



**PROVINCE OF NEWFOUNDLAND AND LABRADOR  
HOUSE OF ASSEMBLY**

Fourth Session  
Forty-Seventh General Assembly

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**Proceedings of the Standing Committee on  
Resources**

May 14, 2015 - Issue 3

Department of Natural Resources

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Published under the authority of the Speaker of the House of Assembly  
Honourable Wade Verge, MHA

## **RESOURCE COMMITTEE**

Department of Natural Resources

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Chair: Eli Cross, MHA

Members:

Ray Hunter, MHA  
Nick McGrath, MHA  
Lorraine Michael, MHA  
Christopher Mitchelmore, MHA  
Tracey Perry, MHA  
Sam Slade, MHA

Clerk of the Committee: Kimberley Hammond

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Appearing:

**Department of Natural Resources**

Hon. Derrick Dalley, MHA, Minister  
Charles Bown, Deputy Minister, Energy  
Tracy English, Associate Deputy Minister, Energy  
Ian Froude, Executive Assistant  
Philip Ivimey, Departmental Controller  
David Liverman, Assistant Deputy Minister, Mines  
Diana Quinton, Director of Communications  
Alex Smith, Director, Mineral Development

**Also Present**

Dwight Ball, MHA  
Peter Miles, Official Opposition Office  
Ivan Morgan, Researcher, NDP Office

Pursuant to Standing Order 68, Dwight Ball, MHA for Humber Valley, substitutes for Christopher Mitchelmore, MHA for The Straits – White Bay North.

The Committee met at 9:00 a.m. in the Assembly Chamber.

**CHAIR (Cross):** I see the light is on. Good morning everyone.

Welcome.

There are a couple of quick chores first, I suppose. Mr. Ball is replacing Mr. Mitchelmore in this session.

We have minutes from the Department of Environment and Conservation and the Office of Climate Change that need a mover.

Mr. McGrath moves; Mr. Hunter seconds.

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Carried.

On motion, minutes adopted as circulated.

**CHAIR:** Before we get to the introductions, just a couple of quick comments so everyone is aware.

Estimates are governed by Standing Orders 65-77, and the proceedings that we will do, we will introduce the Committee and then we will introduce the department. We will give the minister the opportunity to have fifteen minutes to open. The first speaker thereafter, representing the Official Opposition, gets fifteen minutes, and every intervening speaker after that gets ten minutes.

We will use the clock just to try to keep us in order and keep everybody timely. We will also endeavour to break for between five and ten minutes at 10:30 o'clock.

We will start now with introductions of the Committee. We will start with Mr. Ball.

**MR. BALL:** Good morning.

Dwight Ball, MHA, Humber Valley.

**MR. MILES:** Peter Miles, Opposition Office.

**MR. SLADE:** Sam Slade, MHA for Carbonear – Harbour Grace.

**MS MICHAEL:** Lorraine Michael, MHA, Signal Hill – Quidi Vidi.

**MR. MORGAN:** Ivan Morgan, Researcher.

**MS PERRY:** Tracey Perry –

**CHAIR:** Mr. Hunter's light is on.

**MR. HUNTER:** Thank you, sir.

Ray Hunter, MHA, Grand Falls-Windsor – Green Bay South.

**MR. MCGRATH:** Nick McGrath, MHA for Labrador West.

**MS PERRY:** Tracey Perry, MHA, Fortune Bay – Cape La Hune.

**CHAIR:** Minister Dalley.

**MR. DALLEY:** Derrick Dalley, Minister of Natural Resources and MHA for The Isles of Notre Dame.

**MR. BOWN:** Charles Bown, Deputy Minister, Department of Natural Resources.

**MS ENGLISH:** Tracy English, Associate Deputy Minister, Department of Natural Resources.

**MR. LIVERMAN:** Dave Liverman, ADM, Mines, Natural Resources.

**MR. IVIMEY:** Philip Ivimey, Departmental Controller, Department of Natural Resources.

**MS QUINTON:** Diana Quinton, Director of Communications.

**MR. FROUDE:** Ian Froude, Minister Dalley's Executive Assistant.

**MR. SMITH:** Alex Smith, Director, Mineral Development, Mines Branch, Natural Resources.

**CHAIR:** Okay. One quick reminder for members who are asking the questions, you ask the minister, and if the minister deflects, in a supplemental way you can continue the conversation with the person he deflects to. The minister always has the right to come back to the question.

Minister Dalley.

**MR. DALLEY:** I think I will just pass, in terms of some overview. Most people are familiar with the department and you will see some changes there.

Quickly, I guess you will see probably some things stand out a little more, some variances, particularly around the Employee Benefits. It is an issue of rightsizing some budgets that we are certainly committing to do next year.

Outside of that, some slight variances in salaries are due to increases. Other than that, I think we will just go through the line items and I am sure I will get to answer the questions that need to be answered.

**CHAIR:** Okay, so we will call the line item.

**CLERK (Ms Hammond):** Subhead 1.1.01.

**CHAIR:** Mr. Ball.

**MR. BALL:** What did you call, 1.1.01?

**CHAIR:** Yes, we just started.

**MR. BALL:** Okay, thank you.

I will start, as the minister said, with some line items, which is the usual practice now by this group in this room. I do not know what books you guys are using – by the looks of it there are some Excel sheets or something – but it is 1.1.01 and the Transportation and Communications. Last year, there was –

**CHAIR:** Just as a correction, Mr. Ball, we are not just sticking to 1.1.01.

**MR. BALL:** Yes, we will move through. Thank you.

**CHAIR:** We will move through inclusive as you go.

**MR. BALL:** Thank you, Mr. Chair.

It was \$78,000 last year. We see \$78,000 in the budget this year, but it was actually revised and spent \$93,500.

**MR. DALLEY:** Yes.

**MR. BALL:** So just an update on that.

**MR. DALLEY:** The increases there are basically two missions: one was to China, which was added there; as well as the trip to Washington, DC. In China, it was regarding mining activity and meetings with respect to potential investors for the Province. In the Washington trip, it was with respect to energy and meeting with New England governors and the Department of Energy for the US.

**MR. BALL:** Okay.

Moving along, in 1.2.01, under Supplies we saw about an extra \$10,000 from the budget. It was \$6,300 last year and it was \$16,900 spent this year.

**MR. DALLEY:** Sorry, which?

**MR. BALL:** If you go to 1.2.01 under Supplies.

**MR. DALLEY:** Okay. There are a couple of adjustments on the revised. The actual number is \$11,619. One thousand dollars of that is in error. That belongs in mining – it belongs in one of the mining sections. Outside of that, the increase is basically increases in magazine periodical subscriptions and so on.

**MR. BALL:** So you say it is \$11,000, not –

**MR. DALLEY:** It is \$11,619.

**MR. BALL:** Not the \$10,600.

**MR. DALLEY:** The \$1,190 is an error and the others are through subscription increases.

**MR. BALL:** Okay, so under Purchased Services, it was \$8,800 and it went to \$25,500.

**MR. DALLEY:** The difference there is when we changed the departments and Forestry and Agrifoods went to the Department of Fisheries, we rightsized the budget, but this is an item that got missed. So there is \$16,700 that actually should have been taken out of that line item and go to Forestry and Agrifoods. That is the difference in the number.

**MR. BALL:** Okay. When we move off the line items that is one of the questions I want to ask, about how that transition happened, what was the impact with staff, and the extra costs with that too.

If we continue on with 1.2.02, if you look at the Salaries line here, it went from \$927,000 in your budget and it actually went back to \$847,000, so I guess some \$80,000 or so, and back to \$950,000 this year. I am just wondering if all those hirings have been made. There was obviously less money spent last year. Is that because of vacant positions, or is there a particular date of hire that affected that?

