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Speaker: Honourable Paul Lane, MHA

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The House met at 10 a.m.

SPEAKER (Lane): Order, please!

Admit strangers.

Good morning, everybody. This morning we are going to continue on as per the agreed upon rules and schedule. From now until 12 p.m., Members will have an opportunity to ask questions of our two panellists.

I would like to welcome to our Chamber, Mr. Drew Leyburne, ADM with Energy Systems Sector, Department of Natural Resources, Government of Canada. Good morning, and welcome.

Ms. Sharonne Katz, Director General with the Department of Natural Resources, Government of Canada. Good morning, Ms. Katz, welcome to our Chamber.

SOME HON. MEMBERS: Hear, hear!

**EXTRAORDINARY DEBATE PURSUANT
TO STANDING ORDER 8(7) - Definitive
Cooperation and Implementation
Agreement between Newfoundland and
Labrador Hydro, Hydro-Québec and
Churchill Falls (Labrador) Corporation
Limited**

SPEAKER: We will be following along the same format as we did yesterday, 15-minute increments, you get one minute to ask a question and our panellists have as much time as they require to provide an answer.

Again, I would remind Members that you have to address your questions through the Chair. I know it can be a little bit difficult with the format, but those are the rules we all agreed upon and those are the rules I will be enforcing.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I want to welcome the representatives from the federal government here today. There has been a lot of investment by the federal government into this agreement.

My first question would be, what role did Ottawa play in helping bring Newfoundland and Labrador and Quebec together on this agreement?

I think the people of Newfoundland and Labrador would like to hear a little bit more about how that played out.

SPEAKER: For our panellists, I would just ask that whichever of you are going to answer, if you could just raise your hand so I know who to identify and once I have identified you, you may provide the answer.

Mr. Leyburne, go ahead, Sir.

D. LEYBURN: Thank you, Mr. Speaker.

I just want to start by saying it's a pleasure to be here today. Our being here today, I think, is a testament to how important we view this agreement. We believe it is critical to enable prosperity, energy security, sovereignty, affordability and competitiveness for all Canadians, not just the two provinces in the region. As such, we were very proud to have stood with the Province of Newfoundland and Labrador as they announced the Definitive Cooperation and Implementation Agreement on August 17.

I want to stress that this agreement was, of course, reached by Newfoundland and Labrador and Quebec, and together with their respective utilities, they deserve the credit for the work that led to this milestone. We simply view the DCIA as transformational and wanted to be involved for that reason.

In terms of the support we provided, we committed to provide up to \$10 billion in federal financial support and investments for clean electricity projects supported through

the Major Projects Office Atlantic Energy Strategy. We also referred the Labrador Trough Clean Power, Critical Minerals and Infrastructure Corridor to the Major Projects Office as well.

The Major Projects Office will work with provinces and proponents to advance projects within the corridor, providing regulatory certainty and streamlining to attract private investment, coordinate and structure financing and work with Indigenous peoples to achieve meaningful partnerships.

In addition, a federal investment of nearly \$20 million was provided to support mining enabling infrastructure, and that will be provided through the federal First and Last Mile Fund. These measures will strengthen power generation and export infrastructure, like ports, that support the development of that corridor.

This work recognizes the interconnection of the Churchill River project with other development in the region, including powering new mining projects and supporting the electrification and expansion of existing operations, attracting major investment and strengthening industrial competitiveness, enabling the build-out of more variable renewables in the region and supporting Labrador communities that need power to deliver critical services to a growing population. It also recognizes the importance of supporting infrastructure, including transmission, rail and ports, that enable development in this region.

SPEAKER: Thank you, Sir.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Is the federal funding contingent on definitive agreements being finalized?

SPEAKER: Ms. Katz.

S. KATZ: The federal government is a strong supporter of clean electricity projects across Canada, and we've committed tens of billions of dollars in tax incentives, strategic financing and targeted programs to catalyze such projects from coast to coast to coast.

In this case, the federal funding is contingent on the two parties reaching definitive agreements, and we are going to work very closely with the parties as they do so.

