale that would engage themselves for a period of one to two months and do so free of charge, pro bono? Can you offer any advice as to who we might seek that would do that for us?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

At the end of the day, as you've been discussing since Monday – and, as you know, this is an extremely complex stuff. At the end of the day, it requires – I used the term earlier – subject matter expertise. There are just different levels of it.

You've described lawyers. Ms. Williams referred to engineering and the codes that she works towards and adheres to. I talked about reputational risk and I talked about the governance of boards of directors and bringing in people like me to provide independent advice. Only through lots of experience in such a complex sector as electricity – and even at that, certain aspects of electricity – it is extremely rare to find an individual that out of their goodness of heart will subject themselves to their well-earned knowledge that they've accrued over the years in a really complex arena to do it pro bono.

So that's just the nature of doing business, as I said earlier.

**SPEAKER:** The hon. the Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** Thank you, Speaker, and thank you to the witnesses.

My final question is, indeed, related to the executive of Newfoundland and Labrador Hydro, in particular the CEO. I'll ask you if

you had an opportunity to interact with Jennifer Williams on a significant basis during the course of your engagement, and whether or not you found her to be of high integrity, of someone who upheld the values of independent mind and thought and provided best advice to those who she represented.

In an unflinching and unafraid point of view, did you have that experience with her and how would you rank her within the context of such executives in a North American situation? Because I'll note, this House did indeed applaud her and applaud her generously and fairly and deservedly, but at the same time there are Members of this House that do not believe that she is acting independently.

How do you find her professionalism?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I hold Ms. Williams in high regard. I've only known her for a couple of years, really; I don't know her all that well. But I think the way she conducted herself in this Chamber over the past two days is what you need to know. There is a lot of integrity there, and I think –

**SOME HON. MEMBERS:** Hear, hear!

**J. CHEE-ALOY:** I think there is a sincerity and honesty and a drive to do right. I think you also saw compassion when she was talking about how Newfoundland and Labrador Hydro staff sometimes are portrayed and sometimes it's not fair. That, I think, was obviously really real.

Just know in terms of our independence, we didn't have one-on-one briefings with her and just her. There was a process where we fed in information to a working team that was supporting the executive, and sometimes some of the executive,

sometimes Jennifer was involved, but it wasn't at that granular detail of, well, you need to do this, you need to do that. There was none of that. We did our work. We had to get her team comfortable with our work.

Again, I referred to this earlier. Without getting into the details – because, again, commercial sensitivity – there was a lot of back and forth in terms of how do you really look at things like an export market, how do you really value replacement costs, all of that stuff. I mean, we were questioned a lot. Some of it, at the end of the day, we always stuck to what we believed. Some of it, I can see different thinking based on what we were saying. That's some of the independence. Then it made its way up to the executive.

I couldn't tell you what was going on in the negotiating room, because there was the negotiating team that were in the room and I wasn't there. I don't know.

I think the way she conducted herself the past two days and, frankly, what's embodied in this MOU, like I said, I think it's a good deal and I think it's a testament to her leadership and her hard work.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** Point of order.

The hon. the Member for Terra Nova.

**L. PARROTT:** Point of order, Mr. Speaker, Standing Order 49.

The Member for Corner Brook just said that we questioned Jennifer Williams's integrity. He didn't point anyone out, but very offensive. As of a matter of fact, we did anything but that. People in this House –

**A. FUREY:** (Inaudible.)

**SPEAKER:** Order, please!

Let the Member finish.

**L. PARROTT:** Okay, here we go. So her numbers were inaccurate, if that's what he said. Even if that's what he said, the whole purpose of this special committee is to ask questions and to make sure that we have things right. I will say – he didn't point me out – I did say the numbers were inaccurate. Guess what? They were. That's why we're in this House.

For the Premier to just speak across the floor and to make that suggestion, why are we here if we're not supposed to question the numbers? If we're using data that's 13 years old, 12 years old –

**SOME HON. MEMBERS:** Hear, hear!

**L. PARROTT:** This is about what the Member for Corner Brook said. Nobody in this House questioned her integrity, and I'll go as far as to say for every witness that's stepped in this House this week, we've gotten nothing but the very best from them. They've answered their questions as well as they could and they've gotten respect from both sides of the House.

For the Member to stand – unless he watched it on the first day on *Hansard*, I don't know where he even knows to say that.

So I would respectfully ask for him to retract.

**SPEAKER:** I'll take the point of order under advisement and report back to the House.

The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

I move, seconded by the Premier, that this House do recess until 3:10 p.m.

**SPEAKER:** This House do stand in recess until 3:10 p.m. this afternoon.

### Recess

**SPEAKER (Gambin-Walsh):** Are the House Leaders ready?

The Minister of Fisheries, Forestry and Agriculture.

**G. BYRNE:** Thank you, Madam Speaker.

I wish to address Standing Order 49: point of order.

Using modern technology, we are able to review our words that we say on the floor of the House, and that's valuable to us. Technology comparable to that of Wikipedia or Google, YouTube allows us to see immediately what it is that we said in real time.

I wish to report to you, Madam Speaker, and to this House specifically what was stated by me, the Member for Corner Brook, was: There are Members of this House that do not believe that she is acting independently.

I believe that you will find that to be in order.

**SPEAKER:** I will review that in *Hansard* and get back to the House.

The hon. the Member for Bonavista.

**C. PARDY:** Thank you very much, Speaker.

Let me, first of all, welcome our guest to Newfoundland and Labrador. I didn't know there was a Newfoundland connection with one of our guests because I was thinking this may have been the first visit that you've had to our province, but that's not the case, I would assume. Anyway, welcome.

I represent the District of Bonavista and about two hours outside is the peninsula of land with a lot of people who tune in to the House of Assembly, as my colleagues will know. But, just for their clarification, you are hired by Newfoundland and Labrador Hydro

to provide guidance as power experts. Would that be fair?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

That's correct.

**SPEAKER:** The Member for Bonavista.

**C. PARDY:** Thank you.

My hon. colleague was referencing independence. I know that many in my district would look at independence as somebody who is not directly involved with the current MOU. We have nothing but respect for yourselves. We have nothing but respect for the Newfoundland and Labrador Hydro officials that were here last night. But the independence thing is one that many people in my district would regard as being totally aside from the MOU.

So I just wanted clarification on that to know where my hon. colleague from across the aisle is coming from. It's nothing personal; it's just the fact that what most people would look at, as an independent set of eyes, would not be ones that would be paid on a contractual basis or would not be ones who have negotiated, which you stated that you have not been part of the negotiation team.

If you were watching the House of Assembly, you would have probably heard me yesterday – if you did – stating that I had a friend who worked with a large company in Western Canada, an industrial electrician who serves as a manager of a consulting firm in a large utility company. I have a couple of questions that he's posed out here and I know that, generally, it's from my discussions, so I'm just going to start with the two or three questions I have before I get into some other ones that I can't associate to him.

The first question would be: Have you had a previous model suitable for the Labrador system planning? Had it been used before? What was its success/failure?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

As a matter of our history, we've never had to model a Labrador system in any detail. What we did for a certain aspect of our engagement was to assess the Labrador system solely with the view of Churchill Falls and if Churchill Falls was not under a renewed contract, how would that supply be used and what were the opportunities that way.

We also looked at other supply developments on the Churchill River in Labrador to do the same thing. So the model was built specifically for certain assessments.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** Has your system planning quality been comparable to what Newfoundland and Labrador Hydro would provide to the PUB for the Island?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

As I said earlier, there were six core team members and three are engineers. Two of three engineers worked on the Newfoundland and Labrador market assessment and the power system modelling. Their credentials are very good. Both of them had worked for the Ontario Independent Electricity System Operator in the power system planning group.

They've done demand forecast, supply assessments and transmission

assessments. Based on their history and based on their qualifications, their work has been used before multiple stakeholders, government, regulator, so on and so forth. So they meet that test in terms of the capabilities alongside a utility like Newfoundland and Labrador Hydro.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** I just ask, for clarification, would any of those have worked on any Quebec files at that same, concurrently, while this work was ongoing?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

Absolutely not. We, as a firm, do not work for Hydro-Québec and, frankly, there have been times in the past when Hydro-Québec has approached me to say: We'd like you to do something for us. And it never happens, because the individual that asks me, brings it up the chain to Hydro-Québec and says: Oh, no, no, those are the Power Advisory guys. They're the ones that are acting for Newfoundland and Labrador all the time. We can't hire them.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** Does the contract and energy in the MOU for Labrador meet the customer needs as part of the regulatory requirement? If not, why has this not been conducted prior to the signing of the MOU?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

Our engagement wasn't to look at those requirements in the sense of meeting certain needs within Labrador. What we did was, we had to assess, if Churchill was

available, how that power could be used domestically.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** I'd like to share with you a quote, just if you can acknowledge a yes or no as to whether you would agree, and this is a quote from UBS, we know that they're a global firm providing financial services in 50 countries. They state that electrical demand from US data centres alone has grown 50 per cent since 2020. That demand is expected to more than double to 9 per cent of all US demand by 2030.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

I haven't seen that direct quote, so thanks for quoting it. I am very familiar with the emergence of electricity demand from data centres. We include that demand in our market assessments. In fact, we have some clients that are looking to build data centres or contract for power to feed the electricity requirements for those data centres, and not just within Canada, across the US as well. So I am familiar.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** You would generally agree, I would assume, but you can correct that in your next – generally agree with that large demand going forward.

If I may move on to the next question. I'm looking at Hydro-Québec's action plan for 2035, *Towards a Decarbonized and Prosperous Québec*. This was published in November 2023, some 13-plus months ago. I just want to read some of the information that would be in that just for a moment. It says: "In fact, Québec's consumption is expected to double by 2050 ... we plan to

add 60 TWh, or between 8,000 and 9,000 MW of capacity, by 2035.”

CF(L)Co, we’ll say, operates the Churchill River as we know it now, an existing facility, and the shares for Newfoundland and Labrador Hydro would be 65.8 per cent of that operation. Quebec would be 34.2 per cent. In 2075, when you look at Schedule E, Quebec will have access to 7,200 megawatts of power. In fact, they got that in 1961 – 7,200 megawatts. Newfoundland and Labrador Hydro will have access to 1,990 megawatts. Quebec will have 78.3 per cent of the energy that’s coming out of our Labrador river.

Keep in mind, for the people watching in Bonavista, we own 65.8 per cent of CF(L)Co, Newfoundland and Labrador Hydro, and Newfoundland and Labrador Hydro is a Crown corporation whose boss would be, really, the Premier or the minister who would be here sitting in the House today.

My next question is on data centres. I want to share with you an article that was recently published. It was a Construction Briefing, that’s the title of the article in the States, you may be familiar with this. In fact, you may be involved with some of this development that’s been undertaken in the States. It says: “Three firms share \$10bn Meta data centre project.” They share it, three companies. “Three construction companies – DPR Construction, Mortenson and Turner – have won a contract to build \$10 billion data centre campus for Meta in Louisiana, USA.”

“It expects 5,000 construction workers to be onsite during peak construction.

“Meta’s energy partner, Entergy, will bring at least 1,500 MW of renewable energy to the grid” for this operation to occur.

So a \$10-billion investment by the company, 5,000 construction jobs to be included and they need 1,500 megawatts. We own 65.8

of the Churchill, of CF(L)Co. We have 1,990 megawatts accessible. Quebec has 7,200 megawatts. Who would be more likely, based on that power allocation, to have an AI data centre? Because you had said that your company does a lot of valuing and assessing of energy within, so if you can give me an answer to that, that would be wonderful.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

Electricity demand increases from data centres, it’s certainly increasing and the numbers are really big. The challenge in all of that, in my opinion, is how much of that is real. I’m not suggesting that there is no reality because that’s clearly not the case because if you turn your smartphone on and you use apps on your phone, it’s powered by some AI and artificial intelligence requires a lot of computing power. It requires data centres and data centres require a lot of electricity.

But what’s tricky about all of this, there are two things. Number one, there is a difference in Microsoft, Google, Amazon, Apple that are well-established, well-capitalized companies and then there are companies that you’ve never heard of that were just created to try to ride that boom.

I am saying this out of experience because I know in the Province of Ontario, there has been something like – I won’t quote the number because I might get it wrong, but there have been thousands of megawatts that have applied for interconnection for new data loads.

When you talk to the professionals, the engineers at the Ontario Independent Electricity System Operator who have met with those firms, dealt with the applications, they’re trying to figure out for themselves what’s real. Because a new load that’s

going to connect to the grid requires a lot of study, a lot of money, a lot of that.

I think that's the first thing. Then the second thing is there are a lot of announcements, but the reality is there has to be a perfect set of conditions for a data centre load to actually be connected to the grid and be in operation. So if I said to you that the Commonwealth of Virginia, per capita in the US, has the most data centres connected – it's not Texas, it's not California and it's not New York. It's Virginia. Why? There are perfect circumstances.

One: There is an abundance of highly skilled labour. There are a lot of universities. There are a lot of graduates from universities in that part of the US. Two: Virginia is part of North America's largest wholesale market called PJM. So those loads can hedge electricity and make sure that it's as cheap as it can be for their load. Three: The climate in Virginia is such where it provides enough cooling. It's not Texas, it's not Florida, it's not Arizona and it's not Nevada.

All of these things put together, I think the jury is out, if this was where this was going, whether data centres, en masse, as predicted or forecast in other jurisdictions or by banks or by pundits or consultants, whether that's actually going to happen across Canada.

**SPEAKER:** The hon. the Member for Bonavista.

**C. PARDY:** Thank you so much for the response.

AI data centres is the primary driver of energy growth in the US and I know that Canary Media, which is a clean energy journalism – these centres consumed 4.4 per cent of the electricity in the US in 2023 and are expected to consume 6.7 per cent to 12 per cent of the total US electricity by 2028.

Labrador would be an environment that would offer cooling, much the same as Virginia; even probably more so.

The question would be, were AI data centres considered?

**SPEAKER:** The Managing Director

**J. CHEE-ALOY:** Thank you, Madam Speaker.

I don't know the answer, as I sit here right now; I could get the answer. My suspicion is no, because the conditions that I defined, not all of them are, in our opinion, sufficiently met for a new Labrador load that way.

Now I'm not suggesting that there will never be a data centre load connected in Labrador and, certainly, cooling is one of those characteristics that absolutely check the box in Labrador, but access to a wholesale market where they can trade energy, that doesn't exist. And for all kind of reasons I'm not going to comment on: skilled labour in Labrador relevant to anywhere else in North America.

**SPEAKER:** The Member's time is expired.

The hon. the Minister of Industry, Energy and Technology.

**A. PARSONS:** Thank you, Speaker.

I listened intently to my colleague across the way ask what I thought were some really good questions, actually. There's something I wanted to add to it, just based on, maybe, some of the conversations I've had over the last four years on this exact topic. So I just wanted – I thought it was pertinent that I add on to that now. I don't know if it'll be in the form so much for questions but, certainly, our witnesses can certainly add their backdrop.

The first thing when we heard the load and we talked about what's real and what's not

real and you mentioned about what Quebec's looking for in their action plan and you heard Jennifer Williams say, yesterday, when we put out to interested parties who want power in Labrador, we actually had 8,000 megawatts were requested at the beginning.

Then we said, okay, perfect. Now, who is willing to pay actual dollars to see where we want to go with this? And what happened was that number went down an extreme amount. So they are actually doing, as she referenced, a transmission study right now, basically, on mining companies. But anybody that was interested could have participated in that study in terms of what is that demand going to be. Right now, my understanding is that it's primarily mining companies that have invested dollars right now to be in on that.

Now, we have had a ton of data centre, blockchain, crypto conversations over the last four years. As my colleague from Lab West will affirm this, when he gets an opportunity, when you look at the economic benefit of mining versus data centres, there is no comparison. Mining wins every time – every time – because of just the spinoff and the direct and everything that comes with it. Data centres, in fact, once the construction is done, the actual jobs that are created from them are not very high.

When this deal, I think, was contemplated, I don't think it was based on how much for data, how much for mining, how much for this or that. I think it was transaction based on power demands for one side, economic on the other side. A bunch of things like that. What I would say is that right now, we're going to be getting about 2,000 extra megawatts. There is a portion of that that is going to be used for mining. There's no doubt about that. Based on different timelines, too, because they all have different timelines, right.

What I would say is when you look at, right now, the job-creation side of that that comes

with it, we have the four projects. The four projects just mentioned here, that's about 3,000 average annual jobs during construction and then at peak there are about 5,000, but that doesn't actually include the transmission line that is being contemplated by that study as well as the work that goes along with these new constructions.

What I would say is that my take on this is that absolutely there will continue to be an opportunity for data centres and contemplation of that opportunity going forward even with the mining. But right now, with the limited space that Newfoundland and Labrador Hydro has had, they have actually made more money selling on the spot market than they would make from selling to these data companies.

Now, the reason they look to Labrador, absolutely, you nailed it. It's the climate, the cool and it was the price. My argument has always been – and I've had a ton of these conversations – if you can give me a reason why we sell for less to one crowd or we can sell on the spot market and make more, if I can explain that to the taxpayer, that's what I'll do. But right now, that's where we've been. Again, we've had a limited amount that we could sell.

What I would say is the data centre conversation is a good one. Right now, the primary focus, I think, outside of this contract or this talk for us has been mining and will continue to be mining. But that doesn't mean that I think that the data centre conversation is out the door at all. I think there's room for both conversations going forward.

I'll just stop at that. I don't know if there's anything to add on. It was just more me getting to talk. But I based it on – and, again, I say this – the questions you asked which I thought were very good questions and the point you made. I just wanted to add on that for the purposes of people that are watching.