**MR. DALLEY:** Primarily, there are two things. One was a vacancy during the year. It was an Accounting Clerk II. We have plans to fill that position. It has not been filled at this point. The other is lower than anticipated overtime expenditures. So that is why we see the reduction.

As for the increase, that is primarily due to collective agreement, salary steps, and so on.

**MR. BALL:** Okay.

Maybe just for – because it keeps coming up through all of this. There does not seem to be any consistency when you look in the difference in Salaries, it is not always reflected in a very similar fashion to Employee Benefits. How does that tie in? Is there a percentage – because, in some cases, we see here where you get bigger increases in Salaries, yet a less increase in Employee Benefits; and, in some other cases, we have seen Employee Benefits that would go up and not as big a change in Salaries. Is there –

**MR. DALLEY:** No direct correlation. The Employee Benefits is primarily around seminars, conferences, training, and so on. It depends on what is happening from year to year. It depends

on how many people we send. I think what you will see here, primarily in Employee Benefits, that there has been an increase. That is not because we are sending more people; in fact, in a lot of cases, we have sent less because of discretionary travel and so on.

We still attended what we needed to do, but we are seeing an increase in the costs for some of these. The discussion that I have had is that we need to have a closer look at some of our budgets around what we are seeing in increases that we can rightsize budgets. That is primarily the issue around Employee Benefits.

**MR. BALL:** Okay.

In that same category, 1.2.01, Purchased Services is \$66,000 and there was an increase in the budget at \$84,000.

**MR. DALLEY:** What happens here – it is actually in Phil's shop. The allocation here was filled through finance controllers' responsible for Fishery, Natural Resources, and Forestry. Any training budget and work that he does, the funding for that is parked here in this budget. What you see here, that is primarily what that budget is, and the increase is the fact that there was significant training done this year around the Organizational Development Initiative. Basically that work that Phil does with all three departments is paid for out of this item right here.

**MR. BALL:** So for the three departments it is done out of this one initiative?

**MR. DALLEY:** The budget to do the Organizational Development Initiative, the training, is parked here in this line item.

**MR. BALL:** Okay. Is there any reason that would stay in Natural Resources when it is really work that is done in another department?

**MR. DALLEY:** I can ask Phil if he would provide the answer.

**MR. IVIMEY:** The Administrative Support budget here houses the divisions for Information Management and my division, which is Finance and General Operations. A communal theme you will see across government is some of the

Financial and General Operations Divisions are a shared service for multiple departments.

I myself, the Finance and General Operations Division, we are shared service for the Department of Natural Resources, Fisheries and Aquaculture, and Forestry and Agrifoods, so you will see me that the Estimates meetings for Fisheries and Aquaculture, and Forestry and Agrifoods as well.

The administrative budget that relates to finance, general operations, landlines, the administration of phones, telephones, day-to-day kind of operations type support that is housed within my division, within the Department of Natural Resources.

A component of that is a training initiative which is managed through the Human Resources Secretariat which provides training support for employees in each three of those divisions, so that training budget is also housed under this one communal area. All three of those departments drawn down on this budget that is in this division.

**MR. BALL:** Okay.

Moving down to 1.2.03, and that is the \$90,000 there in Property, Furnishing and Equipment, I was just wondering what that purchase was.

**MR. DALLEY:** That purchase was a transfer from the Geological Survey for the purpose of replacing vehicles, and there was three vehicles replaced in the Mines Branch.

**MR. BALL:** That was not budgeted for last year at all?

**MR. DALLEY:** It was not budgeted, and I guess savings in the Geological Survey were transferred over and three vehicles were replaced in the Mines Branch.

**MR. BALL:** Okay.

If you go back to – I picked up on this yesterday – last year’s Estimates there was like \$625,000 that showed up in the 2014-2015 budget, but I do not really see where it shows up here. I do not know if that is something that has been

transferred out because of Forestry and Agrifoods or if someone has an answer for that.

**MR. DALLEY:** I will ask Phil if he could answer that.

**MR. IVIMEY:** Yes, that relates to a restatement for Forestry and Agrifoods.

**MR. BALL:** Okay, that is what I thought when I saw it, but I was not sure.

In the department now I think if you total up the number of employees, it would be somewhere around 179 employees. How many of them are temporary versus permanent, and how many vacant positions would we have in the department now?

**MR. DALLEY:** I do not have the number right here in front of us, but I will certainly get it to you.

**MR. BALL:** Okay.

Do you want to move on to Mineral Resource? I do not have any more questions with Executive and Support Services. I do not know if you want to give Lorraine an opportunity before we move onto the Mineral Resource Management.

**CHAIR:** Okay.

Ms Michael.

**MS MICHAEL:** Thank you, Mr. Chair.

Yes, I think that is a good way to do it. I just have one question under 1.2.02, Administrative Support. I am just curious about 02, Revenue – Provincial. What is that line referring to?

**MR. DALLEY:** Is that the \$10,000?

**MS MICHAEL:** Yes.

**MR. DALLEY:** That is basically miscellaneous – in and out in terms of sometimes we may pay a bill and there is credit or there may be a travel advance for someone and they do not travel, there is a cancellation, the money comes back. So that is basically just an accounting measure to deal with the small ins and outs.

**MS MICHAEL:** Okay, thank you very much.

I think I know the answer to this one, but I will just put it on the record anyway. Going right back to 1.2.01, Executive Support, under Salaries, it is going up by \$75,700. I am assuming that is not a new position; it would be more benefits and increases.

**MR. DALLEY:** Sorry –

**MS MICHAEL:** Subhead 1.2.01.

**MR. DALLEY:** Under Salaries?

**MS MICHAEL:** Under Salaries, yes.

**MR. DALLEY:** The basic change there from last year to this year was the reclassification of executive level positions and it is a kind of back payment that was owed. Then the subsequent increases are basically to the collective agreement, salary steps, and so on.

**MS MICHAEL:** Right. That is what I figured, but I thought we would get it on the record.

Thank you very much. That is all that I have under that section.

**CHAIR:** Subhead 1.1.01 to 1.2.03 inclusive.

All those in favour, ‘aye.’

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Contrary?

Carried.

On motion, subheads 1.1.01 through 1.2.03 carried.

**CHAIR:** We will come back to (inaudible).

**MR. BALL:** Yes. I will just start up on 2.1.01; this is in the Mineral Resource Management area. Again we see Salaries down a couple hundred thousand dollars, some \$4 million down to \$3.82 million.

**MR. DALLEY:** Which subhead?

**MR. BALL:** That will be in the Mineral Resource Management under 2.1.01, Geological Survey.

**MR. DALLEY:** I am showing 4.1.01. Is that an error on ours?

**OFFICIAL:** Yes, that is an error.

**MR. DALLEY:** Okay, I am sorry.

**MR. BALL:** I think what you will see is some of the numbers based on the Forestry and Agrifoods being part of last year’s Estimates, the numbers have changed slightly.

**MR. DALLEY:** Okay.

Sorry, your question again?

**MR. BALL:** The question would be on the Salaries, the \$4 million down to \$3.8 million.

**MR. DALLEY:** Basically vacancies during the year.

**MR. BALL:** Okay. Yet Employee Benefits are up so I am assuming that is professional development or something like that?

**MR. DALLEY:** Again it is a line item here that needs to be corrected. There is an error there. The actual revised number was \$27,500.

**MR. BALL:** Okay.

**MR. DALLEY:** That has to do with expenditures associated with seminars, conferences, membership fees, and so on. As I said, we are seeing an increase in some of these conferences and the costs. We have had a discussion about rightsizing the budget and, as you can see, there is an adjustment made for next year.

**MR. BALL:** Transportation and Communications is down considerably. Was there something that was planned that was not done, or was it through another department?

**MR. DALLEY:** Well a number of factors; one was discretionary travel that was implemented. Probably more significant here was that there was less helicopter usage. As you can

appreciate it is very costly for helicopter time, but we used less time this year.