SPEAKER: Thank you.

Did I pronounce your name correctly, Katz?

S. KATZ: Yes, that's correct.

SPEAKER: Okay, thank you.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

My next question is related to how these projects fit within Canada's electricity strategy and I would ask, could you tell me a bit more about how these projects fit within Canada's electricity strategy?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Thank you, Mr. Speaker.

Earlier this year, in May, we released the draft electricity strategy for Canada, called *Powering Canada Strong*. The highlight or the headline from that strategy was that Canada hoped to double its grid by 2050. For that to happen, we need to see a massive acceleration in the build-out of electricity across the country.

Projects like this are extremely rare, not just in this region, not just in Canada, but around the world. You're not going to find a lot of projects that can add a gigawatt-plus of electricity to the grid. That really drove a lot

of the federal interest in making sure that this project could move forward.

A lot of things have shifted in the last few years, since these discussions kicked off. One of them is that with every passing month, we realize the importance of clean, firm power in strengthening the grids. We are going to be adding a lot of variable renewable power to the grid over the coming decades, but having the backbone of hydro is such a gift that I think every jurisdiction in the world would love to be able to pursue.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Following up on that, can you tell us more about the transformative strategy and what makes the Labrador Trough Clean Power, Critical Minerals and Infrastructure Corridor a transformative strategy?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

On August 17, the federal government announced a coordinated package to advance the Labrador Trough corridor's potential as a leading energy and mining region. Canada referred the Labrador Trough Clean Power, Critical Minerals and Infrastructure Corridor to the Major Projects Office.

The MPO is going to work with provinces and proponents to advance projects within the corridor, including mines, specifically for high-purity iron, providing regulatory certainty and streamlining to attract private investment, coordinate and structure federal financing, and work with Indigenous peoples to achieve meaningful partnerships.

High-purity iron ore plays an essential role in the decarbonization of the global steel industry. Steel is one of the most widely

used materials and is fundamental to manufacturing, construction, transportation and infrastructure projects in Canada and around the world. I don't have to tell you, but the Labrador Trough is a massive geological belt and mining region, stretching both across Labrador and Quebec. There is significant potential for Champion Kami iron ore project and Julianne Lake iron ore project to advance.

In terms of transformative strategies, there are early-stage initiatives specific to a region or a sector that will be transformative for Canada and Canadians. They have the potential to significantly strengthen Canada's economy and/or security but require further development before specific projects can proceed. These strategies align with national priorities, such as growth, security, market diversification, sustainability and reconciliation. The Labrador Trough Clean Power, Critical Minerals and Infrastructure Corridor is a transformative strategy with the potential to transform the region economically, advance critical mineral and industrial development and bring Canadian resources to global markets.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Some people have suggested that the federal support lowered the price Quebec pays. How does the Government of Canada see that?

SPEAKER: Ms. Katz.

S. KATZ: The federal government doesn't mix into provincial matters like rate setting. We create the conditions across the country for investment to proceed.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Just going back again, the federal government has

committed a significant federal loan guarantee to this Gull Island project. Just wondering if you could expand on what that means to the project and to the agreement.

SPEAKER: Ms. Katz.

S. KATZ: The federal loan guarantee is critical to advancing the Gull Island project. We are working with both parties to advance that project, similar to what we have done in the past with Newfoundland and Labrador on specific projects.

Apologies, just one second.

Can I transfer it over to you for a second?

SPEAKER: Mr. Leyburne, you're going to continue?

D. LEYBURN: Yes, if I could just ask for the second part of the question, just to make sure that we're answering it fully.

SPEAKER: Sure.

The hon. the Premier.

PREMIER WAKEHAM: It was related to the federal funding and the loan guarantee and what it would mean for the project in terms of derisking the project and federal government's involvement.

SPEAKER: Ms. Katz.