Thank you.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

A lot of the concerns we're hearing have to do with the fact that this will be the second five-decade agreement that we're negotiating and there is a sense that we can't afford to not get it right. It's important to get it right. A lot of that is related to need then for some sort of an independent oversight or review to make sure we get it right.

I have a question, then, for the managing director. He noted that Hydro-Québec is very good at trading and negotiating in this. They have a tremendous amount of experience. I'm just curious then, from his point of view, is there an unequal level of experience between Hydro-Québec and Newfoundland and Labrador Hydro?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

Certainly Hydro-Québec has a lot of experience negotiating different agreements and different commercial arrangements. That's a fact. I think based on what's included in the MOU and the point that I've been saying all day regarding lessons learned and derisking the future value and making sure that the future value for Churchill Falls supply can be received through prices that increase based on the components in Schedule F, I think Newfoundland and Labrador Hydro has done a really good job at negotiating this MOU.

I also said that this is now moving to a phase of really hard negotiations for the definitive agreements, and I have confidence in Newfoundland and Labrador Hydro in assessing their position heading into those agreements. Therefore, if they

feel like they need to supplement it with other types of advisors or other types of individuals that can help with the negotiations, I think they'll make good decisions and do so if they think they need to.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

The managing director also noted that Hydro-Québec is extremely motivated to get a deal. He's been listening to the debate here and the commentary in the media and so on and so forth and understands Newfoundland and Labrador's motivation to get a better deal. I think the Government House Leader put it aptly, in some ways, that we're looking at it as exercising the demons of 1969 in this. So there's a lot riding on this negotiation.

I'm just wondering then – I would assume Hydro-Québec knows that as well and is probably counting on that. So, knowing that, has that weakened our position or increased our hand because we could be tempted, more or less, it may not be the best deal, but we'll take any deal to slough off the stink of 1969?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

As I was establishing earlier based on experience and what I've observed with respect to Hydro-Québec, combined with what they've publicly stated regarding their supply needs, I do think they are motivated. I think because of that motivation, it puts Newfoundland and Labrador Hydro in the best position it has ever been.

I think case is the point, as I said earlier and as we all know, executing definitive agreements for Churchill Falls, as specified within the framework with the MOU, brings

back retroactively to the time of executing the agreement for Churchill Falls, increased payments to January 1, 2025. So therefore, the 17 years, but for if there wasn't this agreement, you'd be in the same position – Newfoundland and Labrador Hydro, that is, and Newfoundland and Labrador on the whole.

So I think that is good and I think actions to this day kind of prove that point, the fact that there is an MOU and the fact that there are those components as we've been discussing quite extensively since Monday morning regarding Schedule F and how to remind ourselves and act on those lessons learned and derisk what had happened in the past and ensuring fair value for supply from Churchill Falls under the new agreement.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you.

Just to confirm – I think you've already attested to this, but that you consider yourselves to be independent experts and that you're not currently providing any advice to Hydro-Québec on this MOU, on these negotiations.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

That is correct. We are not advising, acting for, consulting with, engaging with Hydro-Québec in any way.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** And if they requested your advice at this stage and your input to do so, would you? And I guess take the fact even that it's Hydro-Québec off it, but if it was any other company that we're debating, would you take on the work of advising them as well?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

The answer is no. One, because we have been engaged to this point to do the type of work as I've described earlier, and building on some of the commentary regarding independence, as I have mentioned and one of the Members of the House has mentioned, there's massive reputational risk.

So we as a firm, and me as an individual, there have been times in the past where there are engagements in front of us, there are contracts to sign, and we flat out say no. That is because we are maintaining our integrity, because we have a broader set of considerations in how we run our business.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

I guess there have been many questions regarding independence to indicate the independence of Power Advisory, and I would say yes – and I think the managing director said earlier, and I heard it repeated then about the whole idea of integrity – it's about that trust factor. They are also independent.

But I guess here the fact is we would be concerned if they were advising – no matter how independent, no matter how full of integrity they are, that we would be deeply concerned if they were advising both us and the company that we were negotiating with.

Especially with the complexity of this deal, I'll go back to, again, the Muskrat Falls report, because there are lessons to be learned. I'll go to one quote. It says: If the Government of Newfoundland and Labrador had been serious about obtaining an in-depth review of Nalcor's work at that time, the DG or Decision Gate 3 work, it would

have given Manitoba Hydro International full authority to request whatever information it required from Nalcor. It's evident that the government at that time didn't believe that a comprehensive review and analysis were required.

Key finding 68 notes that Manitoba Hydro International's Decision Gate 3 review was a further lost opportunity to have a fully independent and comprehensive analysis done of Nalcor's work, one that would include a full review of costs, schedule and risks.

We're not anywhere near a decision gate, but I think it's an opportune time, certainly on the opposition side here, to have that independent review. At least, before we go further and as we go further, to have that review. If I understand the Premier's words, that's where we're headed with it.

But I would say then, if I understand, too, from Power Advisory, certainly it's something that you would see as important and I would assume then you wouldn't necessarily take it as an offence to your integrity if there was an independent review done of this.

Final question: Are you confident that your assessments would hold up to independent scrutiny? That'll be my last question.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Madam Speaker.

As I said earlier, I believe that there needs to be independent oversight. There needs to be further review. I also said I wasn't going to opine on the governance of Newfoundland and Labrador to make claims on exactly when that should happen. But what I did say is, it is prudent, when more information has been established towards executing a definitive agreement or the definitive agreements, that that is the set of conditions to which are facts, they've been

agreed to by the two parties. And before it gets executed, I think there's a lot of good reason why there should be independent oversight and review of that. Based on my experience, that happens in many jurisdictions, in many different ways, at many different points in time.

Again, I've been saying this all day, because I mean it, we, as a firm, myself, understand the history, we understand what's at stake. We understand the opportunity that is upon Newfoundland and Labrador right now. We understand the need to do it right. As I've been saying all day, the time is now. I think I've articulated my reasons pretty clearly. So let's make sure that we do it right because the time is now.

But a couple of more points about that. I think that, to this date, with such a deal in terms of two different entities, it's not one entity supplying a board suite of customers in a jurisdiction, especially with the volume, the size, the amount of megawatts that are being negotiated, it just makes good commercial and business sense to have a certain degree of confidentiality and non-disclosure to allow the two parties to get to a point where they can both get comfortable, because you can imagine the counter to that.

If the beginning of this process, if this was in the public domain from day one, it would be exponentially harder to manage because all stakeholders have different views, all stakeholders have different options, all stakeholders have different points of information and knowledge on all of this. I would very much argue a deal, a framework, a memorandum of understanding providing those guardrails towards further negotiations that are going to be tough to conclude the definitive agreements would not happen – would not happen.

I liken this to mergers and acquisitions in terms of a big company buying something

or two big companies trying to do something bigger. All of those things have a certain level of confidentiality. I put this initiative in that bucket.

Now, again, I'm not saying there shouldn't be any independent oversight because I have said it over and over and I do realize – and I've been saying this over and over – how important this is for Newfoundlanders and Labradorians.

So I think both parties have done a good job to get to this point. I think the fact that we've been in this Chamber – or you've been in this Chamber – going on three days is absolutely what's needed and I do believe there needs to be independent oversight.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you, Madam Speaker.

I have a document in front of me, and I'll table this, I'll do my best to provide what it says here and hopefully guests can answer my question.

It's a Hydro-Québec press release dated February 21, 2024. It says: Hydro-Québec delivers a strong performance in challenging time. Then it has a list of 2023 highlights and one of the bullets says: Successful implementation of risk management strategy; favourable effect of the risk management strategy more than offset the marked decrease in prices on the export markets.

There are two points under that that I want to talk to you about. This is the third point, it says: Average market price is 5.2 cents a kilowatt hour. Then it says above that: Average price obtained (including hedging effect) 10.3 cents a kilowatt hour. So average market price, 5.2 cents; average price with hedging effect, 10.3 cents.

So perhaps I would just suggest if you could explain what the actual market price received by Hydro-Québec was. Was it 10.3

cents or 5.2 cents? Then explain how hedging would work for a hydro utility.

My understanding is – correct me if I'm wrong, of course – any entity, including a hydro entity, could make a financial decision to hedge. Sometimes it works out and sometimes it doesn't. My interpretation would be if the average market price is 5.2 cents, but with the hedging effect it's 10.3 cents, then the market price there based on their hedging decisions was a good financial decision. Those hedging decisions were good financial decisions, but the focus being on the market price being 5.2 cents.

**SPEAKER (Bennett):** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I really appreciate that clarification because as I said to the Member of the Opposition earlier when he quoted 10 cents and I said I wasn't familiar with that. I speculated that it was something like that, as you described. So I think that's exactly it.

So the answer is the price that Hydro-Québec received, referring to the quote that the Member of the House just described, is 5.2 cents a kilowatt hour. Now, being familiar with how Hydro-Québec conducts their business and trades electricity, they have under Hydro-Québec production, a business unit called Hydro-Québec Energy Marketing. Supporting Hydro-Québec Energy Marketing are a lot of analytical staff and a lot of financial staff.

So Hydro-Québec then realizes, all right, I'm trading electricity to different markets; more specifically now, I'm trading different electricity products to those markets. My colleague, Mr. Yauch, had mentioned in speaking to Schedule F different electricity products like capacity, like energy.

So all of this is extremely complicated because there are hourly prices for that stuff. There are monthly prices for that stuff.

There are even block prices in the sense of seasonal, multiple-month prices. There are annual prices, all of that. Hydro-Québec participates in all of those markets, all of those different prices.

What Hydro-Québec Energy Marketing does is they use financial instruments, derivatives, sometimes swaps, sometimes puts, all of that in terms of hedging where those prices are going. So it may not necessarily be that actual price tomorrow for that electricity on that hour. It might be I know I have this much supply; I have a forward view on what those prices are in a certain market, but I obviously don't know if that's going to materialize because it's just a forecast. So I'm going to use those derivatives to financially hedge my position when I actually trade the electricity across the borders. That's what the 10 cents is indicating. It's the result of using those financial instruments.

Now, as I've been saying all day, under Schedule F, there are components in there that will pick up the export price. So it will pick up the 5.2 cents, but I've also been saying that the details in how all of that is to be decided are left for negotiation. The details in terms of how Hydro-Québec hedges and whether Newfoundland and Labrador Hydro should enjoy part of the upside, in my opinion, is a point for negotiations still to come.

So just that one example gives you an idea of how complicated this can be, and that's just that. I'm not even on the other agreements to build projects and all of that.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you for that.

I'm going to simplify it in one question. I mean, it says the average market price is 5.2 cents. Regardless of financial decisions, that is the average market price that Hydro-Québec is receiving for their electricity.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That is correct.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Speaking about forecasting prices, looking back to 1969, the deal we had in 1969, we now know there was a surge in electricity prices and this province did not benefit from the surge based on the 1969 contract.

Two questions from that would be: What do the current electricity price forecasts look like over the term contemplated in the MOU – so forecasting over the next number of decades. Based on that, do you believe that the escalator mechanisms, which we've heard about that are built into the MOU, are sufficient to ensure that NL Hydro benefit will benefit from future growth in electricity markets as opposed to what happened in 1969?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That's an example of how the MOU and what is guiding the negotiations for a new agreement for Churchill Falls is fundamentally different than the 1969 contract. You mention escalation. That is clearly part of the new deal that's in the MOU. That wasn't the case with the 1969 contract. All of the things we have been discussing regarding derisking the supply and making sure there's value, as the markets change, that's Schedule F.

Now, I'm going to ask my colleague, Mr. Yauch, to pick this up but, before he does, I said earlier that these markets are really uncertain going forward. I mentioned a bunch of reasons why, increases in demand, different supply resources, but

there's one trend that's definitely happening. There are more sources of supply that are being built, that are being maintained that don't emit greenhouse gas emissions. They are non-emitting. In our sector, we'll call them non-emitting resources.

There's a characteristic of those non-emitting resources: The fuel is cheap. What's the price of wind? What's the price of solar? Nonetheless, you still have to build those facilities. So it requires a lot of upfront costs, fixed costs to actually put the steel in the ground. The way the wholesale markets have been organized in Ontario, New York and New England, it prices generators on the margin, which is basically a proxy of fuel.

So where I'm going with this is the more that these types of generators are built, in certain circumstances, the price of energy on the wholesale markets might go down. That's one reason why you wouldn't tie the Churchill Falls contract or agreement to just that, as an example, but the value of supply will be somewhere else. That's the difference between energy and capacity.

I know I'm geeking out a bit right now, but I think it's important at this stage to make the point. The reality is the capacity value of the steel in the ground, just having the supply resource there, will be worth more, potentially, in the future relative to its energy. That component is also captured in Schedule F.

I'll let Mr. Yauch kind of conclude all of that.

**SPEAKER:** The Senior Manager of Power Advisory.

**B. YAUCH:** Thank you, Speaker.

The simple answer is the value is going up. That's because of all the trends we've talked about: decarbonization, demand growth, industrial investment and things like that. What my colleague is talking about, and it is very important, is that when we talk

about value in the contract and you look at the various – quote, unquote – blocks, they include things like spot market energy, like capacity, like environmental attributes.

So while one of these things may go down, i.e., the marginal cost might go down, the capacity value may go up. When we designed the block structure, we tried to specifically account for systemic changes to electricity markets and the value they are spitting out in order to capture both the ups and downs. So you're not fully exposed to one trend of electricity markets as opposed to another, we capture all the vagaries that could occur.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

You mentioned a couple things there in your answers. You referred again to Schedule F and also talked about the need to build other facilities.

Just with regard to Schedule F, I wonder if you could comment on how significant is it – in relation to Schedule F, specifically – that NL Hydro does not have to pay for transmission in order to access the market-based pricing that is in Schedule F?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm going to let my colleague, Mr. Yauch, take that.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** Thank you, Mr. Speaker.

It's very important. The way that schedule F is designed now, NL Hydro and Churchill Falls will get access to those spot markets but won't have to pay the transmission cost associated with moving it there, largely because the Quebec system is already

connected and it's just built into the price. That is a significant value. I think we've talked a lot about infrastructure building and the difficulties, expenses and risk around it. You avoid all that. You get access to the markets that have been missing from the original Churchill contract, but you get it at essentially a risk-free access point in terms of having to build new transmission.

So that is a significant value and I think that's one of the features of Schedule F that avoids some of the past issues with the original Churchill Falls agreement.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

So I think it goes without saying – we've been talking about Muskrat Falls – that any construction project does have risk, of course. What I hear from you is if we don't have to construct, we don't have to take on risk. We're getting the benefit of this access to market-based pricing without having to construct and therefore without having to take on any risk.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'll let my colleague, Mr. Yauch, respond.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** Thank you, Mr. Speaker.

Yes, that is correct that you avoid some of the risk, I think, this province is well aware of in terms of Muskrat Falls and other large infrastructure projects, but you still get the access to the export markets that have been so much missing in the original CF contract.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

I just want to go back to the '69 contract. We talked about the protection in Schedule F, which you talked about sort of, I guess I'll call it, hedging when we talked about Hydro-Québec earlier, so we are derisking there locking ourselves into one market component. But I wonder if you could talk about some other advantages in new MOU as opposed to the 1969 contract, specifically with regard to our guaranteed return on equity that is built into the MOU for Gull Island.

I am going to have a follow-up anyway, so I will ask it now. Is there anything that could jeopardize our expected 8.9 per cent rate of return on that project?

**SPEAKER:** The Managing Director of Power Advisory.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'll start before I hand it over to Mr. Yauch. Yes, there hasn't been, relatively speaking, as much talk about the new developed projects and the cost plus with the return. In many ways, that is meant to mirror what happens in a regulated rate for a new build, hydroelectric facility where costs are brought forward to a regulator and there is a proceeding, and they are determined to be just and reasonable and a very formulaic return on equity is applied.

That's what makes that business less risky compared to other businesses. So, in my opinion, especially given the long life of hydroelectric generation and all the things we've been discussing today regarding uncertainties, the cost plus with the return is a way to derisk those projects and guarantee revenues to Newfoundland and Labrador.

Brady, would you like to talk?

**B. YAUCH:** The only thing I'll add is that in the original contract, there was no

escalation. So it was \$2 and we all know it essentially stayed at that point forever. The cost plus includes an inflationary adjustment for certain operating costs that will flow through so that it won't be just a fixed price. Then, as my colleague said, a regulated rate of return that's built in, the equity comes to NLH or CF(L)Co and you get your guaranteed rate of return based on your equity, similar to how regulated assets are built and operated in jurisdictions across Canada and North America.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

I just want to flush it out a little bit more to make sure everyone is clear, including myself, about how you describe it as just like a regulated project that would go to a regulator to make a decision on the cost that would be accepted by the regulator and then a rate of return based on that.

In the context here in Newfoundland and Labrador, I wonder, I hope and I assume you're familiar with Muskrat Falls, and that project was constructed for domestic use here in the province and why that is different than, for example, the Gull Island project; and how Muskrat Falls was exempt from a regulator and rather than approving costs that would have borne by the ratepayers, it was not and it was exempt and the ratepayers were locked in through legislation to pay for that.

There are a few different topics there, but I think they all roll into one and you can probably respond.

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

On that last point, I mean it's obviously been identified as one of the issues and there were not as many or there weren't effective checks and balances and governance

mechanisms to ensure certain things with respect to the development of Muskrat Falls.

Again, it's back in that bucket of lessons learned in terms of now pivoting away from Churchill Falls. But the new developments, upgrade to Churchill Falls, expansion of Churchill Falls, development of Gull Island, making sure that those checks and balances are there.