**MR. BALL:** The helicopter usage, how much would that have been in – that is a considerable reduction. Is that the –

**MR. DALLEY:** We would have had twenty to thirty hours less with respect to actual helicopter time as well as less travel.

**MR. BALL:** With twenty or thirty hours less helicopter time that would not be – I mean you are looking at a difference here of a couple of hundred thousand dollars.

**MR. DALLEY:** That is not all helicopter time. I would agree to that. Primarily it was less travel. We cut back on the field time this year. It went from eleven field trips last year to nine this year. The cost associated with that is primarily the reason for the reduction.

**MR. BALL:** Okay. The Professional Services go from \$19,000 up to \$49,000, and you actually maintain that budget this year. Is this a new directive within the department? Will it continue year over year? This is under Professional Services.

**MR. DALLEY:** Again so I can fix a number here and apologize, the actual number should read \$27,000, and an increase, realignment here around Professional Services. There are a number of things that come out of here. For example, in China we had geologist interpretive services which were a cost that is showing here on this line item, and then the next year as well, with respect to field work and hoping to do more field work and studying what happens.

Either we get more field work done – and sometimes when we are not in the field there is an opportunity to get more of the work done so that the geologists are actually getting their work done from what they have extracted in the field. That is basically what comes out of here.

**MR. BALL:** When was the trip to China?

**MR. DALLEY:** When was it?

**MR. BALL:** Yes.

**MR. DALLEY:** Last fall.

**MR. BALL:** That trip was obviously something not budgeted for at the time. It was not budgeted for last year, I am guessing, from the conversation that we had this morning. The decision to go to China was made, obviously, after the Budget last year.

**MR. DALLEY:** The department budgeted for the trip to China because of the relevance, obviously, with what we are doing and the interest in Chinese investment. What we see in the increase is primarily around my travel and my involvement with the trip.

**MR. BALL:** In Grants and Subsidies there, line item 10 under 2.1.01, we see an increase. It is only \$2,500, but it has been \$5,000 for a long time. Where do they go? What is this for?

**MR. DALLEY:** It is grants provided to the Canadian Institute of Mining, Metallurgy and Petroleum to cover a portion of their annual review of activities; to support the Geological Association of Canada, Newfoundland and Labrador section, in support of its annual meeting and field trip; and the Canadian – I am going to say – Quaternary Association in support of its national biennial meeting in St. John's.

**MR. BALL:** Okay.

Move on to 2.1.02, which is Mineral Resource Management and we get into the Mineral Lands piece. In 2.1.02, Transportation and Communications, we see an increase over the budget last year of \$127,900 to \$160,000. That is now brought back to \$127,900. So the increase last year of around \$23,000 or so, it is \$33,000 I guess almost.

**MR. DALLEY:** Yes, the increase there is primarily due to higher than anticipated helicopter costs for field projects. We had hired another inspector this year to be able to do more inspections on the exploration side and ended up with more core sample work as well. As a result of the additional inspector we have had increased helicopter time.

**MR. BALL:** Okay.



Moving down to Purchased Services we see a big decrease in this year's budget. Last year \$657,000 was spent and this year it is down to \$77,000. Just a question on that; why the difference and what is it you purchased last year that you do not need to purchase?

**MR. DALLEY:** The difference here – if you recall last year in the budget as well, we highlighted there was \$610,000. If you look down further in Revenue you can see that.

**MR. BALL:** Yes.

**MR. DALLEY:** The \$610,000 was an agreement with the federal government with respect to the Mealy Mountain National Park. Within Mealy Mountain National Park there was a company that held mineral rights, licences and an agreement. In order to do the park there was an agreement with the federal government that they would pay this company an amount of money with respect to their investment around the mineral exploration.

**MR. BALL:** So it is just basically buying out the investment or replacing the investment that they had.

**MR. DALLEY:** It is in and out. It was no cost to us. It was an agreement with the federal government. We would pay and the federal government will reimburse us. If you look down in Revenue you can see where we budgeted that amount of money to go out. As well, in the coming year then, we have that as revenue coming in. That is basically the exchange of \$610,000.

**MR. BALL:** Is that company public information now?

**MR. LIVERMAN:** The fact is that the company, which holds mineral rights in the Mealy Mountains, is public, but there has been no public announcement of any compensation at this point.

**MR. BALL:** Okay. Just moving along to 2.1.03, I guess the big difference here, except for – we have seen some changes in Professional Services from \$730,000 down to \$507,000 which was actually spent, and then down to \$240,000. These are the Professional Services.

There seems to be a substantial decrease for this year, so just an answer on that one, I guess.

**MR. DALLEY:** Yes, this line item here is with respect to the inspections around dams and work that we have highlighted that we want to get done on the dams around stability. Three dams in particular were highlighted for repair and inspection.

Gullbridge was the highest priority, and the first phase of work has been completed. This particular dam meets the recommendations to ensure stability, but it is certainly on our list that we would want to do some long-term work, particularly around the integrity of the dam. It is work that we can defer, without compromising any safety. Then there are the other two dam sites around Whalesback and Rambler. There is still work ongoing there, but it is lower priority.

Basically with these dams, some of the work has been deferred. We feel with the inspections and looking at the conditions of those dams, it is a lower priority and less risk of failure. We will continue to keep an eye on these as well. Through our inspections if there are any changes, obviously we will bring forward the work that needs to be done. For now, the inspections are done and we are satisfied with the integrity; but certainly, on our list in long term, that we will need to keep it in view.

**CHAIR:** Okay.

In the event of time, we will move to Ms Michael.

**MS MICHAEL:** Thank you.

Let's continue then in that section. Looking at Purchased Services there was a budget of \$1.2 million approximately. Then only \$36,000 was spent and this year \$146,500 is estimated. Could we have an explanation of that line, Minister, please?

**MR. DALLEY:** Yes. What we have here – again, that is related to the dams. There are two aspects of that. One is the Professional Services around the inspection, the engineering plans, and work that we would use both internally and externally; and then the Purchased Services

would be the line item where we would actually go out and hire to get work done.

The work did not get done this year, but again, particularly around Gullbridge, we are satisfied with the integrity where it is right now. So that is basically that line item. Although we budgeted, the work never got done. Due to some delays and then weather and so on, it never got done. Our position is that we will continue to inspect and monitor; but, for now, based on the work that has been done on Gullbridge already, we are satisfied with the risk assessment.

**MS MICHAEL:** Okay.

Coming down then to the Grants and Subsidies, which is subsection 10, what makes up that line?

**MR. DALLEY:** That is basically the Mineral Incentives Program. There is funding within this program for prospectors and funding for junior exploration companies. That is primarily what that fund is for. Again, the rightsize of the budget here is \$1.75 million.

**MS MICHAEL:** It is \$1.75 million.

**MR. DALLEY:** The revised is \$1.75 million versus \$1.90 million.

**MS MICHAEL:** Oh, so the revised was down to –

**MR. DALLEY:** The revised was down just a little.

**MS MICHAEL:** Yes, \$1.75 million –

**MR. DALLEY:** Yes.

**MS MICHAEL:** Okay, got it.

Minister, I am going to ask this question and I hope it will not be an embarrassing one. I am not asking it to embarrass you, but there seems to be a number of places in the budgetary documents where there have been numbers that you are correcting almost continually here. Can we get an explanation of that?

**MR. DALLEY:** I will give you one, but maybe I can ask Phil since he is the guy who puts the

numbers and puts it together. I can give you an answer; he will probably give you the right one.