S. KATZ: Thank you.

The federal government remains committed to creating the conditions for major clean energy projects like this one to succeed, with measures that support clean electricity investment, economic growth, Indigenous participation and efficient regulatory processes. In this case, a clear investment strategy has been to guarantee the debt for the Gull Island project, which we will do. It is similar to what we have done in the past with Newfoundland and Labrador.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

One of the other big items in derisking Gull Island is the investment tax credits that the federal government has prepared to extend. They were due to expire in 2034. Why did the Government of Canada extend them to 2040?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, I think this measure was in recognition that for very large projects, such as a hydro dam, the timelines required in order to get the project built just did not align with the 2035 end date for the tax credits. So for a number of projects, including these, the federal government did agree to extend that time frame to ensure that projects like these are not unfairly unable to access tax-like treatment.

It's not unique to this project. Through efforts like the Alberta MOU that was negotiated, we have offered a kind of extension and new flexibilities that the original ITCs didn't foresee.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Again, there was a significant investment by the federal government in the Labrador West transmission line, over a billion dollars that the federal government has committed to getting that transmission line built. Why was that so important, not only to the people of Newfoundland and Labrador, to the people of Lab West, but to the Government of Canada?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

The transmission to the Labrador West region is critical to unlocking the critical minerals, the high-purity iron ore that I spoke about a few moments ago, and without that transmission line, there would not be any advancements in mines. We were asked by Newfoundland and Labrador Hydro, as well as the Government of Newfoundland and Labrador, to consider making a critical investment in the Labrador West transmission line, and we are intending to do so as definitive agreements advance.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

We've heard lots of talk in media and in the news articles and lots of discussion at the federal government level about the Major Projects Office, so I'm wondering if you could take some time to talk about what the Major Projects Office actually is and what it will actually do for these projects.

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

The Major Projects Office was established to serve as a single point of contact to get nation-building projects built faster. The advancement of Churchill Falls, Gull Island, Labrador West and critical minerals demands a high level of speed and coordination, which is why the Government of Canada referred the Labrador Trough, clean power, critical minerals and infrastructure corridor to the Major Projects Office.

Following the referral, the strategy: Canada will work with the proponents, the Major Projects Office and relevant federal authorities to coordinate all the federal financing and facilitate very timely issuance and confirmation of all approvals, permits and certifications. This is about working

collaboratively to build a Canada strong and together.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: So on that note again, just following up, Mr. Speaker, what would the permitting path have looked like without a referral to the Major Projects Office, and what does it look like now?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, can I ask a clarification question?

SPEAKER: Pardon?

S. KATZ: Can I ask a clarification question?

SPEAKER: Yeah, go ahead.

S. KATZ: I just wanted to ask are we talking about all the projects, or specifically any particular project?

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: I'm talking about actually what happens when a project gets referred to the Major Projects Office and what that would look like. I mean, this project obviously being referred to the Major Projects Office is something that the federal government has done, and just so the people of Newfoundland and Labrador could understand how that actually moves this project along and takes away and talks about the single review and those type of things.

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Canada and the Major Projects Office will work very closely in coordination with the utility proponents, Hydro-Québec and Newfoundland and Labrador Hydro, and the relevant federal, as well as provincial authorities, to coordinate all federal permits

in order to facilitate the timely issuance and confirmation of all approvals, permits and certifications required to advance these projects.

Our objective is to support efficient project delivery and ensure that implementation proceeds in accordance with the planning assumptions.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

SPEAKER: I will refer to you as the hon. Member from here on in, in the interests of time.

E. LOVELESS: Absolutely.

Thank you, Mr. Speaker.

First of all, on behalf of the Official Opposition, we say welcome to the panellists. Thank you for being here today and contributing to this process, I guess, and allowing us to ask you questions so we can try to further understand the deal and what it means for Newfoundland and Labrador.

I think it's fair, based on the statements made by you two this morning, and certainly by the lead negotiator, Barry Perry, yesterday, that without the federal involvement this probably wouldn't be happening, for sure. So in terms of the involvement and the investment by the federal government in this deal, can you briefly comment on the investment tax credits and how they affect this agreement?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Thank you, Mr. Speaker.