It's also obviously different because, while Muskrat Falls wasn't subject to the PUB at the time, this is a deal between two utilities, so it's a contract. The contract is basically policing this and it is making sure the terms and conditions to be negotiated, that all of those considerations are going to be built into the contract. And I think, again, Newfoundland and Labrador Hydro have done a good job, so far at this really early stage, especially with the new developments.

When things like, Hydro-Québec will be accountable for any cost overruns when it comes to, for example, Gull Island, I mean, that is a big, big win for Newfoundland and Labrador. Mr. Yauch has more experience in terms of regulated electricity, so I don't know if you want to add anything else to that.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** No, I think only just to highlight that typically a regulated utility, you would oversee cost overruns and that sort of oversight. In this case, it's a bilateral and Hydro-Québec has agreed to manage cost overruns itself, which is a big win, right? That absolves CF(L)Co from that risk.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** So in a normal regulated project, if there were cost overruns, that – correct me if I'm wrong – could affect or probably would affect the rate of return,

whereas in this project, if there are cost overruns, it will not affect NL Hydro's rate of return?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

I'm going to let Mr. Yauch answer.

**SPEAKER:** The Senior Manager.

**B. YAUCH:** As the MOU is currently constructed, that is the case. Typically in a regulated utility, if there is a cost overrun and it's deemed imprudent – using those words for prudence – they would have to eat that cost. In this case, Hydro-Québec has agreed to eat that cost, but not at the expense of CF(L)Co's or NLH's return.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you very much to you both. I appreciate it.

**SPEAKER:** The hon. the Member for Harbour Main.

**H. CONWAY OTTENHEIMER:** Thank you, Speaker.

My questions will be directed to the Managing Director of Power Advisory.

Sir, do you have any concerns with a subject-matter expert reviewing Power Advisory's work?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

No concerns whatsoever. If a third party were to review what we've done, that's just the normal course of business the way we look at it. The one thing I would say is consistently what I've been saying this morning; there's a lot of commercial sensitivity and there are still negotiations to

come with respect to working towards concluding definitive agreements. I would caution that any review does not impede that and ensure that the commercial-sensitive nature is maintained.

**SPEAKER:** The hon. the Member for Harbour Main.

**H. CONWAY OTTENHEIMER:** Thank you.

Initially you said you have no concerns whatsoever, so that would also apply in relation to the work that's been done with respect to the MOU. Is that correct?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Sorry, I was just adjusting my earphone. Can you repeat that, please?

**H. CONWAY OTTENHEIMER:** I just want to clarify. You don't have, therefore, any concerns whatsoever about a subject-matter expert reviewing Power Advisory's work in relation to the MOU, right?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Again, with the caveat regarding commercial sensitivity, if – I'll expand. Again, I haven't opined on what I think – and I'm not going to – an independent review would look like. I have championed that there should be independent oversight and, if it makes sense, where it doesn't compromise any commercial sensitivity and there's a certain scope, as a course of our business, we're okay, this happens regularly.

**SPEAKER:** The hon. the Member for Harbour Main.

**H. CONWAY OTTENHEIMER:** Thank you.

I appreciate that, that you have not opined about the timing or when it has to happen, but you did indicate it has to happen. I think you did reference, though – and maybe I'll get some clarification on this – you referenced the term prudence just a little while ago, prudence about getting more information before any deal is executed.

I'd just like you to clarify that for me, because obviously prudence is important; it shows care and it shows that there's thought for the future. So is that what you're talking about when you say and when you reference the term of prudence in this regard?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

Directionally, yes. To expand on what I'm trying to get at by that point, as I said earlier, I think the MOU does a good job at achieving its objectives. I think it's generally a good deal for Newfoundland and Labrador. I've also said clearly that this is foundational; it defines the guardrails towards guiding negotiations to the definitive agreements. I've also said that there is a lot of information by way of covenants and terms and conditions in these definitive agreements that create the totality of what the deal is.

The MOU, relative to an actual agreement, is very, very high level. So I think to properly assess this requires the definitive agreement or agreements.

**SPEAKER:** The hon. the Member for Harbour Main.

**H. CONWAY OTTENHEIMER:** Thank you.

And it requires independent oversight, so that's clearly established.

One of the things that you have repeatedly stated all day is how good this deal is in your opinion, but, Sir, you were not at the

negotiating table during the negotiations between Newfoundland and Labrador Hydro and Hydro-Québec were you?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

That's correct, I was not at the table actually negotiating the MOU.

**SPEAKER:** The hon. the Member for Harbour Main.

**H. CONWAY OTTENHEIMER:** Thank you.

That's all my questions.

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you very much, Speaker.

I'll be so bold and say on behalf of everyone in the House, thank you. I got the blessing from the Leader of the Official Opposition there. I want to thank both individuals for being here today and providing all the information and answering a lot of –

**AN HON. MEMBER:** (Inaudible.)

**J. HOGAN:** That was going to be a good speech.

**SPEAKER:** The hon. the Member for Mount Pearl - Southlands.

**P. LANE:** (Inaudible) were going to be until tonight, so if they're not, I have a question, if you're not finished?

**SPEAKER:** Do you have questions for the panel?

**P. LANE:** Yes, I just have one question, or one bit of clarification.

**SPEAKER:** The hon. the Member for Mount Pearl - Southlands.

**P. LANE:** Thank you.

I want to go back to the 10 cents that a lot of people are contacting me about, and others I'm sure, saying Quebec is getting 10 cents and we talked about it, it's a result of hedging and so on. The real rate, I think, was in the numbers 5.2 or 5.3 or something and it ended up being 10 point something, that's hedging.

So just for the clarification of anyone who may be listening, and my clarification as well, just to make it crystal clear, what we're really talking about here is that Quebec has this energy, and you can almost compare it to playing the stock markets, I suppose, to some degree, but it's energy and they're basically picking different ways of selling it in blocks or different times of the year, different times of the day, whatever. At the end of the day, if you were playing the stock markets, it all worked out and they made money, but they kind of gambled their money to some degree. It may be educated in terms of their knowledge of what would get the best return but, at the end of day, you're kind of placing your bets with that energy and with the revenues coming from it and it worked out for them.

I think what I heard you say was that when we get to definitive agreements, in theory, based on the guardrails that are here, there could be a discussion to say we want a piece of that action. But if we were to take a piece of that action, I would assume – and maybe we shouldn't assume things – but I would assume that while we have the opportunity to say give us a piece of that and we are going to hopefully gain from it, we could also lose from that. So, in essence, we would be risking some of our revenues in the stock markets, if you will.

I know it's not the stock markets, but to try to make in terms that everybody would maybe understand, we're kind of taking a gamble, taking a risk that we can make money off this by betting it, so to speak.

That's what Quebec has done and has done very well doing it. We could potentially do it as well, but then we may not end up that full 5.9 cents because we could actually lose money as opposed to gain more money.

In layman's terms, have I kind of got that right?

**SPEAKER:** The Managing Director.

**J. CHEE-ALOY:** Thank you, Mr. Speaker.

In layman's terms, you do have it correct. I also want to clarify a bunch of things to that and I think it will help.

To be clear, there is nothing in the MOU that describes or gives a right to or even contemplates a negotiation revolving around Hydro-Québec's hedging practices and whether that's going to be part of the definitive agreements. It's silent on that. That's a fact.

As we've been establishing all day, as well as with Ms. Williams and Mr. Parsons before us, the fact is what is in Schedule F, clearly export markets are there. So the 5.2 cents kilowatt hour that was referred to by the other Member of the House when he was reading that article, that is the export price. That is consistent with what's in the MOU in Schedule F.

In explaining that, prior to our exchange right now, I suggested there is a potential that these types of things can be negotiated within the definitive agreement; I stand by that. I'm not suggesting that it should be.

Now, you're correct. There are upsides and downsides with respect to how a company hedges electricity. I will also say there is more to it than that because Hydro-Québec has a certain governance with established tolerance of risk in terms of trying to make sure that they operate their business a certain way and they don't do certain things that can put them in a very risky situation. It doesn't mean that they can't lose

sometimes off participating and financial markets. I suspect Newfoundland and Labrador Hydro has the same, but they're not going to have the same determinants of what their risk tolerance is. There will be different metrics for the different utilities.

So I just want to clarify these things because, at the end of the day, the real number that people need to focus on is the actual export price, the 5.2 cents, that was received by Hydro-Québec. Anything else, that was Hydro-Québec in whatever activities they did to receive the other amount.

**SPEAKER:** Any further questions?

**P. LANE:** No, (inaudible).

**SPEAKER:** Your time is up.

Any other speakers?

**SPEAKER:** The hon. the Government House Leader.

**J. HOGAN:** Thank you.

If at first you don't succeed – apologies to the Member for Mount Pearl - Southlands, I didn't mean to cut him off before he had his final question.

On behalf of everyone in the House of Assembly, I reiterate and very much thank you for your time and for being very responsive and very informative with all the questions today. I feel like after almost three days of this now, this feels like a bit of a pre-inquiry to me. We talk about the Muskrat Falls inquiry, but we're getting a lot of information on the floor and in the public and we still have a day and a half or a day and a night session to go. Thank you very much, again, from everybody.

I move, seconded by the Deputy Premier, that this House do recess until 6 p.m.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** I just want to echo the words of the minister. Thank you very much for your time and the experience that you pass along to us in answering the questions.

This House do stand in recess until 6 p.m. this evening.

### Recess

The House resumed at 6 p.m.

**SPEAKER (Bennett):** Order, please!

Admit visitors.

Are the House Leaders ready?

**AN HON. MEMBER:** Speaker, when did we start calling them visitors and not strangers?

**SPEAKER:** Recently. There are no strangers here; we're all friends.

Order, please!

Before we begin, I'd just like to welcome our guests here this evening, both from the Newfoundland and Labrador Hydro and also from J.P. Morgan.

Welcome.

They will have an opportunity to introduce themselves very shortly.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I certainly appreciate the opportunity this evening and welcome to St. John's, Newfoundland and Labrador, and great to have you back, Walter.

Perhaps we'll begin this evening, if it's okay with you, to provide your qualifications, your

experience and your expertise and introduce your team. That would be helpful.

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Well, first of all, thank you very much for having us with you this evening. My name is David Rawlings. I'm the senior country officer for JPMorganChase in Canada, a role I've held since late 2011. We are pleased to be here today and share with you and answer your questions about our engagement with this particular project.

A little bit about J.P. Morgan for those of you who are unfamiliar. We are one of the world's largest banks. We have over 300,000 employees. We have a balance sheet that, as of September of last year, was north of \$4 trillion US. That's the company and then our major divisions: we have a very large US retail division, which would be similar to what you would see here in Canada but with the US version, if you will. Then we have a very large global wholesale business. The global wholesale business would include our global markets business, our global banking business, payments and the commercial bank.

So I have responsibility within the Canadian business across all of our franchise, but most of our franchise would sit within that wholesale business of the corporate investment bank, commercial investment bank and the asset management business.

Konstantin, my partner, who will introduce himself in a moment, he's part of our US North American based team. He is a managing director and he leads for us advisory, mergers and acquisitions as it relates to power and utilities.

So I give you the context just to say that we are a big global firm but we also have real expertise in Canada and we can get into that through the Q & A period as we get into the next couple of hours, but I would say we get excited about these types of projects

because we're able to bring a certain level of global expertise across multiple groups to provide advice as mandated on some of the financial elements of a transaction like this or a perceived potential transaction like this.

If you looked at our credentials, you would say from an investment banking point of view, which would broadly include our advisory business, our equity capital raising business and our debt capital raising business, we are number one globally. If you looked at the same lens from a Canadian point of view, we would be a top three provider of services in Canada. We provide services both on a cross-border basis, as well as on a domestic basis, depending on the situation.

In addition to my role as a senior country officer for JPMorganChase, I sit on the Business Council of Canada. I'm also on the board of the Canadian Bankers Association and I'm on a couple of outside boards including the charitable board for Nature United.

Thanks for having me, and I'll turn it to my colleague, Konstantin.

**K. AKIMOV:** Thank you, Dave.

Good evening, and excited to be here – delighted to be here. My name is Konstantin Akimov, I'm the managing director in J.P. Morgan's advisory and M&A team based in New York.

I want to say this is a truly historic moment for the province. We recognize that and we're excited to share it with you. On the way here from the airport, my cab driver talked about it. I was shocked. He talked about it in a good way. I said, I'm here to actually help you with this, to get this deal done. He was like, this is great. We are fixing an historic injustice. Those were his words: We are fixing an historic injustice.

**SOME HON. MEMBERS:** Hear, hear!

**K. AKIMOV:** So as Dave mentioned, I lead our advisory and mergers and acquisitions practice in power and utility space in J.P. Morgan. I've been with J.P. Morgan since 2011 and, more broadly, in the investment banking industry for almost 25 years.

The only thing I would add to our credentials is that last year we took the number one spot globally in M&A advisory by deal count and we've always held the pole position for the last five to 10 years.

Thank you.

**SPEAKER:** Mr. Parsons, do you want to quickly introduce yourself again for those viewing tonight?

**W. PARSONS:** Sure. Thank you, Speaker.

Walter Parsons, vice-president with Newfoundland and Labrador Hydro. I don't think I need to add anything further about my credentials. I think we took care of that earlier in the week. So I'll free up some time to get into the questions.

**SPEAKER:** Thank you very much and welcome, everyone.

The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I certainly appreciate the level of expertise that you bring, not only to this Chamber, but also to the negotiating team and your independent, expert advice is really respected, so thank you for that.

You've been involved and you've had a chance to review the memorandum of understanding. Could you just comment on whether or not your advice is reflected in that memorandum of understanding?

**SPEAKER:** The Senior Country Officer.

Just want to make sure your microphone is turned on, Sir.

**D. RAWLINGS:** I apologize.

Thank you, Speaker.

I will turn to my colleague, Konstantin, to address that, but I think it is just important to understand that we were hired for specific mandate. We were not hired to review the memorandum of understanding in its entirety; we were hired under two phases. The second phase, which is the current phase or the phase that just finished, was focused on providing financial advice and analysis as it relates to the MOU.

Konstantin.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** That's right. I would say succinctly that the answer is yes. We think that the MOU, as it stands now, reflects our advice as financial advisors to NLH. We spent over two years on this project. Our role was to advise on the financial aspects of this transaction.

We do think that over the course of the two years, as we put in thousands of hours, we ran hundreds of different scenarios, we came to a point where the MOU, as it stands today, reflects all this work and we do think it represents the advice that we provided to the client over this time.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you, Speaker, and thank you for that advice.

It's of comfort to me as Minister of Finance and President of Treasury Board. I want to talk a little bit about risk mitigation because, obviously, we want to ensure that we're protecting the people of the province. The first question is really around the equity piece. I'm going to break this down into a

couple of elements, the first element being the Churchill Falls contract itself, so I'm going to come to that. The second element being some of the projects.

If I can, I'm going to start with the Churchill Falls contract because I think that's the first element. We refer to Schedule F and the forecasted payments and the review of the pricing mechanism. Could you please confirm that there is an ability to price adjust, and how that price may change, and the impact that it would have on, of course, the nominal value or net present value to Newfoundland and Labrador.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Just a second.

**SPEAKER:** Sure.

The Managing Director.

**K. AKIMOV:** Yes, we can confirm that there is a mechanism in the pricing schedule for the new contract that will account for the future uncertainty of market price to adjust for the potential new developments, so that the mistake of 1969 does not repeat itself.

I will defer to Walter, however, on the specifics of those mechanisms, if you would like more details on that.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you. I think we've had lots of details; I just wanted you to confirm that.

The second element, of course, are the new projects, and I want to just talk for a moment about the equity in those projects. As you are aware, in the memorandum of understanding, Quebec will provide \$3.5 billion to the Government of Newfoundland and Labrador to ensure that we pay for the equity in the project, specifically Gull Island and the transmission line possibly, but Gull

Island I'm more interested in at this point in time, because it could take a lot of equity.

Could you just talk a little bit about the risk mitigation around that? The \$3.5 billion as we understand it, \$1.3 billion of that is available over the next number of years, and the remainder of course will come as the projects proceed. Could you just speak to the elements of risk mitigation around that?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Sure.

So there are a few things there in your question and I'll try to address them one by one. Let's start with the \$3.5-billion payment, which we think is an important part of this transaction and it gives us comfort that this is a good deal for the province. Why?

The \$3.5 billion is a payment to the province to use the resource that the province owns. It's a very valuable resource, Gull Island. It's your resource and you're getting paid for it today. This is an undeveloped asset. It's an important point to make. You are getting paid \$3.5 billion for an asset that is yet to be developed, effectively. That's the right to develop the asset that Hydro-Québec has. Of that, \$1.8 billion is mandatory, and the rest will be contingent upon completion of certain milestones of the project.

An important feature here is what happens if more equity is required. You don't have the obligation – you as a province – to fund any cost overruns if they happen. This is something that when you think about a large project like Gull Island, this is one of the major risks for any large project: capex overruns, cost overruns, timing delays.

The important feature here is that the risk here is mitigated by the structure of the contract. The pricing that is negotiated and put in place here is a pass-through. It's a cost plus. Therefore, any incremental costs,

any additional capex will be passed through. That's a very important risk mitigant. If more equity is required, you have the right but not the obligation to contribute. That is also very important risk mitigant.

We feel that these two components here provide a very, very significant risk mitigation to NLH.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you.