**MS MICHAEL:** Okay.

**MR. DALLEY:** Go ahead, Phil, please.

**MR. IVIMEY:** What you see in the Estimates document in terms of the revised numbers, those numbers are usually prepared around January, February –

**MS MICHAEL:** Okay.

**MR. IVIMEY:** That is time when we do our final projected expenditures for the year. I mean, there is still another two, three months of actual processing after that. That is our best guess at that time of what our final expenditures will come in at, but by the time we actually come to print and now the fiscal year is over, we are past March 31, so we know what our final actual expenditures are.

In some cases, there are small differences. In some cases, some things may or may not have happened depending on circumstances. It is better to report on what the actual expenditures are as opposed to try to explain a number that is really inaccurate.

**MS MICHAEL:** Right. Well, thank you for that. Actually, knowing that explanation, I appreciate the fact that you are giving us the information right up to date; that is helpful to know that is what we are getting. Thank you.

Since you talk about the Grants and Subsidies, where are things right now, if I may ask this question, in the Province with regard to exploration? Do you still see the same activity –

**MR. DALLEY:** Same challenges. By way of comment, I attend national meetings and it is right across the country. Due to the commodity prices and the challenges in the mining industry, we are certainly seeing that played out in exploration as well. It is down from other years.

Obviously it is a concern in the industry, but I am always amazed at the players in the industry; they are so optimistic. Having gone through I guess these ups and downs many, many times, they are clearly a very dedicated, committed

group of people that have their eye on what is happening and keenly interested in continuing to do some work. What we are finding, particularly the larger companies have tightened up and there is less money available.

In our case as well, you will see a slight reduction here. What we have done is maintained, particularly the funding for prospectors. We have a strong prospector group in the Province and they have done some great work. That is the grassroots. If we are going to continue to find discoveries, it starts with the prospectors.

**MS MICHAEL:** Thank you.

Related to that – this question goes back a few years, but we are curious about it – in 2009 there was a company, Tenajon Resources, that announced they had found a deposit – and I hope I am pronouncing this mineral correctly – molybdenum that was located about 2,000 kilometres north of Grey River on the South Coast. What ever became of that? They made an announcement, but they have never done anything with it?

**MR. DALLEY:** I could ask David Liverman.

**MR. LIVERMAN:** I believe they still hold the mineral rights to the property, but commodity prices have not helped. We see a lot of companies announcing discoveries, but there is a big difference between a discovery and a potential mine. I think since 2009 they did some further drilling, but the results, as far as I know, have not resulted in anything which looks like a future development.

**MS MICHAEL:** Okay, thank you.

**MR. DALLEY:** If I might add, part of the process as well in terms of the work that they are doing and to be able to get to some sort of an announcement is obviously to create some interest and to attract a more significant investor. When you go to these shows and if you have something to be able to put out there, you have something that is more attractive, that will attract more interest and in hopes of attracting a larger investor so you can move to the next stage. It is part of the process in the business as well.

**MS MICHAEL:** Right, thank you.

If we could just go back to 2.1.01. It is still under Mineral Resource Management, 2.1.01. Looking at 01, Purchased Services, the budget was \$398,000 and the revision was \$450,000.

**MR. DALLEY:** The primary increase there, as I referenced a little bit earlier, is that we have seen an increase – because we did two less field studies, what happened is our geologists were able to get back into their offices and do some work, and it required more lab work.

We do some internal lab work, but depending on the type of work that needs to be done, depending on the mineral and so on, we have to use outside labs. So the increase here is basically to be able to get more work done sending our core samples out to other labs.

**MS MICHAEL:** Okay. Thank you very much.

I am finished that section if you want to get a vote on it before we move ahead.

**CHAIR:** Mr. Ball, do you have anything further?

**MR. BALL:** Yes, I have some general questions now around mining (inaudible) or do you want to – I guess we have to ask them now because we are going to accept this. One of the questions I have is that when you look at the budget of Mining Tax and Royalties, last year you will see around \$95 million or so. This year that is up considerably to just under \$145 million.

The question would be: How much of that is through Voisey's, so just a breakdown on the Mining Tax and Royalties that we have seen in this year's budget. It has gone up considerably. I know a significant piece of that would be for Voisey's for sure, but just a breakdown on where that would come from.

**MR. DALLEY:** We do not have that information because all of that is collected through Finance.

**MR. BALL:** Through Finance, okay.

**MR. DALLEY:** That would not come to us. We make it, but they get to collect it.

**MR. BALL:** Yes, they get the fun part, right?

For more general questions, I guess a concern in Lab West would be around MFC. I am just wondering if we can get an update on where things are with MFC, and if there have been any discussions at all with Wabush Mines, or anything that the department has been able to do to facilitate those two groups getting together.

**MR. DALLEY:** We have been very open with the people of Wabush, the union, the municipal leadership there, and publicly that we are prepared to do whatever we can to help facilitate the situation in Wabush. I think all of us in this House would agree to that. It is a very tough situation for the people of Wabush. They are faced with a tough situation.

The market prices are at near rock bottom. It is tough. With respect to the commodity price itself the issues at the mine are well documented as well. What we have here is that MFC has indicated an interest. We have had some discussion directly with MFC. None of late, but they know that we are there to help and support.

Some of the issues with respect to what Cliffs are doing with their commitment, the concerns that we have expressed and continue to work with the Town of Wabush with respect to issues around the cleanup of the site and the responsibility of the site, that is a priority as well, and ensuring that the funding is in place and to be able to do that. Any company that comes in clearly would have to bring that commitment as well.

We have had discussions with both companies. There are some differences as to how this will work. MFC – we are hoping that Cliffs would turn this over. Cliffs have not indicated any intention of doing that to us in our discussions. We have encouraged them to work together and see if there is an opportunity, but to date we do not see that. We do not see that happening. Other than offering whatever support we can and encourage them to work together, that is where it is.

**MR. BALL:** So given the responsibility of Cliffs to actually clean the site up – I think there was, what, \$50 million or something that was set aside for that cleanup period. I mean there must be a period where if you actually – if you remove yourself from an active mine, there has to be a time frame in place when you go in and you take care of your responsibilities in this case.

I know they have put numbers out there that said they would not be requiring \$50 million and so on, but just an update on where Cliffs would be with the remediation of this site and their responsibility to that area.

**MR. DALLEY:** The requirement under the rehab and closure plans would be within five years. They would submit a plan that would go through a rigorous assessment internally that we would accept, and then obviously the dollar value attached to that. The plan would be done in stages. The one issue, I guess the biggest concern, the immediate concern is around dust in the region.

We have had some discussions with Cliffs and have certainly conveyed what their responsibility is. They still have a responsibility for the dust. So we are monitoring that very closely as an immediate concern from the region. Outside of that, the plan around rehab and closure – we have accepted their plan and it will go through various stages.

That has come up as well with MFC in terms of why you are allowing to do different things, but it is a private mine, a private owner, and they have a right to do these things. MFC or any company that would come forward, as you know, will be required to clearly show us a commitment as well with respect to rehab and closure.

Those are some of the challenges, I think, that we are seeing from early discussions. Basically, it is a five-year plan and different phases. The immediate concern would be the dust, and we have been working and indicated to Cliffs of what their responsibility is around that.

**MR. BALL:** Are they actually still paying for their mining licence too on top of this? Didn't they agree to pay for two years?

**MR. DALLEY:** They would have to pay, yes.

**MR. BALL:** Not for the remediation or the cleanup, but don't you also pay to maintain an active mine status as well? They have paid that, haven't they, for a period of two years or something?

**MR. DALLEY:** Dave, I do not know if you could probably explain what the requirement is.

**MR. LIVERMAN:** Yes, there is a lease associated with any active mine and there is a rental that is payable on an annual basis. Cliffs remains in good standing with the government in terms of paying the (inaudible).

**MR. BALL:** That is a couple of million dollars a year or something?

**MR. LIVERMAN:** Actually for the past year it is based on area. It is \$80 a hectare. It is a fairly small amount actually.