The tax credits are, I think, a very crucial part of the overall formula that the federal government brought to bear. It's worth noting that the tax credits are pan-

Canadian. They apply to capital projects and clean electricity across the country. They came into force earlier this year, but they're retroactive back to 2024. They also accrue to those who are making the capital investments.

So, in this case, Hydro-Québec will be making a lot of the expenditures and will see the benefits of the tax credits accordingly. For the wind project and other areas where there are investments made on Newfoundland and Labrador side, there will be benefits as well. We do anticipate that the direct net present value of this commitment to Newfoundland and Labrador for the ITCs alone will be in the range of about \$1.5 billion.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

Can you confirm and comment, if need be, that the previous Liberal provincial government requested federal involvement through investment tax credits in 2024 and 2025, including a letter to Deputy Prime Minister Freeland and discussions at the First Ministers' Meeting?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Mr. Speaker, I can confirm that there were ongoing conversations with probably every provincial and territorial government in Canada about the implementation of the tax credits. I can't speak to specific conversations between individuals, but there were very active discussions.

Before implementing the ITCs, the federal government did undertake a significant engagement, including putting out draft tax credits in advance, and very much benefited from the inputs from provincial governments.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker, and thank you for that answer.

In the NLH *Annual Report 2024*, it's clear they were already working with the provincial government to secure the Clean Electricity Investment Tax Credit for Churchill Falls and Gull Island.

Can you also confirm that prior to the 2025 provincial election, the federal government listed Gull Island and Churchill Falls on its list of potential nation-building projects?

SPEAKER: Ms. Katz.

S. KATZ: Yes, thank you.

In September 2025, the government announced the Atlantic Energy Strategy. At that time it was called Wind West Atlantic Energy. It was referring the transformative strategy to the Major Projects Office as part of that referral of that transformative strategy. Both Churchill Falls and Gull Island were mentioned and, as part of that work, that's the reason that we are here today.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

So that's important that it's on the record that it was certainly on that list before August of this year.

Is there anything in the 2024 MOU that prevented federal involvement?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Sorry, Mr. Speaker – that prevented federal involvement?

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune, can you clarify the question again?

E. LOVELESS: Yes, Mr. Speaker.

That's correct.

SPEAKER: Mr. Leyburne.

D. LEYBURNE: No, there was nothing in the 2024 agreement that prevented federal involvement. The tax credits, for example, as they were conceived at the time, would have applied to any capital investments that were made.

The specific negotiations that led to the package that the federal government brought for this MOU, which was a different deal, were very specific to that context.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you to the panellist.

Is it fair to say federal investment would have been possible to build on the 2024 MOU if the government had wanted it?

SPEAKER: Ms. Katz.

S. KATZ: So the federal government in 2024 had a number of tools, not just the Clean Electricity Tax Credits, including the Canada Infrastructure Bank where we had placed, at minimum \$10 billion of additional funding in 2024. I understand, but I was not involved in those conversations that the Canada Infrastructure Bank had been in discussions with Newfoundland and Labrador Hydro on a variety of projects.

Canada is open and continues to be open to working with all provinces on advancing clean electricity to ensure affordable, reliable power for all Canadians.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

In terms of the beginning of negotiations, either of you, between the federal government and Newfoundland and Labrador, can you comment on the DCIA from August of this year? When did the meetings start?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: I think what I would say is there's been continual conversations. I mean the size of this project, the impact and the import of this project are such that there was never a moment where the federal government wasn't keenly aware and encouraging of this project.

I would say that as of early 2026, the federal government started to have conversations with both parties and to cheerlead a little bit and encourage the conversations could continue. I think we played a continuous role from early 2026 onward.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

In terms of mandates in the involvement here, in terms of a good partnership to build on, prime minister's nation-building strategy – which is a good plan and I commend him for that and doing a good job with it, but would you agree that it's not your responsibility, from wearing the federal hat, to work on what's best for Newfoundland and Labrador, that lies with the current Premier and his team?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Of course, we would agree, particularly in matters related to electricity, which is a provincial responsibility that the primary responsibility, primary authority lay with both provincial governments.