May I also ask, we understand – and I'm asking you to tell the people of the province – that we will receive on the equity between roughly 8 and 9 per cent return based on Government of Canada. Could you just speak to that a little bit? Because that is a cash flow.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Let me elaborate a little bit more. I mentioned the pass-through mechanism of costs. That is an important component. When I say cost, that includes capex and it includes operating costs. It also includes financing costs as well, and it includes the cost of equity. Everything has a cost.

So you will earn a rate of return on your equity from 8 to 9 per cent with a floor minimum of 8 per cent, with a cap of 9 per cent, which is based on a formula. It is adjusted every five years. The 10-year yield on a Canadian Treasury Bond, plus 500 basis points, that provides you a visibility on your return of equity, 8 to 9 per cent.

Part of our mandate was to assess that and come to a view whether or not that was a reasonable range. We do think it's a reasonable range based on an extensive exercise that we've done here.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

Just for clarity and certainty for those that are listening, Quebec is giving us the money that we need to buy this equity, and then based on the cost-plus Power Purchase Agreement will also pay us the 8 to 9 per cent, based on the formula. I see the Managing Director nodding his head.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** I would say you are getting paid for the resource that you own. Just an important point, I think, because it's a very valuable resource. You're getting an up-front payment for this resource. Somebody has the right to develop and you are getting paid for that. And you're earning a competitive market rate return on your equity.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you.

Can I turn now to project financing because again, from a risk perspective, project financing is going to be very important. We've already in this province experienced Muskrat Falls and the cost overruns. Perhaps I can ask you open-endedly to talk about project financing. As well how it is mitigated in the memorandum of understanding, the risk around that project financing. I understand it's with a cost-plus Power Purchase Agreement.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Just give us a second.

**SPEAKER:** Sure.

**K. AKIMOV:** We're ready.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** I just want to make sure that we don't repeat ourselves too much,

because I feel that we kind of addressed this question but I want to be clear on this.

So there is a mechanism in place to mitigate the risk of cost overruns via the pass-through pricing structure, and it is a very important component here, we feel. Also, it is the responsibility of Hydro-Québec to finance any cost overruns.

Maybe we didn't mention that in the prior statements, so I will just add that. I think these two provide the necessary mitigation to possible cost overruns, project delays, things of that nature, any uncertainty.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** I have two other questions and only three minutes, so I am going to give you both questions, if that's okay.

The first question: Are you satisfied with the risk mitigations that the impact to the Treasury of Newfoundland and Labrador is mitigated? That's the first question. So that was on project financing, equity and risk.

My second question is around something that the House Leader tabled today, which was a press release dated in Montreal, February 21, where the press release says Hydro-Québec delivers a strong performance in challenging times, and it talks about how Hydro-Québec announced a net income of over \$3 billion for 2023, fifth largest in its history and then it talks about some of the 2023 highlights and the successful implementation of a risk management strategy.

It goes on in that press release – and this is going really to the price that we're going to receive from the Churchill Falls agreement. It says that the average price obtained – including hedging effect – was 10.3 cents per kilowatt hour. Then it went on to say the average market price was 5.2 cents a kilowatt hour.

There has been some confusion in the public and in this House around those two figures. The market price being 5.2 cents and of course, as we've said, the price that we would receive is approximately six cents. So there are some people using that 10.3 cents as saying we should be getting that amount because that is what is hedged in Quebec.

So maybe you could just talk about what you understand to be the market price for Quebec, which in this press release, 5.2 cents, and how Schedule F will ensure that if there is any change in the market, that we'll share in that. I know that's a lot, but I only have a minute left.

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Speaker, thank you, and thank you for the question.

I'm not sure it's within our scope of responsibility to comment on Quebec, specifically, and their pricing actuals versus spot. We'd be happy to address sort of how to think about hedging, if that's something that would be of interest to the House. It would seem, although I don't have the details, that a portion of their production would have been hedged in some way to account for the differential, but I don't have the numbers and I prefer not to comment on the numbers.

I would say as it relates to this agreement, the way I think about it is this is a very long-term agreement. So we tried to build appropriate guardrails into the agreement to protect your interests. When I say your interests – the thing that I just have to make sure that we are clear about is we were hired by Newfoundland and Labrador Hydro to provide advice to them, NLH, as our client.

So our mandate here was to provide financial advice to that client in that capacity of the potential MOU and transaction. That's the way that we acted, that's the way that

we showed up and that's how we'll respond tonight.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** And risk?

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Well, the risk, again, I'm sure we're talk about risk over the course of this session. It goes back to this comment on guardrails. You're trying to put mechanisms into a long-term agreement, or any agreement, but because of the length of time within this agreement, you want to put appropriate guardrails in places to say, does pricing escalate into the future? Who's response for the cost overruns? What's the equity split into the future? What is an estimated, reasonable price to receive? What's the net present value of all of these future payments?

So we can get into that over the course of the session, but you can imagine that, within our mandate, we spent a lot of time with the Newfoundland and Labrador Hydro team discussing and providing advice on many of these particular topics.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Maybe it would make sense to just summarize, because I think your question was quite direct, whether we're satisfied with the risk mitigation structure here. The answer is yes, we are satisfied. I'll summarize the reasons here for everyone's record.

One, is the pass-through cost structure; two, a competitive rate of return on equity; three, completion guarantees from a high-quality investment-grade off-taker. This is an important point. It provides us comfort that project financing could be successfully put in place for a very large project like Gull Island. Four, alignment of interests, because you have an off-taker who is going

to be the project developer as well so they are naturally incentivized to deliver on budget and on time because of the pass-through mechanisms. So the interest of parties involved here are aligned, in fact.

For NLH, there is no obligation to contribute equity in excess of the \$3.5 billion. NLH has the option, but not an obligation to buy the volumes from this project as well. I stated, I think, a fairly long list of factors that give us comfort that there is an appropriate structure in place to mitigate possible risks that could be associated with a large-scale development project like Gull Island.

**SPEAKER:** Before we go to the next speaker, I'd just like to recognize in the Speaker's gallery, Mr. Jeff Galway of the firm Blake, Cassels & Graydon. Mr. Galway is from the Codroy Valley area, a graduate of Memorial University and he is legal counsel and support for our guests from J.P. Morgan.

Welcome, Sir.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you, Speaker.

A couple of the questions that I had have already been answered, so I'll continue to move, and one of those, of course, is the scope of the work. You've indicated that you provided advice on the financial transactions of this MOU or proposal, but you made it firm or clear that you were not hired to review the MOU. Do I have that correct?

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Speaker, I would say that we were hired, as discussed, to look at the financial implications of transactions as part of that work, which we're happy to give more detail on. We would have run various

scenarios, we would have provided input into the team around financial matters, but also financial modelling. There was a tremendous amount of financial modelling that our team would have led as part of this project.

I think it's fair to say I was very clear we were not responsible for the totality of the MOU, that is clear. But we certainly had input into the components of the MOU that would have been within our scope of responsibility, those mainly being financial-related matters.

**SPEAKER:** The Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

That pretty well answered my next question was that: What was your scope of work? You've literally laid that out there.

Can you tell me what the timeline duration of the work, when your work was started and completed?

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Speaker, thank you.

This work had two phases. The first phase began in late 2022, where we did some analysis as it related to the Churchill River. We then were engaged on a second phase of the project in the spring of 2023, which would have included most of the items that we're talking about today. So that was financial analysis, extensive modeling, some advice and/or support as it related to the negotiations specifically with the other party.

The second phase was more specifically related to trying to get to an MOU and our views as it would relate to some of the financial analysis.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

During your scope of work, what was provided to Newfoundland Hydro, I'm particularly thinking about any reports or recommendations made. Were there any reports or recommendations made and provided to Newfoundland and Labrador Hydro?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Thank you, Speaker.

We try to go down the memory lane, two years of work. There was a lot of information there and I'd say it's very hard to recall exactly what we'd been given over the last two years, as you can appreciate. We certainly have reviewed a lot of information provided to us by our client, NLH, as well as our partners, Power Advisory, as well. They've produced their work; we reviewed their work. They've looked at things as part of their advisory work as well. We reviewed publicly available information as well, various publicly available reports as well. There was just a lot there so if there's anything of particular interest to you, we would be happy to address that.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** I was just trying to get an understanding of the scope and one of the things that I had on my list to ask you was to provide a list of the documents that you would have provided to Newfoundland and Labrador Hydro. When I said that, I'm not asking for the documents themselves, obviously, but just to kind of get a list of the type of involvement, the type of work that was done. That's what I was trying to get at and whether or not there's a list of the type of thing that could be provided.

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Speaker, thank you.

I'm actually going to just step back for a moment just to describe the way that we would approach this type of project because I think it will help to provide some context on to, potentially, some future questions.

We have staffed this particular project with about 15 to 20 people as part of the core team. We also reach into the global organization on specific topics or situations or questions where we could leverage some expertise from outside groups. But within the five major groups, it was coverage – so we want to show up with specialty around power utilities and renewables. We think that's very important.

The other part of coverage would be our Canada coverage because this, obviously, is a project in Canada and requires a certain amount of Canada expertise. We would show up with our advisory mergers and acquisitions team: Konstantin, tonight, represents that team. That team would be responsible globally for that service but he, specifically, works within the power and utility and renewable space. So, again, speciality on a sector but really speciality around advisory and M&A tactics.

We have a CFA group, which is corporate finance advisory, they are in some ways like the engine, if you will. I heard one of my partners, earlier, said I don't want to geek out on something when he was describing something but this is the group that would really get deep into a lot of the modelling and work with our coverage teams as well to provide input into the modelling. Then, of course, we have, lastly, our infrastructure finance advisory team that would play a role as well given that this is a large infrastructure project so we would bring that expertise.

I think the answer to your question is like, we've run dozens, if not more than 100 scenarios around different inputs over the course of the life of the project. There was a tremendous amount of modelling work done and we would have led a lot of that

modelling work – most of that modelling work – and there would have been periodic presentations on, sort of, updates or as the model changed, what does that look like provided into the client.

I don't think we came prepared tonight to provide a list of those reports or those presentations but I think it's fair to say dozens of model turns and, probably, dozens of reports related to model turns were provided over the course of this work.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

We'll ask a few more about those modellings after, which leads me to the next question: During the negotiations, did Newfoundland and Labrador Hydro provide you with versions of the MOU to review and offer an opinion, or to complete any financial analysis thereof?

So as this MOU was being developed along the way, were you provided with copies of it, and analysis, to provide some additional analysis?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** The answer is yes. Part of our mandate was to review MOUs and provide advice with respect to financial aspects of the MOU. So we have reviewed.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** That will lead me then to my next question: Did you review the current text of the MOU before it was signed to offer an opinion as to whether the electricity rates used to derive the dollar figures in the MOU were comparable with market rates or other transactions/agreements carried out in North America?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** So two parts to your question, one is: Did we review the MOU before it was signed? The answer is yes. Two: Did we opine on the market rates for power prices? The answer to that is no, it's outside of the scope of our advisory. We would defer to our colleagues at Power Advisory to actually specifically opine on the power rates.

We are given inputs for our financial analysis, which includes power prices and we use those inputs to calculate the economic value of the project of the new contract. That's what we reviewed and opined on.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Thank you.

When this MOU was announced on Dec 12, there was an announcement that the deal – and it's been subsequently said here in the House in the last two days – will result in more than \$225 billion in total revenue to the provincial Treasury over the life of the agreements. Do you have the breakdown of that number?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Thank you, Speaker.

We helped Hydro calculate the numbers, but I would defer to Hydro with respect to the specific numbers as it relates to many various inputs for the province that go beyond the scope of our engagement.

**SPEAKER:** Newfoundland Hydro, would you like to add?

**W. PARSONS:** Yes, thank you, Speaker.

Yes, we obviously have worked a fair amount with both Power Advisory, as well as J.P. Morgan, to develop, not only the data that would be used to determine the value of these contracts to CF(L)Co, but

also, of course, to Newfoundland and Labrador Hydro as the parent and then ultimately to assist the province to understand what will actually flow to Treasury. So it's with the assistance of our advisors that we have developed this data.

We do have this data. I have, I think, a very clear layout here of how the \$227 billion net to the province is comprised. I can ask one of the hon. Members to table this table, if you will, to lay out exactly how that number is calculated, both from Churchill Falls itself, which gives you \$179 billion, and then the additional developments that take us up to \$227 billion.

It's broken down by our share of dividends and then the water rentals and it shows how much goes to Hydro-Québec, how much comes to Newfoundland and Labrador, which totals \$227 billion. So, yes, I can ask a Member of the House to table that this evening.

**SPEAKER:** Thank you.

The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** The follow-up question to that is: When was that actually prepared?

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** We've prepared this information in the lead up to the conclusion of the MOU. Obviously, understanding the impact on the province is critically important here, so we would have done this over the last number of weeks. Of course, we always look at different formats and, you know, even in the last few days when we've been asked questions and we've been made aware that there's confusion in certain areas, we want to do our best to clear up any confusion to make it easier to consume.

There has been no change in the data, but we can present it in different ways that

make it easier to understand. So we have developed a new table that breaks things down in, hopefully, a clearer way and that's the document that we'll table, but it's no different from any of the information shared to date or available on ourchapter.ca site, it's just we're trying to find a way to always present better and answer the questions that we're hearing here and online.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Does that number appear in the MOU anywhere? The number of \$227 billion, is that in the MOU anywhere?

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker.

No, the MOU is an agreement between two utilities. So the \$227 billion is a number, after all the math is done, that represents a number that is how much money will be paid to the Treasury of the Province of Newfoundland and Labrador. That is not a part of the MOU itself.

What is in the MOU is the forecasted purchase price for the energy sold from CF(L)Co to Hydro-Québec. That is an input that then needs to be – obviously that revenue input we need to, from that, pay the operating costs of CF(L)Co. We also need to pay water royalties. It's not free to turbine water. We have to pay directly to the Province of Newfoundland and Labrador out of those revenues to turbine the water. So that's another cost. There are payments to our Indigenous partners, of course. So that all comes out and then we get our profit for CF(L)Co and we take our two-thirds of that.

It's a calculation process to get there, so it wouldn't actually be in the MOU itself, which is between utilities, but it is calculated after the MOU.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Yesterday, when we asked for the number, we couldn't get it. You've provided some understanding of the number today, but I find it strange that such a huge number being used since December 12 and we did not have that breakdown of that number, so we'll get something tonight.

But is it clear, can you say or verify that the \$227 billion number that you're talking about is not just revenue from Hydro-Québec?

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** The \$227 billion is the total revenue to the province from this new arrangement. So some of the money – I mean, obviously, the largest portion of that comes from Hydro-Québec, but some of it would come from new customers, for example, for the recaptured power that would be sold in Labrador West. We'll break that down in this table so you can see how much comes from new Newfoundland and Labrador Hydro customers versus how much comes from Hydro-Québec.

In the case where there are fewer customers, say, in Labrador than we could have, so we have a recapture of right, but that doesn't mean we're going to use every megawatt, and in that case, of course, Hydro-Québec has the obligation to purchase that.

So all of the energy capacity will be purchased. Whether it's by companies in Labrador West, other parts of the province or by Hydro-Québec, it will all be purchased. The purchase price is the same, so it leads to the same number, that \$227 billion, to the province.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** I would argue that this is the number, \$227 billion, that has been communicated and continues to be communicated and perception left that all of a sudden we're going to get an extra – well, this deal is worth \$227 billion and it's going to come from new business or with Hydro-Québec. I'm not saying those are the facts, but that's the perception because we've had no breakdown of how that number was going to be or how it was arrived at.

So I'd like to ask a question of J.P. Morgan again: Did you do any analysis on this number?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Thank you, Speaker.

I would say that we are often brought into a boardroom to provide very specific advice. This is a rare opportunity for us to come in front of you tonight, so we appreciate your patience as we talk through some of the nuance of the questions in our scope, so thank you for your patience.

I will turn to my colleague.

Thank you.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Thank you for saying that, Dave, because I was of the same view here. Typically, when we are in the boardroom, we are very open. We provide all the information. It's in a private setting. This is a public setting and, therefore, we need to be mindful as to what we can say. We're also mindful that Hydro-Québec is watching us right now as well and we have months of negotiations ahead of us. That's why we just want to make sure you understand why we're taking pauses to respond. We know the answers, but we want to make sure we respond in the right way.

So to answer your specific question, we did provide support, modelling support, with respect to calculations of various numbers, including this number, \$220 billion, but there were many parts of the calculations here that were beyond the scope of our engagement – for example, provincial taxes and things of that nature – but we did help our client to calculate the economic impact of the new contract and the new developments as well.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** So I'm led to believe that this \$227 billion is a net number after all the expenses and everything is done and Quebec has their share and everything else is done. I would ask then what is the gross revenue amount that you expect to get over until 2075 in this particular MOU and contract that you want to sign? What's the gross? If that's the net that the Treasury will get, as you had described, what's the gross number that we're dealing with? Where would I find that? Where's that to?

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker.

We will include the gross in the table as well.

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** So I guess that's the first question – you're right – is when.

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** As soon as possible. I learned yesterday that I can't table documents, but I have a table that I can ...

**SPEAKER:** The hon. the Leader of the Official Opposition.

**T. WAKEHAM:** Can I just ask, if the gross number is on that, can you turn around and just say the gross revenue number?

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Yes, Speaker, I could, but I just gave away my sheet.

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker, and thank you to the Member for bringing that back to me.

From all developments, the forecast payments are \$396 billion.

**SPEAKER:** The Member's time has expired.

Do you want to table that document now?

He's getting his exercise.

The hon. the Government House Leader.

**J. HOGAN:** Thank you, Speaker.

With great speed, I will table the document referred to by the minister expeditiously. Thank you very much. It is entitled: Revenues, Expenses, & Dividends (Nominal \$ Billions).