**MR. BALL:** So they have made a two-year commitment to that?

**MR. LIVERMAN:** It is just due annually. If they were deficient in their payments, then the lease potentially could be cancelled.

**MR. BALL:** I guess in that area there is also lots of concern around what the Iron Ore Company of Canada will do and what Rio Tinto will do. Have there been any ongoing discussions right now or anything new to report on what to expect from IOC over and above the recent layoffs that we have heard?

**MR. DALLEY:** I know we are straying from some line items here, but particularly around that, it is a very important issue with respect to what is happening in Labrador and the challenges with respect to Wabush shutting down, Bloom Lake shutting down, and the significant impact in the Labrador region. So I appreciate the question. I recently met with IOC and we have had discussions back and forth.

Obviously they are feeling the impacts of the low commodity price as well, the iron ore prices. I think it has been public that they are intent on trying to find efficiencies within their company. They have changed out some management.

They are working with the unions on various proposals, I guess, to try and mitigate the impact of the price of iron ore. They are also looking at some layoffs.

In my recent meeting with them, there is no direct indication of more layoffs; however, it was clear that they are concerned about prices and where they are as a company, and looking to continue their efforts to be able to ride this out with respect to their commodity prices.

**MR. BALL:** Okay.

Is there anything new that would be budget related to the Julienne Lake development that would impact the current budget or future budgets that we know of today?

**MR. DALLEY:** Well, we are hoping to have an impact on future budgets, if things all go well, but we are not at that stage yet. As you know, the Julienne Lake Alliance group, we have been working with them with respect to potential development in the future. That negotiation is ongoing and is certainly not concluded.

**MR. BALL:** Okay.

The third line going into Lab West, is that something now that is put on hold indefinitely or is there (inaudible) –

**MR. DALLEY:** Basically, the Alderon line?

**MR. BALL:** Well –

**MR. DALLEY:** Primarily, for lack of a better word?

**MR. BALL:** Certainly I have never referred to it as the Alderon line, but –

**MR. DALLEY:** Everybody else has.

**MR. BALL:** Everyone does, I know. It has taken on a brand of its own, a life of its own, but we know what we are talking about –

**MR. DALLEY:** Sure.

**MR. BALL:** – when we talk about the third line going into Labrador for reliability and –

**MR. DALLEY:** It is on hold. The line and the prospectivity – the opportunities for development in Labrador West region, if we get there, if we see a change in prices, I think we are going to see a lot of activity in the region and obviously a commitment to supply the power to the region. Given where we are and given the challenges for Alderon in particular, right now that is on hold. Obviously it is still committed, but we are at a time when that is not going to proceed right now.

**CHAIR:** Could we go to Ms Michael now if she has –

**MS MICHAEL:** Yes, I do have another question related to Labrador West, if I may. This may be one that is the Department of Finance. If so, tell me and I will ask them on Monday. It has to do with the royalty dispute between IOC and the government and the arbitration panel was set up. Is that arbitration going – has the panel started the arbitration process?

**MR. DALLEY:** It is a Finance issue and we are not directly involved.

**MS MICHAEL:** Okay.

I think I have one more – Mr. Ball has asked a couple of the questions that relate to some questions I was going to ask. Last year we learned that there is a \$700,000 outside contractor conducting an audit on possible transfer pricing conducted by Vale. Was that audit done?

**MR. DALLEY:** I would suspect that is Finance as well related to the mining tax.

**MS MICHAEL:** Okay.

I think that would be fine, Mr. Chair, in terms of general questions around –

**CHAIR:** Mr. Ball.

**MR. BALL:** (Inaudible) trying to create a partnership with Coastal Gold. I know that this would have an impact of course on the mining royalties, and obviously it would generate some interest in that area. Is there anything new on Sulliden – I think Sulliden was the name of the

mining company. I am just wondering what would happen there with your department, what is the involvement with the department and the impact that it could have I guess (inaudible) –

**MR. DALLEY:** Maybe if I could ask Dave for an update on Hope Brook.

**MR. LIVERMAN:** Coastal Gold have been working the property for some time, but had been challenged, like many exploration companies, in raising the funds to take the project to the next level. So there was an announcement around about the time of PDAC in March that Sulliden were taking over Coastal Gold and would inject a significant amount of capital into the project. I think what that will mean is we will see further drilling, exploration, and work towards determining whether there is an economic mine in the area. We are looking forward to seeing the results of that partnership.

**MR. BALL:** I guess somewhat, not related to Hope Brook, but obviously this is going to be a big year, a defining year at least for Duck Pond with the closure. What do we see happening with that site once Duck Pond – how will the remediation occur? I know there was some discussion about removing the plant altogether at Duck Pond. Is that still what we anticipate happening there at that site?

**MR. DALLEY:** We have had lots of discussion with Teck Resources. I met with them at PDAC as well. I will say they have been an outstanding company for the region, as you know, and they take great pride in their reputation. They have been very clear to us about their commitment to do whatever they need to do.

We have their closure plans, but they are also working through, particularly around the mill, as to what may happen with that. They are open to and, I understand, having some discussions with other companies that have an interest in the region. As you know, there is quite a bit of activity in the Buchans region and great reason for optimism. The mill itself, there is obviously some interest in the mill and the company is working through with other companies around that.

One thing that the company has been very clear to us with respect to their responsibilities is that

whoever is engaged, whoever they partner with, Teck will require great certainty that this company is able to fulfill any obligation with respect to rehab and closure, environment, and so on so that their footprint and their reputation is maintained.

**MR. BALL:** I agree, Minister. There is no doubt that Teck Resources have certainly set a high standard not only for their own company, but it just raises the bar for the mining industry. It has been good to see.

The reactivation of the fluorspar mine in St. Lawrence has been in the news lately, so just an update on that and what the commitment would be from the department. I know some of this would be finance related, but what is the movement on St. Lawrence?

**MR. DALLEY:** As you know, there was an announcement and interest – a company had made an announcement that government has partnered with respect to some infrastructure with the mine and it is basically funding through BTCRD. A small amount of that money has been drawn down, but for the most part it is not. The money is still in place from a government commitment, but the company itself partnered with Golden Gate out of the US. It is from a company with a strong balance sheet. Since that time, there has been tremendous work in St. Lawrence around further exploration and discovery.

They are excited about where they are and we anticipate, hopefully, something by late summer, early fall, a further announcement as to where they are. Obviously there is a lot of work and stages and so on that they have to go through, but I know from a company perspective they like what they are seeing and they like what their discoveries have been. I understand that the markets are good as well. So they are very optimistic as a company, and obviously we will support them in any way we can.

**MR. BALL:** I do not know if this has spurred any questions for Lorraine or not, but that is kind of it for me for the general questions and the finance questions.

**CHAIR:** Okay.

Shall 2.1.01 to 2.1.03 carry?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Contrary?

Carried.

On motion, subheads 2.1.01 through 2.1.03 carried.

**CHAIR:** Subhead 3.1.01.

**MR. BALL:** I guess I will go right back to Salaries in 3.1.01. There are a couple hundred thousand dollars less in Salaries this year. Is this really due to vacant positions?

**MR. DALLEY:** Vacancies.

**MR. BALL:** Okay.

Transportation and Communications was down by \$42,000 and the budget last year was \$72,000. What didn't you do last year that you planned on doing, I guess?

**MR. DALLEY:** It was basically discretionary travel. We reduced travel. With these kinds of budgets, we went through an exercise a couple of years ago through a core mandate where we looked at our budgets in the past two or three years and saw some reductions, so that is why we basically maintained the same budget.

**MR. BALL:** Okay.

Professional Services, however, was budgeted to be at \$925,000 last year and you spent \$425,000. It is essentially back to \$425,000 this year. What kind of services last year did you budget for that you did not use? What are the types of services that you see included, even in the \$400,000?