The federal government can and does play, from coast to coast to coast, an important role in helping on major projects in electricity and other natural resources develop. I think that's very akin to the role we played here.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you for that answer.

Moving to a different question and it's tied to a lot of emotions for Newfoundland and Labrador and I don't expect you to speak to the emotion part – and it has been referred to yesterday and will continue to be referred to today and tomorrow for sure and it's been a long history of how Quebec has gotten much more in terms of a return for them versus Newfoundland and Labrador. That's probably evident now in this deal as well and people are concerned about it.

The federal government has given \$10 billion, as you mentioned earlier, toward the deal but Quebec is getting most of that. Quebec is receiving \$6.5 billion; Newfoundland and Labrador is receiving \$3.5 billion. Why is Quebec getting so much more?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, the federal support is for the projects. The benefit of that support accrues to those who are making the investments. A large portion of those costs are being borne by Quebec as the key off-taker of the projects and the key risk-taker in this situation.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

Well, the fact is that Quebec will receive almost double, as I referred to and has been referred to before, the federal investment, than Newfoundland and Labrador. Was that

concern ever discussed or raised by the Newfoundland and Labrador government or their negotiating team?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

The federal government is not a party to the negotiations; the negotiations and the DCIA were developed between the two parties. As I mentioned, the federal support, the benefit of that support accrues to those who are making those investments. We did not decide how the DCIA would be structured. We are financing based on the DCIA.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

You weren't here yesterday, but we did hear that a member of the negotiating team was an aggressive negotiating member, and that's Mr. Jerome Kennedy.

So could it be reasonably argued or aggressively pursued that the majority of the funding should come to Newfoundland and Labrador, given that the resource is in our province, not Quebec?

SPEAKER: Ms. Katz.

S. KATZ: The federal funding benefits both jurisdictions, as the projects will get built as a result of – not as a result because the federal funding is also there to support these projects.

As, I believe, yesterday one of the other witnesses mentioned Gull Island is going to be a huge asset for the region, a 2,700-megawatt dam, and the federal government is pleased to be a party to that and supporting the project.

Our support is going to make sure that these projects happen.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

Is it fair to say – and you can correct me if I'm wrong here – Hydro-Québec had already agreed to fund Gull Island and now the federal government is giving the loan guarantee to Hydro-Québec. Correct?

SPEAKER: Ms. Katz.

S. KATZ: Thank you.

These projects are important to unlock economic opportunities in the region. They are going to lead to much larger and long-lasting benefits to Newfoundlanders and Labradorians including thousands of jobs, 23,000 jobs at the top end, as well as a major boost to the provincial revenues through royalties and gross domestic product for the mining projects. In that case, Newfoundland and Labrador stands to benefit significantly.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Mr. Speaker.

Yes, Newfoundland and Labrador would benefit, but I think if you had to ask most Newfoundlanders and Labradorians we're benefiting but not enough, and Quebec is benefiting way more than what we are.

That leads me to the word "fairness" and fairness was worked hard on by the previous government and inserting that in because Newfoundlanders and Labradorians want fairness.

Did the Government of Newfoundland and Labrador ask for an extra \$3 billion to equal what Quebec is getting in their \$6.5 billion? That is considered fair.

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Speaker, what I can say is, as my colleague alluded to, the federal measures that were brought to bear were largely derivative from the DCIA and the division of benefits that were negotiated between the two provinces.

We did subsequently work with each of the two provinces to make sure that the federal contribution could help get this over the finish line. We are not negotiating – you don't negotiate with tax credits. The allocation of that spending went to where the money was being spent.

The reality is the negotiators sat down across the table from each other with a clear understanding of what the provincial interests were and came to an agreement that they thought they could make work for both parties. The federal government simply came in, applied the tool kit it had, in a way that made sense.

As I said, for things like tax credits, those dollars simply went to where the capital was being expended.

SPEAKER: The hon. the Member for Fortune Bay - Cape La Hune.