**SPEAKER:** Thank you.

Next speaker.

The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Thank you, Speaker.

Thank you for the opportunity to speak here this evening on behalf of the constituents

that I represent in Conception Bay East - Bell Island.

I've already said hello in person, but I will again, to our guests in the Chamber this evening. We appreciate the fact that you've taken the time to come here. The previous guests and yourselves, very informative about this process and the work that went on and we appreciate the work that you've done.

For me, personally, Speaker, it's a little bit surreal to be sitting here this evening for a number of reasons. A year ago, we were in the midst of a by-election campaign that I was running in. Here we are less than a year later doing something that I thought this province would never have an opportunity to do, which is tear up that deal which has kept us under Quebec's foot for the last 55 years and allow us to proceed as partners in a deal that will give us \$17 billion for the next 17 years. As Mr. Parsons and our Government House Leader just pointed out, net revenue of \$227 billion and gross revenue of \$396 billion over the next 50 years.

Before I ask a couple of questions, I just want to make a couple of points. The last couple of days listening to Members opposite, our own Members, it is still, as I said, a little bit surreal to sit here this evening to talk about this, the fact that we can rewrite the history we're about to make, in light of the fact that we have Muskrat Falls still very near in our rearview mirror, and a \$30-million inquiry which showed what went wrong. We have 55 years of history with Churchill Falls and the \$28 billion, if you look at 2019-2020 numbers that Quebec has made on that deal in the last 55 years, and the \$2 billion that we've made we're still and will for a very long time be paying off Muskrat Falls.

So to be able to sit here and to discuss this and debate it, this is exactly where we should be. This is why we are here tonight, to make sure that we ask these questions in

advance. This is not being rushed. We have waited 55 years to get to this moment and we are finally here with the ability to do this.

I agree with the Members opposite, we must do it right –

**SOME HON. MEMBERS:** Hear, hear!

**F. HUTTON:** – for us, for our children, for our grandchildren, for everybody in this province who will come after us.

Without telling too many tales out of school, my colleague behind me was on Facetime with her son in our caucus room the last few days, while he is staying with her parents in Central Newfoundland so that she can be here nine hours each day to do this, but this is the reason we're doing it. My other colleague is sending pictures in our personal threads for caucus talking about her son and how this will impact him, his ability to stay here. I think about my four children who will be able to work and stay in Newfoundland, have better opportunities to do it because of this deal.

**SOME HON. MEMBERS:** Hear, hear!

**F. HUTTON:** For 30 years as a journalist, I never thought for a moment that we would get a chance to discuss this, to do this. I have interviewed all the premiers who tried before – well, not all of them. I wasn't around when Frank Moores was premier, back in the '70s. I was only six years old when he became premier. But I never, ever thought I would get an opportunity to do this. So for me, personally, it's a great honour to get to do it on behalf of the folks of Conception Bay East - Bell Island and to make sure that we do it right.

As a former journalist, we should be skeptical and ask questions. When I saw this deal, first of all, this memorandum of understanding, that is the first question I had: This is too good to be true, what is the catch? But hearing from Newfoundland and Labrador Hydro officials, hearing from the

Advisory group that was here earlier today, hearing from J.P. Morgan and reading more about the MOU and delving into it, you get to see the potential that it has for future generations.

As a minister now and faced with the requests, not just from my own caucus, but from Members across the aisle and even this week, requests are coming in. It costs a lot of money to do things to run this province. This is money we can use to do that. It's money that we can use to fix a bridge. It's money we can use to pave a road. It's money we can build a hospital with. It's money that we can build schools with, things we're already doing, but we need this money. That's what it boils down to, we need this for our future.

So it is important to have a healthy dose of skepticism and to ask the questions to make sure that we get it right because we've got Muskrat Falls, we've got Churchill Falls 1, we've got those deals behind us.

Mr. Akimov, your cab driver who took you here tonight hit the nail on the head when he said to you driving you here that you've come here to fix an historic injustice, to be part of that, to guide Newfoundland and Labrador Hydro and to guide our government.

**SOME HON. MEMBERS:** Hear, hear!

**F. HUTTON:** These are the stories that I told for 30 years from people who looked at this deal and thought: How did this possibly happen? In my heart, I still think that nobody intentionally did that, but here we are 55 years later and a lot poorer because of it, but now we have a chance to rewrite that.

So that fact that your cab driver picked up on that tonight and pointed that out, that is what everybody in this province has felt for generations, since that first deal was signed.

In 1972, when Frank Moores became the premier, after the premier who signed the original deal, they immediately tried to change it. We've been trying this for 55 years. We're not rushing this, but I cannot wait until we finally do get this deal signed so the money starts to flow and we can do the things that need to be done for the people of Newfoundland and Labrador.

That's why I'm here and that's why, I think, all of our colleagues are here tonight, and not just tonight, but everyday, to make your districts, to make your communities, to make the people who live anywhere in this province have a better shot at having a good life.

So having prefaced my remarks here with the chat about Muskrat Falls, and you can reasonably understand why we're gun shy with megaprojects and deals and with Churchill Falls, respectfully with Quebec. But I've seen the relationship that Premier Furey and Premier François Legault have built and developed and cultivated over the last four years, which has led to this and the MOU that has been reached, this historic MOU. The tearing up the 1969 agreement. Whoever would have thought that would have happened. They're getting power for basically free. We know the reasons. They need power; everybody needs power. So you can understand why we would be – your cab driver summed it up – a little skeptical.

So the question that I would ask, when you look at this deal, this new MOU, how is it possible that if a project has overruns, but those overruns won't affect the taxpayers of Newfoundland and Labrador? Because we just had to use rate mitigation for a project that started out at around \$6 billion and closes in on \$14 billion once it's finished, years over, almost double the budget, if not more. How is it possible that the taxpayers of Newfoundland and Labrador won't have to pay any cost overruns? Because when you say we're going to develop Gull Island,

you looked at the numbers, how is that possible?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Speaker, thank you.

It is possible because of the structure of this MOU that is in place. Any risk of a cost overrun is mitigated by the pass-through structure of the pricing and the off-taker – Hydro-Québec in this case – who mitigates this risk. They take the risk via this mechanism of any cost overruns. They are, at the same time, incentivized not to let it happen because they are the operator and they are the off-taker, so their interests are aligned here as well.

But in the event it happens – and it does happen in industry, costs go up – that means the power price will go up as well and the off-taker bears that risk. Hydro-Québec takes the vast majority, the vast portion of the power contract. NLH, on the other hand, has the right but not the obligation to take the risk. That's why we feel that the mechanism is in place to ensure that the taxpayers of the province will not bear this risk of possible cost overruns.

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Speaker, I'd like to ask another question of our guests from J.P. Morgan, either gentleman can answer.

Again, you can reasonably understand why we're a little gun shy in this province in doing deals on megaprojects, especially given our history. So what does it mean for the taxpayers of Newfoundland and Labrador that Quebec is actually funding this project? I mean, when you look at the deal that is there and the amount of money and the billions and billions, and you talked about your book is at \$4 trillion with J.P. Morgan and 300,000 employees, but for us,

this is a huge deal at \$225 billion, \$227 billion.

To start building 10 or 12 years later another megaproject or to enter into this agreement, for them to have the money upfront to give it to us, that funding, they're going to fund these projects, is this something that you see in other projects that you review?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** I would say there have been multiple large-scale projects in the power space and the hydro space as well that we have been part of. Having an off-taker at the same time as the contractor, I wouldn't say it's rare but it's not common. So this is a fairly unique set-up actually, I would say.

In a way, this uniqueness here is the opportunity, we think, because it provides comfort to all the stakeholders for that matter that are involved, to you, hopefully, to the lenders who need to get comfortable that they can finance a very large-scale project like this.

A lot of it will be financed with debt. So there is an equity component, 75-25 per cent. The 75 per cent is debt, so we'll need to get the lenders, big banks, to get comfortable with it. Having an off-taker like HQ, an experienced operator, an experienced developer, investment grade off-taker as well, with set volumes they will acquire over the years is going to give lenders comfort that they can finance this successfully.

So, in a way, this is a pretty unique set up here, we think, and that also gives us comfort that a project of this scale can be done successfully as well.

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Sir, I would suggest as well that part of our job is to give the taxpayers

of Newfoundland and Labrador comfort that the money that we're investing or using on their behalf to develop projects or to make money to pay for the services that we provide, we need to provide the comfort to them. Would you feel comfortable telling the taxpayers of Newfoundland and Labrador that this is a good deal?

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Mr. Speaker, thank you.

While I would love to address the question, it is really out of our scope as it relates to this mandate. I do feel the question is probably more appropriate for either Walter, representing the company, or maybe a different forum.

Thank you.

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Thank you, Speaker.

So can I ask how it is that a jointly held corporation that's going to own Gull Island project is not going to pass on any related debt to the taxpayers of Newfoundland and Labrador?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** This is where I would say the financing structure that we are contemplating here – again, this is to be worked out; there is a lot of work to be done. But the basic principle of the financing structure here is project finance. It is non-recourse project finance.

Non-recourse, it means that if something goes wrong, the province, the shareholders, will not be on the hook. The risk and the liability is ring-fenced from them; it is at the project level. The lenders, they will take security in the assets. So if something goes wrong, they'll take the assets of the project

but they will not go after the shareholders or taxpayers for that matter.

This is a very common structure for financing large-scale development projects like this one. It's a very common structure.

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Does that mean that, Speaker, that we don't have to guarantee it?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Correct. Hydro-Québec, on the other hand, provides a completion guaranteed to the construction. So the risk of construction is backstopped by Hydro-Québec. You do not have to worry about it.

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Speaker, one final question: Do you see this as a good deal?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Sorry, could you repeat the question?

**SPEAKER:** The hon. the Minister of Transportation and Infrastructure.

**F. HUTTON:** Sorry, final question: Do you see this as a good deal?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

We think this is a good deal for you, yes.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** Any further questions?

The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

Thank you, gentlemen, for coming.

Do you represent or advise Hydro-Québec in these negotiations, as well, considering how large your organization is?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you for the question.

I should just describe, for a moment, how we would go through an engagement process within the firm, not necessarily specific to this project, but I will address that specific question in a few minutes,

Whenever someone wants to engage us, we have a team internally which we appropriately call conflicts, which is a global team within the wall of J.P. Morgan which will assess, through business compliance, legal, other inputs whether or not we are unconflicted and, therefore, can work exclusively for the client that is asking us to work for them.

So that conflicts process would have been run here, was run here and we were satisfied that we were engaged to work with Newfoundland and Labrador Hydro and there was no conflict with the other party.

As I mentioned at the beginning, this project had two phases, and the second phase was specifically around this topic as it related to Hydro-Québec. So we are comfortable and have gone through the process that we represent Newfoundland and Labrador Hydro, only, and in the best interest of them and their constituents.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

So just Newfoundland and Labrador Hydro.

Thank you.

How confident are you that your work will stand up to, I guess, independent scrutiny?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you.

I'm not sure I have the basis to specifically respond to that, because I don't know what would be included in independent review. I would say that we have a reputation for being best-in-class financial advisers and therefore you could presume that we would be confident showing our work to other parties, but I don't think I can specifically comment on your question because I don't know what form of review might happen.

I hope I've communicated, and Konstantin has communicated, to you there's a lot of robust analysis that went into our work on behalf of Newfoundland and Labrador Hydro here.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

With regard to Schedule F, a fair-value clause is something that's been touted as new wording that hopefully will future-proof or help future-proof this deal.

If you've read through this, how robust or how confident are you that this will stand up to such a thing as inflationary pricing on rates and returns, and not necessarily chew into our profits or our revenue?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you.

I think I would defer to Newfoundland and Labrador Hydro to address that question, Sir.

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Sorry, Speaker, would you mind repeating that question?

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** I'll go back. That's not a problem (inaudible).

Thank you, Speaker.

This is a 50-year deal, and if I look at the Muskrat Falls inquiry report, it was very clear that, as it's noted here, "it is not possible to forecast accurately a half-century into the future.... There are significant limits to the accuracy of a forecast of electrical loads 55 years into the future." It goes on several times.

I know from my own involvement when it comes to pension negotiations, even actuaries – different field – are loath to go beyond 30 years. With this in mind, basically we're looking at another 50-year deal.

I'm just trying to get an idea of how it seems what everyone else is saying – that we're really going into the undiscovered country – where your confidence comes from.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you.

I think it's appropriate to recognize that the long-term nature of this contract creates a certain amount of risk. I think it would be naive to believe that a 50-year contract can be fully buttoned down across everything from day one.

But I would also say that, to the extent of going back to our mandate, our mandate was to review the financial analysis that went into the MOU and also to think about,

as we talked about earlier, what are the guardrails that are in place to get you to the best possible outcome, and my colleague has addressed some of those already. But we do think some of the price escalation, as well as the ROE targets, as well as the development risk largely being borne by the other party are important considerations when you think about the risk mitigation within this contract.

I appreciate the question; I think it's a very fair question. As others have said tonight, you know, you're living with a contract that has been much more difficult for this province, but in the role that we played as it relates to the, you know, review of the financial analysis here, we feel like there were guardrails built into this contract to provide appropriate protection.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** I'll ask the representative: Would you invest in this project considering what you've seen? Would you be comfortable investing in a 50-year term?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you for the question.

I would say I never tell people what I'm buying because I won't be back in this room to let you know if I'm selling. So as a general rule, Sir, I generally choose not to share what I'm buying or selling in the moment.

You'll also appreciate that given my role, there is very little individual securities that I can purchase. In fact, no public stocks can be purchased as a result of my role.

So I will use that as my answer but thank you for the question.

**SPEAKER:** Okay.

The hon. the Leader of the Third Party.

**J. DINN:** Thank you.

Speaker, I noticed that J.P. Morgan noted at the beginning that it's investment banking, equity and debt raising. Will your organization, beyond the advisory capacity, also be arranging the debt financing and equity financing for this project?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Speaker, thank you, and thank you for the question.

We have completed the work as it relates to the second phase of our project and we are not engaged at this time to review potential debt or other financing. It may happen in the future; it is not currently something that we are working on.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** Thank you, Speaker,

These are some questions from people who looked at this and some of them may have been answered already but I'd be interested in your take on this. Specifically, the discount rate used and how it was determined. I guess one of the questions that came up was: What was the time frame used? What was the inflationary period to make assumptions, for example, 20-, 30- or a 50-year period?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Would it be helpful to describe a discount rate in general and how we might apply a discount rate to future cashflows?

**J. DINN:** I have a basic understanding of it but, yes, you can go right ahead.

**D. RAWLINGS:** I'll just say that the going in position when you're doing a discounted cashflow model – I mean by definition of that title, a discounted cashflow, is you are making the assumption that with a certain amount of inflation that naturally, that generally happens in developed economies and non-developed economies, that future cashflows would be worth less than current cashflows. So, I think, most people would understand that concept. I think, talking to the public of Newfoundland in that concept, the average person might have more difficulty, I'm going to guess a lot of people in this room are comfortable with that concept, but the concept is exactly that, which is this is a 50-year perceived MOU. The cashflow in the early years would naturally be worth more than the cashflow in the future years and then getting to your question, it's like what is an appropriate discount rate to think about as you're trying to – quote, unquote – net present value the future cashflow?

We've had some discussion tonight about what those nominal cashflow may be. I'm not going to speak to that here, but conceptually what you're trying to say is what's that worth in today's dollars? So that would be the concept. I would be happy to turn it to my colleague to talk specifically about the discount rate used here.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Mr. Speaker, sure.

The number is 5.822; this is an agreed number, it's in the MOU. As it is very common in negotiations for two parties to proceed with a deal, they need to agree on a common set of assumptions and this is a critical assumption here. There is some precision to it, however, discount rates in general are based on analysis that is a little bit more of an art than science. Why? Because you have to take a view on the future, effectively. You need to think about what is the appropriate rate? What is the risk profile of the cashflows in the future?

What is the rate of return that investors will require to invest in a business with those cash flows in the future?

What we normally do is we look at where other companies are trading at, where other companies have – what they have for their cost of capital and we benchmark the assumptions and we come to view whether what was agreed at the negotiating table was reasonable or not and that's the work we've done. We've looked at a number of companies in this space. We looked at the cost of capital for NLH, we looked at the cost of capital for Hydro-Québec, we looked at the cost of capital for a number of Canadian publicly traded utilities and we got comfortable that the number that was agreed on was appropriate. They were all close to that number.

Again, the exact number was agreed. Over time, things fluctuate, but they're all around this number of 5.822. We use the capital asset price in methodology to calculate the cost of equity. In other words, the cost of equity that investors would require for investing in publicly traded companies, it's an observable number that you can extract from publicly available data. That is one component and the other component is the cost of debt, which is also something we can easily benchmark as well.

So those are the two components, combined with an assumption about the capital structure, gives us the weighted average cost of capital. This is the analysis that we performed and we got comfortable that the agreed upon number here is appropriate.

**SPEAKER:** The Leader of the Third Party.

**J. DINN:** Thank you, Speaker.

With regard to inflation rate and assumptions and so on and so forth, I would assume then that Schedule F would provide the necessary fail safes if inflationary assumptions were off? Would Schedule F

take care of that, if inflation rates are significantly off over the next 50 years?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

That's right. The details of the Schedule F are to be worked out in the next phase of this process, but the fundamental underlying principle is that the pricing will take into account the future volatility of market conditions, including interest rates, including inflation rates.

**SPEAKER:** The hon. the Leader of the Third Party.

**J. DINN:** That's it.

**SPEAKER:** Finished?

Next speaker.