**MR. DALLEY:** The primary item that we budgeted for last year was the electricity review. We budgeted \$700,000 for that electricity review. The actual contract that was awarded to Power Advisory was \$284,826. It came way under budget. That is the reason for the

significant difference in terms of budgeted and revised.

As well in this item, we have been working on the net metering, as we have committed to do. Through the process of, not only internal work and working with Newfoundland Power and Newfoundland and Labrador Hydro, we hired a company, Navigant. The contract was approximately \$50,000 to do some external work for us around net metering, particularly around jurisdictional scans and looking at the shift that we will look at from an isolated system to an interconnected system. Navigant has been doing work on that.

**MR. BALL:** Yes.

**MR. DALLEY:** Sorry –

**MR. BALL:** No, that is fine.

**MR. DALLEY:** They would have the work done, actually, on the net metering. The report is in and made public.

Just by way of – I am sure you will ask the question. We have done some internal work on that. What we have done with that report, though, and where we are moving forward is to reach out to some of the key stakeholders. We have done that. The only one we are awaiting feedback on now is from the PUB. As soon as we get feedback there we will go through the process and make this public.

**MR. BALL:** Okay.

Moving down there to line item 10, under 3.1.01, Grants and Subsidies, we see the \$3 million there this year again. I understand, based on the comments last year, that was kind of with the good-faith court case with CF(L)Co and Hydro Quebec, I believe. Is that still the case?

**MR. DALLEY:** Yes. What shows up here in this amount of money is we budgeted last year \$600,000 for the good-faith case. The actual cost last year was a little bit less, around \$400,000. So that is the reason for the slight reduction.

Also here in this item is the \$400,000 diesel subsidy grant for Coastal Labrador, as well as the amount of funding for the Northern Strategic Plan which is roughly \$2.1 million. That again is for the rate subsidies.

**MR. BALL:** Okay.

Going back to the good-faith case again, just an update on that. Last year I think one of the comments made was that we would expect a decision or an anticipated decision to be made this year, but that has not been done. What is the schedule now?

**MR. DALLEY:** The decision was out and we lost the decision.

**MR. BALL:** So you appealed?

**MR. DALLEY:** .Appealed, yes.

**MR. BALL:** Yes, that is what I thought.

What is the schedule like to your best knowledge on the appeal process now?

**MR. DALLEY:** I will ask Charles if he would answer it.

**MR. BOWN:** It is expected that the appeal will be heard this year within 2015.

**MR. BALL:** Okay.

If we move to 3.1.02 – this is in the Petroleum Development side. Supplies we have seen go from \$112,000, and we spent \$136,000, back to \$12,000 this year. This would be 3.1.02, Petroleum Development.

If you want to you can just add those two lines together because you will see the same thing with Professional Services. So for the sake of time, maybe we can just –

**MR. DALLEY:** Yes, I can answer that whole item, that whole section. Basically what you are seeing here is a base budget of somewhere around \$500,000 and we had added a million dollars for geoscience. What we added and what we spent – and if you can see the new budget, we had taken the million dollars out of the budget item for this year. The million dollars –



you will see that all of that between it all should add up to around a million dollars.

The difference in what we budgeted as where we spent our money – moved it around in different places, but the 2015-2016 estimate you will see the reduction of that amount as well.

**MR. BALL:** Okay.

The Grants and Subsidies have gone down. The \$500,000 has been the consistent number for some time. The decrease this year – I mean obviously you spent \$500,000 last year in those Grants and Subsidies. What is the impact we see there?

**MR. DALLEY:** The amount of money that is there is to pay for the Hydraulic Fracturing Review Panel. So we are clear, we are not paying the panel members, it is for the cost of the panel to do their work.

**MR. BALL:** Is that still on schedule for October?

**MR. DALLEY:** Yes.

**MR. BALL:** The next line would be 3.1.03, which is the C-NLOPB. I just wonder how the formula works because our provincial portion here would be – there is a subsidy here, by the looks of things, of \$6.6 million. How do we work that formula of what the feds pay to what we pay into the whole –?

**MR. DALLEY:** It is 50/50 and 50 per cent of our share. Industry pays 75 per cent. So we actually pay 25 per cent of our 50 per cent, which is 12.5 per cent overall.

**MR. BALL:** Yes. Do we have any vacant positions on the C-NLOPB now?

**MR. DALLEY:** In terms of the board?

**MR. BALL:** Yes.

**MR. DALLEY:** There may be one. I know there were two. I think one has been back and I am not sure if the other one has been filled.

**MR. BALL:** That is fine.

Subhead 3.1.04, I guess the question around the royalty auditors – I am sure everyone is expecting this question in the room this morning. So just an update on where we are with the complement of auditors and the progress that has been made.

**MR. DALLEY:** As you know, historically we had contracted out some of the auditing work. The Auditor General highlighted some concerns with that and felt we probably should do it internally. We obviously accepted the Auditor General's recommendation. Internally, we have twelve audit positions.

I will say it is a real challenge. They are hard to recruit. When you get them, it is hard to keep them. So a fair bit of turnover, but we have a complement right now of ten, and actively recruiting two others.

**MR. BALL:** That status?

**MR. DALLEY:** With respect to actually where we are with our audits, we are on schedule with our audits. We have not fallen behind on any of our audits. In fact, this past year, we were able to get more done than we had anticipated. We are very pleased with that, as a result of being able to get to our full complement as well.

The turnover is a concern. We'll continue to work through that. The other issue that we are very pleased about is that we are bringing in a new royalty management system, an electronic system. We have one of our own auditors who is being trained. They have been training for some time. We are about ready to put that in place. By all accounts that is going to be very positive in the process because it is going to speed up the process.

We are encouraged by that. That is a very positive initiative to be able to move forward with the audits. We did get more work done this year than we anticipated. Again to highlight the importance that we are in-house and we continue to recruit, but there are some challenges.

**CHAIR:** Okay, so time now.

Ms Michael.

**MS MICHAEL:** Yes, if I could just follow up on that. Minister, I remember maybe two or three years ago the department actually did give us a written report of where things stood, sort of a calendar of the royalties, what is due when, et cetera. We have not had that kind of a thing in a couple of years. Would it be possible to get that kind of a written report of where things stand?

**MR. DALLEY:** That should not be a problem. We can certainly share with you as to what we anticipate our schedule to be and so on.

**MS MICHAEL:** That would be helpful. Thank you very much.

I think then that covers everything under 3.1.04, except if we could look right at the bottom under Revenue – Provincial. I know you gave an answer to this in another heading, but –

**MR. DALLEY:** Is that the \$81,000?

**MS MICHAEL:** The \$81,000 and then the revised was \$128,000.

**MR. DALLEY:** That is revenue from the registration fees for the OTC conference in Houston.

**MS MICHAEL:** Okay. Great, thank you.

**MR. DALLEY:** If you notice, OTC takes place every year.

**MS MICHAEL:** Yes.

**MR. DALLEY:** We have a booth and a process that is followed here. In 2015-2016, we are not showing any revenue there. It is actually going to show up in Petroleum Development. So it moved from Royalties and Benefits to Petroleum Development. We still anticipate that kind of revenue for next year.

**MS MICHAEL:** Okay. If we come right back up under 01 Salaries – oh no I am sorry, I was looking at Employee Benefits. I thought I was looking at Employee Benefits. It was Transportation and Communications, but you have explained that already. I think that is all I have on that page.

Coming over to 3.1.05 which is appropriations provided for the investment in Nalcor Energy, and/or its subsidiaries etcetera, I understand the \$176 million. I know we have asked this before and I do not know if you have a clearer answer on it this year or not. The \$760 million is passed over as spent, obviously. I know it does not go in a lump sum. Do you have a breakdown of how much of that goes to Muskrat Falls and how much of it goes to other expenses of Nalcor?