E. LOVELESS: Thank you, Speaker.

Just a question, I guess it is hydro development as such and not inclusive of the MOU, but I am just wondering if Newfoundland and Labrador's negotiating team or the Premier or his team had mentioned Unit 8 in Bay d'Espoir which supplies power to the province. The Bay d'Espoir operation is very vital to Newfoundland and Labrador's existence in terms of providing power.

I am just wondering if that was ever a discussion around if Unit 8 will proceed? It's a very important part of the hydro development needs in the Province of Newfoundland and Labrador.

SPEAKER: Ms. Katz.

S. KATZ: Thank you for your question.

We are here today to talk about the projects in Labrador, but the Government of Canada has a suite of tools and continues to use its suite of tools to advance clean electricity projects across all provinces, including on the Island of Newfoundland. There are conversations ongoing related to that project; I can confirm that.

SPEAKER: The hon. the Minister of Energy and Mines.

I will just refer to you as the hon. the minister for the next 15 minutes.

L. PARROTT: Thank you, Mr. Speaker.

Welcome to Newfoundland and Labrador. I would like for both members to let the House know how long they have been working with NRCan.

SPEAKER: Ms. Katz.

S. KATZ: I have been working with NRCan on and off for 10 years.

SPEAKER: Mr. Leyburne.

D. LEYBURNE: I've been with Natural Resources Canada for a little over 20 years.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In your 30 years combined, have either of you ever seen an opportunity for a project like this to be developed that included the involvement of two provinces and the federal government on this magnitude?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: No, it's fair to say – I mean, I think as everyone announced on August 17, this could be the largest clean energy enterprise ever undertaken in North American history. There is no parallel.

There are a lot of large dams in Canada already, as I said; we are blessed compared to most countries in the world. But the scale and scope of this, even compared to previous dams built in Canada, is exceptional.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Mr. Leyburne, in your opinion, do you think that outside the scope of the Churchill Falls project and the scope of Gull Island, when you look at what it means from a holistic standpoint with regard to the Labrador Trough, the Goose Bay expansion and other opportunities throughout Labrador, that this is probably one of the bigger projects that we've ever seen in a North American or global scale?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, I would agree. If this was just a dam, it would be one thing, but when you look at the entire package of projects, you've got wind power projects that are looking to future needs in the province, you've got the ability to enable a number of mines, at a moment when the importance of critical minerals is growing every day. You only have to look around the world to see where the interests are, not just for critical minerals, but for clean energy. Newfoundland and Labrador and Quebec, I think, are at the vanguard of being able to meet the needs of, not just Canada, but the world.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Mr. Leyburne, you may not be able to answer this but I'll ask because I actually think you can. Can you tell the audience here what the Pilbara is in Australia?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Sorry, I cannot; sorry to disappoint.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: The Pilbara is the largest iron ore deposit that is currently being mined in the world. The Labrador Trough represents that doubled, 450 billion tons – 450 billion tons of clean, green iron ore accessibility.

Can you indicate what that means to us from a federal and provincial standpoint?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, this is what happens when you invite energy people to a mining conversation.

What I can say on behalf of my colleagues in the federal Department of Natural Resources is that these are significant iron ore assets. The quality and the amount of the resource, I think, are potentially transformative, as I said, at a time when there are not a lot of countries in the world that can access this kind of resource and bring it to market like Canada and the Province of Newfoundland and Labrador can.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Speaker.

I just want to go back to the 2024 MOU when it was announced in December. Were you or any other representatives from NRCan present at that announcement or were you signatory to that agreement?

SPEAKER: Ms. Katz.

S. KATZ: No, the Government of Canada was not involved, nor were we a signatory of that agreement.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So the previous Liberal government had not included the federal government in the MOU.

Had they come to you at any time prior to the announcement of the MOU asking for an extension of the tax credits beyond 2034?

SPEAKER: Ms. Katz.