The hon. the Government House Leader.

**J. HOGAN:** Speaker, I move, seconded by the Premier, that this House recess for 15 minutes.

**SPEAKER:** This House do stand in recess until 7:35 p.m. this evening.

### Recess

**SPEAKER (Bennett):** Are the House Leaders ready?

Order, please!

We're going to continue with the debate tonight.

Our next speaker.

The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you, Mr. Speaker.

Mr. Speaker, I want to start by showing that I'm following this debate, as I'm sure there are a lot from across Newfoundland and Labrador, and I'm paying attention to what is specifically being said here in the House; hence, my first question to J.P. Morgan.

When you were asked whether the MOU was a good deal, one of you said it was outside your scope of work. Minutes later, you were asked again the same question. The other of you said yes.

So my question is: Did your scope of work change in those two to three minutes?

**SPEAKER:** The Senior Country Officer.

**D. RAWLINGS:** Speaker, Sir, thank you for the question.

I would say with confidence we feel like this is a very good financial deal for the province. I believe that what I was clarifying was that there are other elements of the MOU that might be outside of the scope of our engagement. We were engaged to work with Newfoundland and Labrador Hydro on the financial elements of this transaction. Again, we believe that there are appropriate guardrails within the agreement and we think it is a good deal for the province.

I apologize if my previous comments were unclear.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Mr. Speaker, again, for J.P. Morgan: Since you were heavily involved in the determining of the discount rate, can you provide the calculations?

**SPEAKER:** The Senior Country Officer with J.P. Morgan.

**D. RAWLINGS:** Thank you again for the question, Speaker, thank you.

I would turn the mic to my colleague in just a minute, but I would clarify, I don't believe we said we were involved deeply in the calculation of the discount rate. I think what we were communicating was we evaluated the discount rate versus market comparables to determine whether or not it was in the realm or in the range of fair.

But I'm happy to have Konstantin provide a little bit more context.

Thank you for the question.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Thank you, Speaker.

As I stated a little bit earlier, the agreed rate 5.822 per cent was a product of negotiations, right. It was the rate that both parties agreed on. There isn't some math or science behind a precise number. It cannot be, by definition. It's what the parties agree on. You can engineer it, but we don't think it would be appropriate to do that. What is appropriate to do, however, is to say whether the agreed rate is a reasonable rate, based on our analysis, that we can say with confidence.

As I mentioned earlier, we ran our CAPM pricing model; we looked at the cost of that, we compared the two. We looked at the capital structure – assumed capital structure – for this business and benchmarked that against comparable companies. And we got comfortable that 5.822 per cent is within the range of what we consider to be reasonable.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** If Gull Island is delayed or doesn't get built, does that affect the discount rate? If so, how?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** I want to make sure I heard it correctly.

**SPEAKER:** Can you repeat the question?

**L. PADDOCK:** I'll repeat it.

If Gull Island is delayed or doesn't get built, does that affect the discount rate? If so, how?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you.

So the discount rate, 5.822 per cent, was used to agree on the principle and the fundamental numbers that underpin the MOU, which is the NPV figure for Churchill Falls, as well as the value of upfront payments, the \$3.5 billion. That's the NPV of the future cash flow, discounted at this particular rate. Once that is agreed, it is agreed.

So if there is a project delay or a cost overrun, that's not going to change what was agreed at the beginning of the MOU. That will happen a number of years from now and it will not impact what – by that time the definitive agreements will already be signed.

You will proceed with the construction of the project, once you enter into definitive agreements, with all the milestones, operating budgets, capex, that will all be known at that point in time. That is all to be worked out.

If a cost overrun happens in the future, what it will impact, though, is the power price because that is one variable that gets impacted – an important variable. It will be adjusted accordingly. The power price will go up if there is a cost overrun. But it will not change the agreement that is reached today.

**SPEAKER:** The Member for Baie Verte - Green Bay.

**L. PADDOCK:** Okay, so let me rephrase this in another way that you could potentially explain to the viewers at home.

If there is an increase in the discount rate, what would be the impact on the net present value?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you.

So, in general, a higher discount rate would result in a lower net present value of those future cash flows.

**SPEAKER:** The Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you.

So following on to what the Leader of the Third Party highlighted, and that is the difficulty in forecasting and doing agreements over an extended period of time, for which J.P. Morgan highlighted: Yes, there are fluctuation and challenges.

Based on that, would Newfoundland and Labrador Hydro have been better off, based on what Quebec is doing themselves in the Northeastern US, and have signed a 20- or 25-year contract for a Power Purchase Agreement for the current plant?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, I appreciate the question.

I'm not sure that answering that question would fall within the realm of our scope as it relates to the financial analysis on the project. I don't think we were brought in to opine on a different time frame or a different construct. We were working on the financial

analysis alongside our partners to come up with the best deal possible for Newfoundland and Labrador Hydro in this circumstance.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Okay, fair enough. I'll move along.

Was J.P. Morgan involved in determining the escalator of 2 per cent?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** The answer is yes. Again, this is one number that was agreed upon by both parties. Our job was to opine on the reasonableness of this number, just like any other number in the MOU, and we do think that a 2 per cent escalator is appropriate in light of general macroeconomic conditions and our analysis of this particular asset.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** So what was the 2 per cent based on? Was that based on CPI, consumer price index?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** CPI was one of the many factors that we considered when we arrived at this conclusion, yes.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** So I would just like to highlight for the record here if they're using 2 per cent as a factor for CPI and a 2 per cent linear escalation, that the inflation rate, close to it, CPI, have averaged 3.92 per cent from 1969 to 2024. Over the past 55 years, the CPI has been 3.9; so double what we're using here as an escalation.

But, again, I will look to move on. So why does Schedule G –

**SPEAKER:** Sorry – a comment to that, if you don't mind.

**L. PADDOCK:** Okay.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** I just want to make sure I want to clarify this, because it's an important point, and if you just look at the historic data, you may take a view that historic inflation wasn't that higher. That may be true – I haven't seen the data, but what we need to think about here is that the escalator here is on top of the cost-plus pass-through mechanism.

If there is inflation, it will impact the costs of the project. The costs will go up. We do have something in place that's built in to address your concerns. The inflation may go higher than 2 per cent. That will impact the costs of the project. They will go up. Those costs will be passed through with this mechanism.

So 2 per cent is on top of that. Therefore, we feel it's actually an appropriate construct here that gives us comfort that there is a risk mitigant against possible future inflation. Headline number which may be higher or lower than historic, we do think there is a protection mechanism here in place.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Did you provide NL Hydro with an energy price forecast?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** That would be outside of our scope. We relied upon the forecasts from Power Advisory. That was within their scope of work.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** So we talked about some of the risks for Gull Island based on cost-plus. As we know, we are 10 per cent of the off-takers. That is funded 75 per cent debt and 25 per cent equity. If there are cost overruns, will we not incur additional risk?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** As per the MOU, NLH has the option, but not the obligation to acquire those volumes. So you will have some optionality there to make a decision at an appropriate time how you want to deal with it.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** What do you expect to be a benchmark cost for the replacement of capacity in kilowatt hours for similar jurisdictions as Quebec in 2041?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

I would defer that question to Power Advisory. They've actually analyzed that.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** So I guess that would be the same with regard to the electricity rate included in the new Power Purchase Agreement.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** That's accurate.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Okay, what about spot pricing for electricity in 2041?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** This is within the scope of work for Power Advisory.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** So you have referred to guardrails – I'm going to come back here again. In your opinion, after your review of the MOU, what guardrails do you see in place for Quebec?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

The question here relates to a different counterparty. We advise NLH. So we are not going to be able to opine on the risks for the counterparty here.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Is the \$33.8 billion – so, basically, the number that's referred to in Schedule F – a result of J.P. Morgan's analysis?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Give us a second.

Speaker, thank you.

So \$33.8 billion is one of the agreed upon key parameters of the MOU. Our job was to opine on the financial aspects, including this number, so we ran multiple scenarios. We analyzed the financial impact of the proposal and whether or not this number was reasonable, and we came to the view that it was.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Thank you for you indicating that it's the target.

Based on that \$33.8 billion in Schedule F, did you do any analysis on Schedule G, and Schedule G would've been broken out by year?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** The answer is yes. Schedule G underpins this number, \$33.8 billion. We analyzed the financial construct in its entirety, including that schedule.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Did J.P. Morgan compare the cost of electricity, as determined by the MOU, to the cost CF(L)Co could have charged if the existing contract expired in 2041 and then Newfoundland Hydro chose to sell electricity on the open market?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** That particular question is a very important question. Power Advisory actually provided that analysis; it was outside of our scope.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Did J.P. Morgan compare the cost of electricity, as determined by the MOU, to the replacement cost in Quebec?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Just give a second.

**SPEAKER:** Yes.

The Managing Director of J.P. Morgan.

**K. AKIMOV:** Speaker, thank you.

We worked with Power Advisory to analyze the potential alternatives to this transaction. Power Advisory provided us with inputs on replacement costs on other pricing scenarios and we modelled those scenarios and we opined upon those scenarios and compared them to what was presented to us by Hydro-Québec.

So that was the scope of our work and we have actually done a lot of those analysis: multiple scenarios of replacement costs, multiple scenarios as well. So we relied upon the specific numbers because they require some technical knowledge that Power Advisory has.

Our area of expertise is to analyze that within the context of this transaction. Analyze the financial impact and come to a view of whether or not what Hydro-Québec presented you is reasonable and makes sense compared to another alternative that you may possibly have.

**SPEAKER:** The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** Did J.P. Morgan compare the cost of electricity, as determined by this MOU, to the electricity rate in other recent transaction agreements signed in Canada or the Northeastern US?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Speaker, thank you.

Again, I would say that we worked very closely with Power Advisory. We used their specific data, local data, for all financial models to analyze the financial impact on the province and NLH. So that was within our scope. We work very closely with them. We have seen all those numbers, hundreds of scenarios, to be candid with you, over the

last two years. I think 135 is what the team calculated.

So, yes, we have seen all those. Did we independently verify those numbers: that was the scope of work for Power Advisory? Well, we opined upon the financial impact of each one of those scenarios to come to view that what we have here on the table is a good deal for you compared to doing something else.

**SPEAKER:** The Member for Baie Verte - Green Bay.

**L. PADDOCK:** Did J.P. Morgan convert the cost to construct Gull Island into an electricity rate, so kilowatt hour?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Speaker, thank you.

A few things here to note. First of all, this is a non-binding agreement. There's a lot of work to be done still to finalize all those details, specifically around the cost of construction for Gull Island, which will impact a lot of those numbers that you're referring to. All of it is to be done so we are not in the place yet where we can say definitively what those numbers will be once the feasibility study is done and that's going to be the next months or year, whatever it takes.

What we can say, though, is that we worked very closely with our partners to look at various possible outcomes to come to view that this project can be financed, that this project will result in a reasonable cost of electricity because the model has to be based on a number of assumptions, including the cost of electricity, so that it all comes together and we feel pretty comfortable with that.

Now the details of those numbers, the dollars per kilowatt that you may be referring to there, they are all going to be

worked out over the course of the months ahead of us.

**L. PADDOCK:** Fair enough.

**SPEAKER:** Finished?

**L. PADDOCK:** No, I've got –

**SPEAKER:** One more quick question.

The hon. the Member for Baie Verte - Green Bay.

**L. PADDOCK:** I just want to make a statement here because it's been debated with regards to this 10.3 cents average price in Quebec. So let me say this and I went back and I pulled and I pulled, which could easily be accessed by the government side as well, Hydro-Québec's press release dated the 21st of February 2024. Now, whether you read it in English or en Français it's the same thing – 10.3 cents average price obtained – average price obtained. I rest my case.

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker.

Looking at that same press release, obviously very familiar with that. It says in the same press release that the average market price, and these are the markets that Hydro-Québec has access to through its expensive and expansive transmission network and through paying those rates, their average market price in the period was 5.2 cents per kilowatt hour but the average price obtained – and it says in parentheses, I have to include the full sentence – including hedging effect is 10.3 cents.

So that hedging is a financial mechanism. These guys are better to speak to that, but it is not an explanation of what the price was in the market for that period. The price in the market is clearly in this press release at 5.2 cents in English and in French.

**SPEAKER:** Next speaker.

The hon. the Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you, Speaker.

I'd like to thank our guests tonight for being here, Mr. Parsons, again and J.P. Morgan. Thank you very much.

I just want to reiterate that I will sleep better tonight knowing that J.P. Morgan says that they believe this is a very good deal for our province.

**SOME HON. MEMBERS:** Hear, hear!

**S. STOODLEY:** I just want to open with that. Thank you very much.

I have some technical questions, so I'll dive right in. Thank you very much.

The first one: Based on the memorandum of understanding, is there anything that could jeopardize or risk the 8 to 9 per cent rate of return that Newfoundland and Labrador would expect? Can you talk about the risks and, I guess, anything that would jeopardize that rate of return for the MOU?

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** I just want to clarify the question.

So your question is whether there is anything in the MOU that creates risk for the 8 to 9 per cent range that was agreed upon. Is that your question? Okay.

The 8 to 9 per cent range is the return on equity that you will earn on the \$3.5 billion of equity. As we discussed in the prior session, you don't have an obligation to contribute more equity than that quantum.

Therefore, that is a big mitigant to any possible cost overruns, project delays and I

stated earlier there are a number of other important mitigants, such as investment grade off-taker, fixed volumes over time and many others that I mentioned earlier. So all of those are important factors that mitigate possible risk to your anticipated return on your equity.

**SPEAKER:** The hon. the Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you.

Some of these questions might have been touched on a little bit, but I think there are new people joining and it's helpful to have different questions answered in different ways, so thank you.

My second question: In terms of the potential cost overruns from these projects, I'm wondering if you could opine on how the taxpayers of Newfoundland and Labrador and ratepayers are shielded from any cost overruns from the projects in the memorandum of understanding.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Thank you, Speaker, and thank you for the question.

I think, Walter, this might be a question that's more appropriate for you.

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker.

Really, I can just draw your attention back to some points that were made earlier about how the Gull Island project would be done in the partnership.

As the managing director pointed out, if costs go to a place where the equity requirement of Newfoundland and Labrador Hydro is higher than the \$3.5 billion that has been paid for the right to this partnership –

so the \$3.5 billion, obviously, was a hard-negotiated number over the negotiation period but it is our resource, it is our river, we have the water rights along with our partners, Innu Nation.

We, of course, have proposed a transaction whereby Hydro-Québec would purchase that right and that \$3.5 billion becomes a cap on our obligation. It doesn't mean we don't have the right if we want to invest further in a project that goes higher in cost and earn more return on that. We will have that right. That's clearly laid out in the MOU. But the obligation is limited to the amount of the \$3.5 billion.

**SPEAKER:** The hon. the Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you, Speaker, and thank you for that answer.

My next question – and I think this is helpful for members of the general public who may be hearing responses in piecemeal. In terms of operating costs for the projects in the memorandum of understanding, I'm wondering if someone can talk about how those project costs will be recovered and the financial structure around that.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

As I stated earlier, as my colleague stated earlier as well, the pass-through mechanism for the costs is one of the key underlining principles of this memorandum of understanding. What it means is that costs are going to form the basis for the future power price, plus the required return on top of that, plus the escalator that we discussed. So all the costs are going to be recorded. Capital costs are going to be amortized and recovered over the life of the project and the operating costs will be expensed as they are incurred, in

accordance with the general accounting principles.

That is the framework upon which the price mechanism works and that is how the costs will be recovered in the future.

**SPEAKER:** The hon. the Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you very much.

In terms of the ownership structure in the memorandum of understanding for the different projects, I'm just wondering if you had any concerns about that ownership structure or any risks to Newfoundland and Labrador taxpayers based on the ownership structures in the memorandum of understanding?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you for the question.

I want to be a little careful how I respond to this, but this is a memo of understanding. The final agreement will have to be obviously worked out over time and trying to find the balance between the ownership of the asset, offset by the fact that Hydro-Québec is going to put up most of the capital, if not all of the capital, around the development of the asset, it's, like, where do you land in a fair place?

I'll defer to my colleague in a moment, but I think conceptually, the province ends up in a majority shareholding position on its existing CF-NL and the new. So that was part of, I think, some of the work that that we had done – and, Konstantin, I don't know if you want to address the percentages, specifically, probably not, but I'll defer to you.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Yeah, I'm happy to address that actually.

So you have this existing agreement in place with two-thirds and one-third. The new developments will be based upon that agreement, although there is a slightly different percentage for Gull Island, the joint venture, and the reason for that is you have the transmission, which is wholly owned by NLH 100 per cent. So the 60-40 split for Gull Island, if you look at it, together with the NLH transmission, is effectively the same. It's roughly 65 per cent your ownership.

So this is the construct under which you've operated for a number of years. It seems reasonable to assume that the same construct should work for you going forward. It has worked thus far in terms of the shareholder split.

**SPEAKER:** The Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you, Speaker.

I know we've done some basic financial literacy here this evening, so I appreciate you helping us with that. We've talked about gross revenues. I'm wondering if you could talk about the NPV and the nominal amounts and why it's important that we consider both of those in talking about this deal, please.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** (Inaudible) so the NPV and nominal amounts as it relates to which part?

**SPEAKER:** The Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** I guess the memorandum of understanding as a whole or the different parts in particular.

Thank you.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you for the question.

I think where you're trying to go with this is how do you triangulate either fairness or how do you triangulate this NPV number? We talked about earlier how it was calculated.