**MR. DALLEY:** This amount does not go to any operating expenses for Nalcor. It is direct equity investments into oil and gas as well as Muskrat Falls. Of the \$760 million, \$189 million is earmarked for oil and gas, and \$571 million for the Lower Churchill Project.

**MS MICHAEL:** Thank you very much.

I want to ask a related question. I guess as I read this you will think, well, I am asking a question that Nalcor should answer. My question is going to be a question to you with regard to accountability to the government from Nalcor.

In Nalcor's annual report, section 1.3, which is called Variable Interest Entities, you have a very interesting little paragraph: "Nalcor consolidates the results of variable interest entities (VIEs) in which it holds a financial interest and is the primary beneficiary. Nalcor has determined that it is the primary beneficiary of the LIL Construction Project Trust (Project Trust) and as a result has included the financial statements of the Project Trust in these consolidated financial statements. Nalcor has determined that it is not the primary beneficiary of the Muskrat Falls/Labrador Transmission Assets (MF/LTA) Funding Trust or the Labrador-Island Link (LIL) Funding Trust and therefore the operations of these trusts are not reflected in these" annual audited, consolidated financial statements.

Could we have a plain language explanation of what that means, please? If you want my copy to read, but maybe –

**MR. DALLEY:** You can. I am not going to give it to you today.

That is a financial audited statement. Those comments – I think, rather than risk having a shot at that, we will get you some clear language

as to what that means. Again, it is an accounting financial audited statement that highlights the ways in which the money is in and out and accountability and so on. I will get you an answer.

**MS MICHAEL:** I guess then just to further the question, if the reporting around those trusts is not in the Nalcor report, because they do not see themselves as the primary beneficiary of those two trusts, then where does one go for the accountability around these trusts to get that information?

**MR. DALLEY:** We will get you that information.

**MS MICHAEL:** Okay. Thank you very much.

All of my next questions are broader, general questions. I do not know, Dwight, if you have some more particular ones first before I ask those.

**MR. BALL:** Yes, I have a couple of questions.

When I finished we were talking about the royalty auditors. We understand ten of the twelve auditors are now in place. Most of the schedule – the status has been updated and a new system will be coming in place to help support this again.

So I am just wondering, based on the auditing that we have seen have we been able to recover extra royalties or some extra revenue as a result of the work they have been doing?

**MR. DALLEY:** Yes, we have. I think it is important because I know sometimes the statements made are that we are losing money. In fact, we are not losing money. Through the auditing process so far we have gained a little less than \$50 million.

**OFFICIAL:** Sixty million dollars.

**MR. DALLEY:** Somewhere around \$60 million.

**MR. BALL:** That is good.

Back to one of the line items that was around Professional Services. Last year we had \$2.9

million. It was in the Royalties and Benefits section there, 3.1.04. Last year, there was a provision made in the budget for \$2.9 million and we spent \$252,000. Obviously, if you add those two together you would come up with nearly close to where the \$2.5 million is for this year for Professional Services.

**MR. DALLEY:** Yes, that is basically where we allocate for potential arbitrations with the oil companies over royalty payments. We allocated funding there last year and expenditures were much less than anticipated.

As well, any of the commercial negotiations that would have involved whether it is internally or sometimes using external supports in negotiations, was obviously less than expected as well. Primarily, it is the arbitrations.

**MR. BALL:** Arbitration. Okay, good. It is always good when you do not have to arbitrate.

Back to the Nalcor transfers for this year, \$760 million. Of course we know \$531 million last year went to Muskrat in 2013-2014; this year, \$571 million I guess. That leaves \$189 million to oil and gas. I am just wondering if we can get a breakdown on what will be transferred to the Hebron Project this year – we know what is going to Muskrat, but to Hebron Project and I guess to some degree too what we will anticipate to the Hibernia extension.

**MR. DALLEY:** I guess we have not, for some commercial reasons, identified specific amounts; but, for the purpose of your question, roughly over \$200 million will go to oil and gas equity this year and roughly half will go into Hebron. It is about half.

**MR. BALL:** Last year when we were having this discussion, we were talking about Hebron being somewhere around \$360 million –

**MR. DALLEY:** Yes.

**MR. BALL:** – and we had already had one hundred and whatever it was, \$180 million or something, that had been paid. I think the line of questioning and the response was going around that Nalcor would be self-sufficient in making the equity payments, so I am just wondering is still on track, still on schedule.

**MR. DALLEY:** Yes.

**MR. BALL:** Okay.

**MR. DALLEY:** It is still on track. As you know, as I said somewhere around \$205 million this year will go into equity in oil and gas; \$189 million will be from the Province; and Nalcor will provide the rest of the equity –

**MR. BALL:** Okay.

**MR. DALLEY:** – half into Hebron, but we are still on target and on track for 2017 to be self-sufficient with respect to the rest of the equity payments.

**MR. BALL:** And \$14 billion in the project –

**MR. DALLEY:** Yes.

**MR. BALL:** – which includes operating and Capex, right?

**MR. DALLEY:** Yes.

**MR. BALL:** This is just a question now in the general sense. Premier Marshall mentioned an updated energy plan. I am just wondering where that is, with the update of the Energy Plan of 2007.

**MR. DALLEY:** I guess we will roll that out when you roll out your economic plan.

**MR. BALL:** That is more of a political question right now, Minister. Our economic plan will –

**MR. DALLEY:** And a political answer.

**MR. BALL:** The Energy Plan is obviously government spend; it is not party spend. So right now I guess there is government money that will be coming – I would not expect that a political party would be rolling out an energy plan that is paid for by government, I hope.

**MR. DALLEY:** Of course not.

Not to be too cute here, but the Energy Plan is what it is. We just released an update on it. The Energy Plan is built for a long-term plan to take us right out to 2041. There are 107 recommendations there. We have outlined this

week as to where we are with those recommendations. We have come a long ways.

There is obviously a requirement as you go through from 2007, the work that has been accomplished; but obviously, going forward, in a change in what we have seen and the work that has been accomplished, you can be rest assured there will be a new energy plan. I am sure you will have an energy plan as well. That will be forthcoming for sure.

**MR. BALL:** That is good.

The equity that we get from our oil – your oil equity right now – who is doing the marketing for our oil? I know it is done by a company. Who would be the company that we are using now to market the oil that we get for part of our equity share?

**MR. DALLEY:** I will ask Charles to answer.

**MR. BOWN:** That depends on which of the fields that we are in because in some of the arrangements actually they have offtake agreements already in place. So that marketing really is set ahead of time. Nalcor would market some of its own, but in the majority of the cases they would particulate with the other owners in terms of how they market their product as well.

**MR. BALL:** Okay. So Nalcor would market some of its own oil?

**MR. BOWN:** Yes.

**MR. BALL:** Okay. Where would they have that refined?

**MR. BOWN:** You just sell it to a broker.

**MR. BALL:** Okay.

On May 11, in a Ministerial Statement, the minister made comments about Round Pond, Island Pond, and Portland Creek as being partnerships for new hydro projects or potential hydro projects. I am just wondering if there was any work done on this recently because most of the engineering on those three projects right now are old and done quite a while ago.

In consideration of this, is there any work being done or have been done lately that would be more current?

**MR. DALLEY:** To my knowledge, there is no immediate work being done around that. I think it is all a part of a long-term plan and vision that as we develop from an isolated to an interconnected system, as we build a structure, the outlook for an opportunity for us to develop further energy resources looks good. That is where, as I referenced in my statement, the opportunity and the prospects for the future look good, and these are certainly some areas that have been identified through previous work that could certainly hold some economic potential for the Province.

**MR. BALL:** I guess just a couple final questions around the court cases involving Nalcor, just an update on those. I know some of those will be more active this year than previous years, I would imagine, so just an update on those court cases.