S. KATZ: I can't speak specifically because I am not one of my tax colleagues at the Department of Finance, but I can speak to the fact that a number of provinces, given the delay in the implementation of the tax credits, are seeking and had sought an extension to the tax credits.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Can you highlight the commitment that was made by the federal government to the previous provincial government in the previous old MOU, as to how much funding was going to be supplied in the MOU that they had signed with Quebec?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

As I indicated, we were not a party to that agreement. There was no federal support in that agreement. That said, the projects would have been eligible for the Clean Electricity tax credits that were later legislated.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Just a question about the loan guarantee. From your experience, would it be normal practice for the federal government or anyone else who was

providing a loan guarantee, to provide that guarantee to the entity that was not taking out the loan?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

In all cases for loan guarantees, it tracks the person who is seeking the loan and seeking to take out the loan. In this case, it would be Hydro-Québec. So, in this case, it would make sense for the loan guarantee to be granted to Hydro-Québec.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I would agree that makes sense to me, too.

So we have a project now where we have federal involvement, we have provincial involvement from both Newfoundland and Labrador and Quebec, and there's a path forward. The federal government have put up a loan guarantee, obviously the tax credits and the loan guarantee, the billion dollars for the power line, and we have invited Innu to the table with regard to wind and other equity possibilities.

Can you outline what it looks like for other possibilities that both the province, the Innu and Quebec could take advantage of from the federal government going forward?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

There are a number of projects included as part of the announcement. The 2,000 megawatts of wind, the federal government is pleased to partner with a future independent power producer. The plan would be for there to be a procurement, as we understand it, to seek an independent power producer. The federal government will take an equity stake in that project and will offer to support the Innu Nation in that

wind project, 2,000 megawatts of wind in Labrador. It would be the largest wind development in North America and would bring new energy to the project.

So that's the wind. In terms of transmission, also, the federal government is looking to take an equity stake in the transmission project to Labrador West and we'll look to partner, if it's economically viable to partner at that time, with the Innu Nation, should they wish to do so.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Speaker.

We know that there are lots of opportunities that the federal government has presented, and I think you said earlier that you guys were not any part of direct negotiation. So am I right when I say that the negotiating team that represented Newfoundland and Labrador, along with representatives from provincial government, approached the federal government looking for this support?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

As I indicated, in September, the government referred the Atlantic Energy Strategy to the Major Projects Office and, in doing so, the minister of Energy and Natural Resources, as well as others, had conversations with the Premiers of both provinces, as I understand it, to discuss those projects and to bring them forward.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So there are always lots of meetings, as everyone in this room would know. I would say you have met with my department on several occasions, and I would argue that the staffing side of Energy

and Mines push at every opportunity for funding for every and all projects.

Have you had any communication from my department with regard to the Labrador Trough?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Absolutely, as well as my colleagues in the Department of Energy and Natural Resources and the mining sector have had many conversations with Energy and Mines in Newfoundland and Labrador to discuss the opportunities for the Labrador Trough, as has the Major Projects Office.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Maybe a bit of a broad question, but I will ask this because my observation is that this is a different time in our country, but respectively, both of you, in your 10- and 20-year experience with NRCan, have you ever seen a time when Natural Resources Canada was more inclined to push projects forward, to develop resources and to put Canada at the leading edge of development?

SPEAKER: Mr. Leyburne.

D. LEYBURN: No, I think we are living through an unprecedented time in that regard, just a confluence of international politics, changes in demand patterns and a recognition that natural resources truly do matter. There's never been a moment in Canada's history where natural resources were not important, but it certainly feels right now that bringing these projects and bringing these resources to international markets and to support domestic consumption has never been more important.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I'd ask Ms. Katz to weigh in on the same question, please.

SPEAKER: Ms. Katz.

S. KATZ: Thank you.

No, I would 100 per cent concur. In my career, I've never seen times such as these. The creation of the Major Projects Office, the government, there isn't a day that we don't speak about specific projects and how we can advance them.

The goal is right now to build the Canadian economy, to create jobs for Canadians, to create prosperity for Canadians. I've never seen anything like it in my career.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Despite the referral to the Major Projects Office, and again, I'd ask both of you to weigh in on this, do you see the development of Gull Island, Churchill Falls and the Labrador Trough as a nation-building opportunity that we should have a very serious look at?