But I would just go back to: What's the purpose? The purpose is to try to evaluate, in today's dollars, what is a very long-term contract with a number of components that we've tried to model in the best way possible. But I do think it's clear in the MOU that this is a forecast. So the numbers that are being used are based on the forecast. The forecast, as we've discussed, includes inputs from parties that are not just us, it was really the full team, to come up with what that NPV number is.

I think at this moment in time, based on the discount factors and the factors that have been included, it's a reasonable number. But it's fair to assume that as you get through the next step of the negotiation, you'll get more definitive on some of the numbers and some of the forecasts.

So I think let's just start by just acknowledging that it is a forecast. There are a number of assumptions within the forecast. Konstantin and team looked at the appropriateness of those assumptions and we feel comfortable with the number as presented. But it will change as you get into – if you choose to get into – the next phase of this negotiation.

**SPEAKER:** The hon. the Minister of Immigration, Population Growth and Skills.

**S. STOODLEY:** Thank you, Speaker, and thank you to our guests for answering.

I had a few higher-level questions.

In terms of looking at the overall monetization of Churchill Falls and the river and future development, do you have an opinion on whether or not this is an effective monetization of that or if there's a better way to do that?

Thank you.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you for the question.

I think the first thing that we've talked about earlier tonight and we continue to talk about is near-term cash flows tend to be more valuable than future cash flows.

So there have been some questions tonight, and I think they're appropriate questions, which is: How do you think about this particular MOU versus the do-nothing scenario where you wait and see if 2041 is a more favourable power market for you, or other alternatives in terms of potential partners? I would come back to say that our scope was to help you, from a financial analysis point of view, create the best deal possible for the Newfoundland and Labrador Hydro in this scenario.

So I'll pause there and I'll turn to my colleague.

**SPEAKER:** The Managing Director.

**K. AKIMOV:** Well, look, it's a great asset, it's a great resource that you have, Gull Island. It is stranded. It's out there, right? It would take a lot of capital to develop it. We have an opportunity here today. We have a motivated developer able and willing to develop. You have the opportunity to monetize this asset and we do think it's the right deal for you to do, to actually monetize this asset.

The path to monetization, your question was: Is this an effective path? We think it is.

We think there are effective ways to finance this development, as we discussed earlier. It's a large-scale project development. We think there are ways to monetize it effectively.

There is a lot of work to be done ahead of us still to figure out the details. We do have the principles, however, agreed upon on how we're going to be monetizing this asset and the path forward.

So the answer is yes, we do think it is an effective way to move forward.

**SPEAKER:** Okay, I think the Minister of Finance is going to continue with the questioning at this time.

The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much for your succinct and coherent answers, I really appreciate this.

This morning we had Power Advisory before the House and they talked about how this arrangement is being applauded nationally and internationally in that it's a very good deal for Newfoundland and Labrador. I heard you, again, reiterate that in a lot of ways. You talked about this is – I think I wrote down – the right financial deal for Newfoundland and Labrador.

Are you hearing from others on this arrangement as well and, again, applauding the fact that we are in this place?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** The first thing I would say is, I wouldn't want to present that we've had dozens of phone calls to tell us this was an unbelievable transaction. I would say the people that understand this file have expressed the optimism that we could come to a different place on what's historically

been a very difficult agreement for this province. I would just say that as context.

The second thing I would say is, we are engaged all the time in a variety of different transactions, so you could be in a position where you're trying to sell an asset and you may be less concerned about what the buyer does with that asset and your sole purpose is to maximize price.

This situation is very complex because you have an existing agreement that continues for another 17 or so years and you need two parties to come to the table with any appropriate mindset to try to find a way to get a 50-year deal done that is appropriate for both parties. So I think it's just important to contextualize what we were brought in to opine on.

Even when you do the simpler transaction, which is: I'd like to sell the business, will you help sell the business? You might wake up three years later and say, gosh, I could have sold that business for a lot more or I'm happy I sold the business, because it's worth a lot less.

So in every transaction there are moments in time where you make decisions with the information you have. I think with this one, it would be fair to say that we are opining on information in the moment that we have and it's possible that other deals could be better. We're not going to say that this is the only deal. What we're going to say is that this feels like you have two motivated parties who are trying to come up with a long-term partnership and when we evaluated the financial aspects of it, we felt that the near-term, cash flow impact alone was a very important component of how to think about this MOU.

**SOME HON. MEMBERS:** Oh, oh!

**SPEAKER:** Order, please!

The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I know there's chatter in the room.

You mentioned – and I think it's important because it's been a topic of conversation here on the floor of the House of Assembly – about why this is a 50 or actually a 51-year power purchase arrangement. Perhaps you can give your perspective on why 50 years is an appropriate or not appropriate amount of time for this particular power purchase arrangement. Is it consistent with standard practice now when you're looking at hydroelectric deals, I guess, is my question.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, I would acknowledge it is a tough question. You're not starting from a position of greenfield. So I think the answer to the question is, these are long-dated assets. They have 40-, 50-, 60-, 70-year lives, to the extent that we – not we – to the extent that Newfoundland and Labrador Hydro want to finance these projects over time because, as we've discussed, a component of this would involve some level of project financing, the components of that, a longer-term contract, generally is more favorable to the financing markets, so that we like. We also would just acknowledge that these are generally very long-term assets.

So Konstantin – as I talked about at the beginning – who specializes in the power space, can talk about the 50 years – 51 years, thank you for clarifying – as reasonable, but I'm not sure we are necessarily the experts to say yes or no on that. I think what we can share with you is it's not – well, said differently – these are typically long-term projects and you're dealing with an existing contract that also is going to be restructured, potentially, as part of it. So I think the situation here is a little bit unique, but we would acknowledge that these are long-term projects.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** I don't know if Konstantin wanted to add anything. I thought –

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** (Inaudible) it is fairly standard, typical, for these types of assets to have very long-dated contracts for hydro assets, specifically, considering the long lives of those assets, 50 years is normal. It's market practice. We've seen longer contracts; we've seen some with shorter contracts. It is a very reasonable length for a contract in our opinion.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** I only have half a minute.

So what I'm hearing from J.P. Morgan is that you feel this is a good financial deal for the province, that we've mitigated the risk on both the Churchill Falls contract itself, the original, and it's completely different, with different aspects than the 1969 contract. I've heard that we have mitigated the risk on what I call element 2, the new potential projects. Am I summarizing this correctly?

**SPEAKER:** The Managing Director.

**K. AKIMOV:** It's an accurate summary, we agree.

**SPEAKER:** The minister's time has expired.

The hon. the Member for Ferryland.

**L. O'DRISCOLL:** Thank you, Speaker.

It's certainly a great privilege to be able to come in here tonight and speak on this. It's a big honour, to be truthful. We've been coming in here as MHAs since 2019, we've seen a lot in five or six years, I'm going to

say. We saw Snowmageddon when we first got in here, we got into COVID and now we're into this big deal here.

It's a big issue for sure and travelling through the district when it was first announced, you walk into a supermarket or you walk into an arena or you go to one of your events, the first thing they ask you: Is it a good deal? I say: Well, it looks pretty good on the outside, we don't know for sure. I certainly couldn't run it down for sure, but it's something that people have mentioned. They'd ask you, and you'd say: B'y, it seems like a good deal on the outside. And it's the reason we're here, is to ask questions and make sure that we get all the answers that people are asking us.

All the experts that are out there, they're giving us information. All the people in here are asking some very pertinent questions – very important questions – and I think they've done a great job so far in asking these important questions and following up with them.

Again, I want to go back in 1969 when this deal was signed. All the MHAs were here, at that time, and they all voted yes. They all thought it was a great idea, at the time, but 56 years later and we're sitting here and it's not such a good deal; hence the reason we need to ask questions and hence the reason we get a chance to ask questions, which I think is great.

I did hear the Member for Conception Bay East - Bell Island and the Member for Burgeo - La Poile say, at the time, they didn't get to ask questions back in the last project, but we do get a chance to ask questions and they're very important questions, questions that we'd like to see answers to.

Quebec are in a position now, they need the power, they want the power and we got the power. We are holding the cards in our hands. Let's not give this away. Let's make

sure it's the right deal. We're not giving it away, but let's make sure it's the right deal.

Do you know what? I don't want my grandkids in 30 years, 40 years saying: I wonder how Pop voted on that. You know, that's not something we want to have as our legacy. I never went back and looked at who voted in 1969, but we don't want to have that hanging over our head. Let's make it right. Let's do it right.

We're in the position to do it right and that's why we ask these questions. That's why we're asking for an independent person to be able to come and look at this. Let's just stop this for a second, give it a month or two. Let's have a look at it, come back with some information and then let's move forward and do what we've got to do from there.

I don't think a couple of months or however long that's going to take is going to slow down this project too much. We're looking way out in the future and I think it's something that we should be looking at right now.

Again, we're all here as 40 representatives from all districts and I'm sure there are people in every district here that have had questions from their constituents to make sure that they get asked in this portfolio here. They want them asked and they've been asked. I'm sure there are still more questions to ask, but they want them asked. That's the most important thing we're doing here is asking these questions.

We've got to represent our constituents. That's who put us here. That's the most important. I hear it all the time, hear it from groups that I'm around, so let's make sure it's right. Let's make sure that it's right. We're rewriting history now. Let's make it right.

We see J.P. Morgan there and we certainly thank those people. Right from the start of the week, from Hydro to Power Advisory to

J.P. Morgan, we certainly thank you for coming in because answering the questions that we put forward and answering them in a professional manner, we certainly appreciate that.

I sit here and, again, there are 40 people here and we can all look around, sometimes you would be in awe of some of the questions and some of the information that they have there. Do we know a lot about this? I'm not an engineer and there are a lot of people here who are not engineers. So it's pretty complicated stuff that they've been at and we certainly appreciate it, but, again, we have to ask these questions. It's very important that we get it out there and do it right.

I was in the car business, as I said many times here before, and I've always said when I was selling a car that I hope the last spot that they come to is where I'm to, that they buy. You know, when you're trying to sell a car, I hope this is the last stop, because you went to all the other spots and got your price and you come back here, let's see what we can do. We stopped at the first one we were at. We didn't go any further. We didn't shop around more to give other people a choice or an advantage to get in and be able to have a look at it.

Nobody here will go and buy anything without going somewhere else to look at a price, no matter what you buy, whether it be a plane ticket, a car, a jacket, a suit, you don't stop at the first spot, you shop around. It's not like shopping around, but there are other people out there who are interested in this and we should take the advantage of doing that. We haven't done our due diligence on that for sure. That's something that will sit in the back of mind, that we have not done our due diligence on that for sure.

I'll try to tie it and bring it back to the simple terms of what's best for everybody in Newfoundland and Labrador. I have constituents that anybody over 70 you'll certainly hear them say: We have to get this

right. We've been shafted for 56 years. You've heard that over the years of your lifetime. I know how old I am and you certainly heard that a long your way, from any seniors, especially that are over 70, they will certainly say that: Let's not give this away. We have a chance to get it right, let's get it right.

It's on us to do it and I think, in my mind, sitting here, and I've sat attentively, as you know, Speaker, for the last three days, sat here quietly, which is not like me, to be able to sit here quietly, but I've sat here quietly for three days and took it in. Sometimes I get to a boiling point and I have to let it go. They throw jabs at you and you let it go again. It's not like me to let it go, I have to tell you, but it's the best for everybody. Everybody has done a good job. Let's get past that.

All jokes aside, we really have to do a better job and make sure that we get this right. I'm trying to stress that – get this right. That's one part of it that we didn't do, we didn't shop around and give ourselves a chance. Shop around seems so simple when you say it, but it's not that easy, give other people a chance and other groups and other companies a chance to be able to buy our power.

In 17 years' time, we'll be able to do it, and we'll be in the driver's seat. That's what people say to me. I mean, they don't understand it no more than I do, when they're first talking about it. In 17 years, we'll be in full control. I'm sure everybody in this building has heard that. Everybody has heard that over and over, in 17 years' time we'll be in the driver's seat. Now I know that they can't wait 17 years and we've heard all the reasons why we can't. But we can certainly negotiate for more. If this is the first or second crack at it, we should be negotiating for more.

You come in and buy a car, you leave, you're going to come back and, well, I got this price here. You're negotiating. They're

only negotiating with one group, and that's what's pivotal here. Looking at all that, that's something that we really should be stressing. To be able to get out and have a look at this and get more people involved to see if there's a better deal out there.

We haven't looked – we haven't looked. And there's not one person in here who would do anything in their own lifestyle that you wouldn't try to get the best price for and the best option. And we haven't done it. We haven't done our due diligence on that.

That's what's disappointing. They've done a good job of what they've got here so far, but we want an independent advisor to be able to have a look at this. That's what we're asking for. We want somebody independently to look at this. Take it away and come back. We'll have a look at it then. If they come back and say it's good, well great. We're not saying it's a bad deal; we just don't know that right now. It is just a fresh set of eyes to be able to look at this and come back to us, and then report back to us on that.

Or they come back, they'll give us a report, we can read it and we can move ahead and do what we've got to do. But we should have an independent group look at this and come back with those answers. It's just so disappointing that we haven't done that, and this government should look at it. There are a lot of people asking for it. You see what happened in 1969, they all voted for it. We can sit here and all vote for it and come back in 40 years and say the same thing: B'y, they made a bad deal.

Let's get a fresh set of eyes on it; let's get somebody to look at it, come back with a report and tell us if it's good or bad, or if there's something we should do differently. Maybe there's something we should do differently. That's what the independent person would tell us.

So with that, certainly an honour to be able to speak to this, and you'll be able to go

down on record and be able to say that you spoke on it. Let's get it right, for all the Province of Newfoundland and Labrador, and make sure that we get the proper information back.

Thank you, Speaker.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** Before I recognize the next speaker, I'd just like to wish him a very Happy Birthday today, our Member for Placentia West - Bellevue.

Happy Birthday, Sir.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Member for Placentia West - Bellevue.

**J. DWYER:** Thank you for the embarrassment, Speaker, I appreciate it.

It actually gives me great honour to sit in this House on my birthday, because I'm the same age as the contract from 1969. I was born January 8, 1970, and I've had to deal with this all my life. Some of the words that were used in some of the opening addresses were anger, pain, frustration, anxiety, all from an ill-fated contract. I agree with all of that because I've felt it, personally.

I remember one time in I think it was either Grade 9 or 10. We were doing Newfoundland culture and we were asked to do an assignment on something that you thought was an unfair part of our history. I actually did it on Churchill Falls, because my dad's family come from Bell Island and a lot of them ended up in Labrador. My Aunt Mary and Uncle Tom Norman actually ended up in Churchill Falls. My Uncle Tom unfortunately passed up there in 1975, but my Aunt Mary stayed there with five children and she was a teacher. They loved Churchill Falls and I've heard all good things about Churchill Falls.

It certainly isn't about the people that are running it. It's certainly not about the asset. It's certainly about the contract that was in place to help or hurt the economy, I guess, of Newfoundland and Labrador. When we talk about dealing with Quebec and stuff, this is an entity that is fought us tooth and nail for 55 years in Supreme Court and had no interest in reopening the contract. But now we know that they need this opportunity. It's an opportunity that's at their feet.

But to say that, it kind of surprises me that we're still not necessarily in the driver's seat, even with this MOU. We're giving up a lot of control of the Churchill River. As my colleague said, it doesn't seem like we've really shopped this around, because if we're going to get the best price or the best deal, then that will come from competition. Dealing with one entity, I would honestly like to know what other offers were on the table when we decided to engage with Hydro-Québec and the Quebec government exclusively.

One of the things I wanted to touch on – it's funny the amount of notes that I have. Because usually when we do a bill I have two or three pages of notes to make my address, and in the last three days I think I have something like 40 pages of notes. To say that this is an important piece for our history and for us to be in this House discussing this, it goes without saying. As we know, Hydro-Québec and Quebec government are doing whatever they can for their people that they represent, and I think it's incumbent on all of us in this House and our experts to make sure that we're doing the same for the people that we represent here in Newfoundland and Labrador and we get the best deal possible.

The thing for me is that I don't see that we need to rush anything. I think that we've gone over this for the last 55 years. Apparently, we've been in negotiations for the last four years, so just bringing this to the attention of the people right before

Christmas and having it front of mouth, I guess, for Christmas was a little bit inconsiderate. But here we are.

When we talk about generational impacts and we talk about generational wealth, then, like I said, that's something that I never got to experience in my whole lifetime for the simple fact that we just started with a twinning of a highway from Whitbourne right into my district to, basically, Sunnyside. That would have been done a long time ago, or we might even have been able to keep the train. We don't know what our history would look like if we had all this extra wealth that should have been ours.

We know that our Premier of the day was told about nuclear power and how this was going to be a part of it and we're downgrading how much hydro power was going to mean to the world and all that kind of stuff. Well, it seems like those conversations have turned into cold fusion now, not nuclear power. So we're still trying to downgrade the asset, which is a world-class asset and we know it.

The replacement cost is over \$400 million. We're being offered \$225 million. If that's ever realized, I'd be appreciative. But, in the meantime, when Premier Legault stood here in front of the people in Newfoundland and Labrador, he said you get a little bit and we get a little bit. I'm not sure, but I think Quebec has already gotten their little bit over the last 55 years.

So since we say that near-term cash flows are worth more, shouldn't Newfoundland and Labrador Hydro be asking for more money upfront? Maybe that will right the wrongs of the past. Maybe that will give us the opportunity to start out of the gates in a manner, not that we expect, not that we're entitled to, but if we're going to go into a new contract with somebody that we've been partnered with for this long, then maybe it should have been Quebec that ripped up the contract, not us. Maybe it should have been Quebec that came with a

better offer upfront to say that we apologize for the past. We just done a new 25-year contract with them in 2016. Ten years later, they're coming to us looking for a new deal. So they could have done that 10 years ago, and what position we'll be in then.