**MR. DALLEY:** As was referenced in terms of the good-faith case, we expect that to go this year. The other case that has been in the news a little bit lately and certainly to clarify it, because there has been some reference that it is about water rights, the court case that is in the news is not about water rights; it is an action between Hydro-Quebec and CF(L)Co with respect to the 1969 power contract and the renewal that is due in 2016.

That is an action that has been taken, it is in the courts, but it is with respect to the interpretation and implementation of the contract and basically how power will flow on a monthly basis into Quebec.

**MR. BALL:** In the Budget 2015 there was a chart that showed Nalcor's investments and the payback to the Province. I am just wondering in that chart was there any inclusion of the sale of surplus power. Because it was really not clear. We just said that by 2025, the money that was paid to Nalcor, without interest, would be paid back. That is probably a Finance question, to make it easier for you –

**MR. DALLEY:** It is a Finance question and I will say I think it was, but I certainly would like to reserve the right to be corrected on it.

**MR. BALL:** Yes.

Getting to the end of this now, the Muskrat Falls Oversight Committee, where was the money allocated in this budget or is that through Finance again?

**MR. DALLEY:** Through Finance.

**MR. BALL:** Okay, that is pretty much it for me. I think I got it all.

**CHAIR:** Ms Michael, I guess your ten minutes will take us to break, unless we are getting close to the end and we do not need a break.

**MS MICHAEL:** Could we just take a real short break now, maybe five minutes, and then I will ask the questions that I have? Is that possible?

**MR. DALLEY:** Not to be difficult, Mr. Chair, but we are all busy and if we are gone through the line items – I am basically being courteous here to deal with some of their issues that are outside of the line items and I do not mind doing that to a certain point – no disrespect, but –

**MS MICHAEL:** Okay, I will continue.

**MR. DALLEY:** No disrespect, but it is a busy day for everybody so if you had a few questions, I do not mind taking a few and trying to help out with some of the answers. If it does not come here, it will come in the House, I understand that; but, in the interest of time, if it is okay.

**MS MICHAEL:** I will continue, Mr. Chair.

**CHAIR:** Ms Michael.

**MS MICHAEL:** It may sound like a general question, but it is a line item question.

At the Nalcor AGM, the CEO Ed Martin said – in talking about the potential of cost overruns with regard to the Muskrat Falls plant site – that the proof is in the pudding and this summer will tell the tale. Minister, my question is – I think it is for your department, if it is Finance you can tell me – if there are looming costs overruns on

the project, who is planning for that, and where does it show up in budget?

If it turns out this summer – because this is going to be a telling summer coming up with regard to Muskrat Falls. If it turns out there are major cost overruns who plans for that and where does it show up?

**MR. DALLEY:** It would be Finance that is responsible purely from that, but obviously it would show up in subsequent years for us as well. The item here is showing up as from our department, but it is a Finance measure in terms of budgeting, how they plan their budget, and where that money will come from basically.

**MS MICHAEL:** Would that be the same with regard to the interest that will accrue on the \$6.8 billion money that has been borrowed?

**MR. DALLEY:** Yes.

**MS MICHAEL:** That would also be Finance that would be covering that and showing that whenever it has to show up.

**MR. DALLEY:** Yes.

**MS MICHAEL:** Okay. Thank you.

I guess related to that though, you would know, I assume, the estimate of the amount of interest that will be paid on the \$6.8 billion, or do you?

**MR. DALLEY:** We would know it. I do not have the number here in front of me, but we would be aware of what that is I think.

I can get Charles to tell you.

**MS MICHAEL:** Okay.

**MR. BOWN:** This number was released as well in the RFIs to the PUB. It is approximately a billion dollars in AFUDC, allowance for funds used during construction, and IDC as well.

**MS MICHAEL:** Okay. I was hearing somewhere around \$1.2 billion.

**MR. BOWN:** Yes. I would round it off, probably \$1.1 billion.

**MS MICHAEL:** Right. Okay, thank you very much.

Just to come back to the question that was asked of you on the Energy Plan. If there are any plans inside of Nalcor for new wind development, are you aware?

**MR. DALLEY:** Plans inside of Nalcor for new wind development?

**MS MICHAEL:** Nalcor, for new wind development.

**MR. DALLEY:** Immediate plans, no. Contrary to statements that it is not worth the paper it is written on, this document is very thorough and detailed. We have followed it; we have had tremendous success with it.

Built within Nalcor obviously is our vision and a plan as to where we could actually take our energy resources once we build the system and a structure. Beyond the Muskrat Falls development and the Maritime Link which connects us with North America, that will provide us with unlimited opportunities; one, a belief that we can do it, and we can build more if we need to. More importantly as well, it will give us that link where we can develop our resources for export.

There are opportunities, both within Nalcor and the Province, but I believe there is going to be tremendous opportunity as well for private sector to develop energy resources for export. In fact, it has been very public about Beothuk Energy and offshore wind development. We have been working with them for over a year around their potential development, what that could mean and how that would look, but understanding that it is not just develop and go.

There is a lot of work that has to be done around financials, around analysis, around how it connects to the grid, and potential impact on ratepayers. There are all kinds of issues that have to be addressed with any potential. I think suffice to say the groundwork is being done, and once we become connected there are going to be tremendous opportunities in our future for energy development.

I think if I recall – I know the preliminary work that has been done highlights that we could have potential for 5,000 megawatts of wind in a long-term development. Obviously costs, technology – all kinds of aspects to consider. Once we have put that infrastructure in place, once we are connected, I think we have even a brighter future with respect to developing our energy resources.

**MS MICHAEL:** Thank you, Minister. I appreciate your answer.

Related – and this will be my last question – can you give us an update on the Ramea wind project?

**MR. DALLEY:** I can. I will take a stab at this. We can get you more details.

We are moved into Phase two. Basically, there has been success. It is a fairly successful project around the wind, the hydrogen, and diesel. The whole goal of this is to looking at – and it is a challenge across the country. I know when I went to the energy ministers' meeting it was a good topic of discussion.

We all have these isolated communities. It is very costly to provide power. We have coastal Labrador. I think we have twenty-one sites around the Province – and trying to find ways of how we could do this better and more affordable.

We have done studies on coastal Labrador and the pilot project in Ramea. We are having success. I am not sure if it is cheaper, but we are having success that it can work. We have moved to Phase 2 now of how we can find a way, with some storage cells, to be able to store some of that power when it is not needed. It is all a part of the backup system and how we can do that. That is the phase that we are at now with respect to the pilot.

So far things are on track. I know they have saved thousands of dollars and thousands of litres of fuel that they have not had to use because of the positive impact that we are seeing. How that can be extrapolated into other communities or on a larger scale is all a part of the pilot and a part of the studies that are ongoing.

**MS MICHAEL:** Okay. Thank you very much.

Thank you, Mr. Chair.

**CHAIR:** Mr. Ball has concluded.

Shall items 3.1.01 to 3.1.05 carry?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Carried.

On motion, subheads 3.1.01 through 3.1.05 carried.

**CLERK:** The total.

**CHAIR:** Shall the total carry?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Contrary.

Carried.

On motion, Department of Natural Resources, total heads, carried.

**CHAIR:** Shall I report the Estimates of the Department of Natural Resources carried without amendment?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Contrary.

Carried.

On motion, Estimates of the Department of Natural Resources carried without amendment.

**CHAIR:** I would like to thank everyone for their questions, their answers, and taking the time to comply with this activity this morning.

The next meeting of this Committee is Wednesday, May 20, at 5:30 in the evening.

I need a motion for adjournment.

**MR. HUNTER:** Motion.

**CHAIR:** Mr. Hunter; seconded by Ms Perry.

The Committee adjourns.

On motion, the Committee adjourned.