So that's what I'm saying: This independent review is very necessary. People of my generation feel that we have been exploited for far too long; 55 years is a long time. We don't want that to happen to our grandkids or our other younger family members because for my lifetime I've never seen power rates go down. I don't think the asset is going to decrease.

As long as we're open and honest and transparent, I think we'll get the fair negotiations, but we need that from both sides. We need to make sure that both sides are bargaining in good faith because telling us that they're going to have control of the river; we have to go through them to access markets and stuff like that. It makes them still be our partner but if we're going to do that then, you know, they've been getting pretty much free power since 1969 until 2041 which has been debilitating for our province. After going through it for 55 years, I see 17 years as being very short term.

If they want to partner on power sales then we need to create end-user agreements, not ownership agreements from the entity that has exploited us for 55 years. The Quebec ratepayers have gotten super cheap, almost zero cost power and will continue to have cheaper power than our ratepayers of their own asset. That did not sound like fair or bargaining in good faith.

I think the other thing that I would like to touch on is the fact of the whole doing the 10 definitive agreements at once. That takes away our bargaining power and it puts it back into the control of Quebec. I've only ever seen any deals that I've been involved with, bundling only happens to benefit the buyer, not the seller. Usually when there's bundling going on that means that the seller

is giving up much more than they need to make it happen.

I think that what we need to do is have probably a lot more people, I guess, on our government team that are going into negotiate with Quebec and Hydro-Québec because we want to change the historical unfairness of the past. We want to make sure that it's fair for both sides.

To me, if Hydro-Québec wants to continue the relationship with us to supply power then we need to be compensated for the pinning down of this entire contract for 55 years. As I said, bundling benefits to purchaser, not the owner.

What I am saying is that we have an opportunity here to put the people of Newfoundland and Labrador first, as I would expect that the people and the governing party of Quebec would like to do for the people of Quebec.

In my short time left, I would like to say that we don't want to undermine our ability to negotiate because we're downplaying assets or markets or anything like that. Let's actually remove all the fear mongering, I guess, kind of thing and let's put a fair value on our asset and we move forward from there. Because if we are going to fix this injustice, then we need to do it together and we need a partner that is willing to do it.

I have one question at the end of my time here and it's for J.P. Morgan or Newfoundland and Labrador Hydro. Well, I guess it wouldn't be for Newfoundland and Labrador Hydro, because it is their asset. J.P. Morgan: If you owned this asset, would you rather operate it or lease it? What would be in your best interest?

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you for the comments, thank you for the question.

I do not believe that I'm in a position to answer whether I was capable of operating this asset. I think that's up to the experts to opine on. Would it be helpful for me to address any other parts of your comments?

**J. DWYER:** Sure, why not.

**D. RAWLINGS:** I just want to clarify a couple of things. The first thing that I just want to make sure that we've said and will say again, we are hired as the advisor to Newfoundland and Labrador Hydro. We show up to try to find the best outcome for that entity. We're not conflicted and we show up in that capacity.

I think you're asking a tremendous number of good questions, but, I think we also have to recognize that sometimes in some deals, your first buyer is your best buyer. This particular project, one of the things we think about when we thought about the now or later: how easy is it for someone else to come in, given the geographic considerations and the transmission investment, to do it. I think those were just important questions to ask, number one. Number two, often when a deal is announced, but not closed, we receive inbounds. So there actually is a mechanism where you might find out that others could be interested over the course of time as you're trying to move to the second step of this negotiation. I'm not saying it will or will not happen, but this is a big project. So it would be reasonable to think that other global parties who might be interested might reach out. That could happen.

But I go back to my first point that sometimes the consideration of a situation, it's not as easy to say there are six, eight, 10, 20 other parties who are going to show up today to engage with you. I'm not opining in any way on this concept of the independent review, I'm saying that we are the advisor for Newfoundland and Labrador Hydro and we're trying to represent those interests as best we can in our capacity as financial advisor.

This is a unique situation with an existing contract and as Konstantin has said, we believe you have two motivated parties and that is often a good recipe for a good outcome.

Thank you.

**SPEAKER:** I think the Member for Torngat Mountains.

**L. EVANS:** Yes, I just have a question for clarification because you won't be here tomorrow. This is for J.P. Morgan.

When the Member for Mount Scio was asking questions, she asked about the ownership structure in this MOU and she asked you if you had any concerns. When you were replying you talked about the two-thirds to one-third structure that exists already and then you mentioned the new Gull Island structure as 60-40. In my mind, I don't think you adequately answered the question because you said and you ended with: it's worked so far.

For us, we've been asking that question a lot and many people have been asking it. Are you concerned about the ownership structure? We're concerned about the ownership structure because of the control and the ownership that was given to Quebec.

Yes, we had two-thirds, one-third now, but we want better; we want the MOU to be better. So I was just wanting you to clarify what you meant when you answered the question by saying it's worked so far because that's kind of almost like a bit of a sigh.

**SPEAKER:** The Managing Director of J.P. Morgan.

**K. AKIMOV:** Thank you, Speaker.

To clarify, my reference to that working so far was certainly not in relation to the power contract, it was in relation to the governance

agreement, the corporate structure to be more precise. So you have an existing structure in place upon which you are building a new structure for Gull Island. That was my reference.

Certainly, you know, the power agreement, from your perspective, wasn't working very well. So I want to make sure we are separating those two very clearly. But one is not the same as the other. These are very different matters.

The question that was addressed to us was about the ownership split. You will remain in control of the new development as a majority owner of this business. With your counterparty, who are the minority there, taking on the construction risk, guaranteeing construction, backstopping construction and guaranteeing off-take as well.

So we do think it's actually a very appropriate structure for you. Again, going back to what I was saying earlier, it gives us comfort that this project can be built on this. Obviously, there's a lot of work to be done there, but the construct in place gives us comfort that it is going to be achievable within the parameters of the MOU.

**SPEAKER:** Thank you.

The hon. the Member for Mount Pearl - Southlands.

**P. LANE:** Thank you, Speaker.

Before I start, I just want as well to say thank you, gentlemen, and Walter, and the group that was here earlier. This has been a very educational three days for all of us, I'm sure. I've listened intently to pretty much every question, every answer, and I've learned a lot. You have all given me more comfort than I had when I started, in terms of reassurance in what's here.

I still want to see some more independent oversight, as has been mentioned. I'm not going to rant on about that. I still want to see

a little more. But I do thank you, because I do feel that we have had a lot of answers provided to a lot of important questions.

My one and only question, and it may take a little while – it's for Walter, actually. Earlier tonight, you provided a little fact sheet, that the Government House Leader actually tabled on your behalf. It's the breakdown of the \$227 billion that would go into the coffers of the Newfoundland Treasury, over time of course, 51 years I'm assuming. It doesn't say on this chart it's for 51 years, but I'm assuming it's for 51 years. It's the \$227 billion. It breaks it down, the \$179 billion that we would receive from the existing Upper Churchill, and an additional \$48 billion our Treasury would receive as a result of the new projects, were they to go ahead, for a total of \$227 billion.

I think it's important to point out as well that the \$227 billion over time, people need to understand that that's where this number of \$33.8 billion comes into play in today's dollars. So if we receive \$6 billion 20 years from now or 30 years from now, that might only be the same value as if we got \$2 billion this year. That's where the \$33.8 billion, I think, comes into play.

If I take that \$227 billion, or if I take that number of \$33.8 billion in today's dollars, if you will, and you divide it by 50, it comes up to – according to my calculator – \$676 million per year on average over 50 years. Still a substantial sum of money, no doubt about it.

Anyway, with all that said, I'm wondering, Walter, if you could go through this chart – I have the chart. I'm capable of reading it, of course, like anybody else. I'm not sure if all Members have the chart. But for the benefit of every Member in this House, for the benefit of the general public that may be listening – I'm sure there are a lot of people that are listening to this. It's an important debate.

Can you please, line by line – it's not a very long chart. It's not an exhaustive chart. But can you, line by line, break down the numbers and, first of all, please just confirm for me that the numbers as presented are – I'm sure they are accurate. I'm not saying that you would present something that wasn't accurate. Just to confirm that the numbers presented, that there are no errors here and to break down these numbers in terms of what they all mean, what all of the forecasted revenues are going to be, break down the expenses, the forecasted expenses on each of the items, and a breakdown of exactly what those expenses would mean.

Like, when we talk about operations, are we talking about the operations of just CF(L)Co? Are we talking about the operations of NL Hydro as a whole? What's included in those numbers, that we all put this to rest once and for all, that these are indeed the accurate numbers that make sense to anyone who may be watching and anyone in this House of Assembly.

Thank you.

**SPEAKER:** The Vice-President of Newfoundland and Labrador Hydro.

**W. PARSONS:** Thank you, Speaker.

Yes, it is a fairly small chart, but there are at least 25 or 30 data points on here, so I won't bore the House with every single number but I will draw your attention to some of the most salient figures here.

So if you take the \$33.8 billion target that's in the MOU, that is essentially the base line from which pricing will adapt to market conditions over time, and then you apply the discount rate that J.P. Morgan talked about earlier today, the 5.822 per cent, you get to \$195 billion coming from Hydro-Québec to CF(L)Co.

In the top-left green, \$195 billion – and you can get that from Schedule G of the MOU.

You can add up the figures there and come up with \$195 billion, which represents how much Hydro-Québec is paying to CF(L)Co. Then, of course, CF(L)Co has additional revenues because it has now additional recapture entitlements that we can use in province.

So whether these are recaptured and paid for by, say, Rio Tinto, IOC, Tacora or some new mine in Lab West or some new load that we're not sure about today but comes to existence over the period, there will be additional revenues coming in from these additional recapture blocks, and you'll see that in the next column, NLH, the \$65 billion, and that comes into CF(L)Co.

Then you can see the cost of CF(L)Co in red below that, the \$12 billion which are the costs for operations, maintenance, interest, and then the water rentals cost, the \$12 billion, which while it's a cost to CF(L)Co, it actually becomes revenue to the government. So CF(L)Co pays direct to the government.

Now, CF(L)Co is, obviously, an asset that's already been paid off. So CF(L)Co is different from the column in yellow, in that you'll notice CF(L)Co's operating, maintenance, interest costs are significantly lower, even though it's a bigger plant, and that's because the analogy I think we used earlier is CF(L)Co is the house we're renting that has no mortgage left on it. CF(L)Co is paid off, so the financing costs are quite low. So that's why that is \$12 billion.

Then, of course, you work your way down and that breaks into dividends payable to the two owners because we own two-thirds, CF(L)Co, and Hydro-Québec owns one-third, and the dividend split is below. In the end, to the province, you can see \$179 billion to the province from CF alone. This is the existing CF in green.

So 80 per cent of this deal, the total quantum of this deal value to the province, 80 per cent of it is Churchill Falls existing

because that is the mortgage that is paid off.

On the other side, of course, in yellow, you see the new developments. They're big hydro plants, but that's the house that we're renting that still has a full mortgage. So for the period of the mortgage, there will be higher interest costs and you can see that in the \$64 billion. That's why, even though these plants are smaller, the costs are higher; they're new plants. So that works out, down at the bottom, providing the government with \$48 billion.

So it's together, CF, plus the new developments we've been talking about this week, comes to that total of \$227 billion to the province after all the costs, but including the water rentals, which are from these new sources of revenue and new customers.

**SPEAKER:** Thank you.

The Member for Humber - Bay of Islands.

**E. JOYCE:** Thank you, Speaker.

I'm just going to be a few minutes here and very, very brief. As I mentioned before, I've been in this House a long while. I went through the Muskrat Falls debate, the Voisey's Bay debate and also the Gull Island debate back in 2001, 2002.

The Gull Island debate, we were trying to get information the best we could from Executive Council and our own means to see if it was a worthwhile deal. Muskrat Falls, we had absolutely no information. The Voisey's Bay deal, we had a lot of information and we could go out and get whatever we can in our own realm of people that we knew.

Newfoundland and Labrador Hydro, Power Advisory and J.P. Morgan, I can honestly say from my years of experience in here, which is the longest in his House, this is the most information that we have had that we can make an informed decision on.

**SOME HON. MEMBERS:** Hear, hear!

**E. JOYCE:** I just want to recognize that, that however the vote goes and however the decision goes, this is the most information we've had and we can go out and judge it against others, do our own research and everything, but there is enough information that we can do it.

Again, the oversight is a big part of this here also, but I just want to say that this is the information that we have and we can go out now and do our own research with it.

I just want to say thank you to you all for giving us the information. From any project that I've been serving in this House, this is the most information that we've received.

Thank you.

**SPEAKER:** The next speaker – we have about a minute or so.

The Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you very much.

I know it's a late hour and everyone is tired, so I'm going to be very direct. We talked earlier – and another Member raised this – about the Hydro-Québec press release of February 21. I know you don't have it before you, but the question is a relatively simple one.

The average market price, according to this press release, is 5.2 cents per kilowatt hour. They were able to get it up to 10.3 cents per kilowatt hour with hedging. Could you just maybe talk a little bit – and you offered to do so – about hedging and what effect that could have, just so that we understand as a House because it's come up multiple times now. If you could just talk about how hedging could change that average market price of 5.2 cents – and that's right in the press release – to the 10.3 cents that they realized.

Thank you.

**SPEAKER:** The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Mr. Speaker, thank you, and thank you for the question.

Why don't we use a non-hydro example. Let's say for a moment that you run an airline. If you run an airline, one of your major inputs is the cost of fuel. So you're pricing tickets, two, three, four, 10 months, a year into the future and you're trying to protect your input cost; you might also have considerations around the currency to which you are selling a ticket. So if you used a Canadian airline you could say they have US dollars, they sell in euro, they sell in CAD and they sell in different currencies. Hedging is an important part of many corporate entities, in terms of how they risk mitigate over time.

It sounds complicated but, in some ways, it's actually relatively simple. You make a decision and you say, in the case of an airline, if I forecast I'm going to have to purchase X amount of fuel over the course of the next year, I may choose to hedge a portion of that at current prices. Now if prices go up, you're going to feel very good about that because you're buying fuel at your then agreed price. If prices go down, you're going to potentially get hurt because you're paying a certain price for fuel, which is less than the then market condition. The same is true on the revenue side.

We can think through the examples, but I think it would seem that companies make decisions sometimes to maximize revenue, sometimes they make decisions to have more certainty around their costs and hedging can be an appropriate strategy to do that.

Market price and hedge price can be quite different, depending on the hedge decisions that a company makes either on input price or on future sales. So, again, I'm not

commenting on the specific question on the price differential, but hedging is an important strategy that many corporations and even government entities may use either to risk mitigate or to try to get some certainty on price into the future, and it is something that we are very active in that market across corporate and institutional clients.

**SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** No, I was just going to say thank you (inaudible).

**D. RAWLINGS:** Are you going to close this out?

**S. COADY:** No.

**D. RAWLINGS:** Will I have the opportunity to close this out?

**S. COADY:** I can't hear, (inaudible) interrupted. Sorry, we are just deciding who is (inaudible).

**SPEAKER:** We will give our guests the opportunity to have a few minutes for closing remarks. They did take their time to come out tonight.

Would you like to do your closing?

The hon. the Minister of Finance and President of Treasury Board.

**S. COADY:** Thank you, we got that cleared up.

I want to say thank you for being here today, spending so much time, your time, your talent and your patience, your professionalism, giving us clear and very succinct answers. I want to thank you on behalf of the House of Assembly. All of us, I think, really appreciate your interventions.

I would like to say that I am pleased to hear from J.P. Morgan to say that this is good

financial deal for the province. I also heard from Power Advisory that their opinion is that the time is right for this memorandum of understanding and, of course, it is only that, a memorandum of understanding. This is an enabling framework with guardrails. This is only the first step towards a full process of getting to definitive agreements.

So thank you, I really appreciate it and good night and safe travels.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** Thank you also.

So we will allow you some time to have closing remarks.

The Senior Country Officer of J.P. Morgan.

**D. RAWLINGS:** Thank you.

As we acknowledged at the beginning, this is not something that we typically have the opportunity to do, so I will start by just acknowledging all of you for the work you do on behalf on your constituents and the important work that it is.

I will close by saying that this is a project that we are very proud to be a part of. We think that there is a path to end up in a better financial position for the province than otherwise would be the case. As I mentioned, we think the conditions of two motivated parties are real and we did our best to provide financial advice to Newfoundland and Labrador Hydro so they can make informed decisions.

Just to close, I'll just say we were proud to be part of this project and we appreciate being here tonight.

Thank you.

**SOME HON. MEMBERS:** Hear, hear!

**SPEAKER:** The hon. the Deputy Government House Leader.

**L. DEMPSTER:** Thank you, Speaker.

Before I adjourn, I, too, on behalf of the House want to thank J.P. Morgan for travelling to our beautiful province and spending time with us today. I want to thank the VP of Transmission, Mr. Parsons, who has already spent a couple of days and will be back tomorrow – three long days, Speaker. We've really appreciated the co-operation of the whole House.

Somebody said earlier today this is a big deal and we're a very small province, and that's why we have to get it right, because it is a big deal.

Safe travels the rest of the evening, folks.

With that, Mr. Speaker, I move, seconded by the Minister of Municipal and Provincial Affairs, that this House do now adjourn.

**SPEAKER:** Is it the pleasure of the House to adopt the motion?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

All those against, 'nay.'

Motion carried.

On motion, the House at its rising adjourned until tomorrow, Thursday, at 10 a.m.