SPEAKER: Ms. Katz.

S. KATZ: My opinion doesn't matter. The prime minister has made that call, but I think it is a critical project. That is why in the first set of referrals as part of the Atlantic Energy Strategy, the prime minister referred to the Major Projects Office the Atlantic Energy Strategy, with the goal to get Atlantic utilities working very closely together to getting Hydro-Québec working very closely with Atlantic utilities.

I've spent a lot of time in the Atlantic region, making sure that projects go ahead, hoping to work with provinces to collaborate across projects. I've spent a lot of my career working with New Brunswick and Nova Scotia specifically, but I will say never on a set of projects this big and with two

jurisdictions collaborating over \$70 billion worth of projects.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I'll get Mr. Leyburne to weigh in on the same question.

SPEAKER: Mr. Leyburne.

D. LEYBURN: I think my colleague alluded to it, Speaker, but we had already recognized the importance of Gull Island and Churchill with the first referral to the Major Projects Office, just on the electricity side. The introduction of the mining aspect of this at a time when critical minerals are at the fore of everybody's thinking around the world from a security perspective, I think just doubles down on this recognition of this being a special project or a special set of projects.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: From a department standpoint, have there been any conversations with regard to a feasibility study for the powerline from Churchill Falls to Labrador West and how it affects the Kami project, Tacora, Rio Tinto and any other future projects?

SPEAKER: Ms. Katz.

S. KATZ: Thank you.

I was just going to talk about the First and Last Mile Fund investments. The First and Last Mile Fund is an envelope of \$1.5-billion infrastructure fund at Natural Resources Canada to unlock and bolster new critical minerals, mines and economic growth, including projects that move resources to customers at home and abroad.

In that respect and on the day, August 17, the prime minister announced that the Labrador West regional transmission

expansion through Newfoundland and Labrador Hydro was going to receive \$2.341 million. The purpose of the study is to complete front-end engineering and design for the transmission lines and stations needed to bring the power to Lab West. The proposed infrastructure would also help support the expansion and electrification of the existing mining operation and enable future critical minerals development.

The studies include geotechnical investigations, development of cost and schedule estimates, identification of requirements for environmental assessments, and the study participants including Tacora Resources for the Scully Mine, Rio Tinto IOC for Carol Lake, Champion Iron for the Kami Iron Ore Project and of course the Government of Newfoundland and Labrador for the Julianne Lake deposit.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Speaker, and just one last question.

Obviously, we believe in the people in Labrador and we want to see them prosper. Do you believe that any of the expansions of mining, the work that happens in Goose Bay that's been awarded or announced happens without extra electricity being created for Labrador?

SPEAKER: Ms. Katz.

S. KATZ: It is not whether I believe it or not. I understand from NL Hydro there are not any extra electrons to support those projects; hence, the critical importance of getting the upgrades to the Churchill Falls dam, the Gull Island project, as well as the wind project to ensure that the Labrador West region has sufficient electricity to support the current growth and the future growth expected in the region.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

Either Mr. Leyburne or Ms. Katz can answer this. How many projects have been referred to the Major Projects committee? How many have been approved and how many have shovels in the ground or are actually proceeding the process?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, I should have actually gotten those numbers handy. I know that there are about 18 projects approved. There are six or eight transformative strategy and a number of those projects are under way. The Darlington project in Ontario has shovels in the ground. They have actually spent significant money. Crawford is moving ahead.

I don't have, in front of me, the list of the major projects, so I cannot answer specifically for projects. I just happen to know that Darlington, because I'm an electricity person, is under way, as well as the dam up in Nunavut is also working very closely with Major Projects Office to get studies under way to work towards advancing that project.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

Ms. Katz said the Major Projects committee was established as a single point of contact to get nation-building projects built faster and projects that demand a high level of speed and coordination.

So my question would be then, what does this mean for the environmental assessment process?

SPEAKER: Ms. Katz.

S. KATZ: The Major Projects Office – sorry, Mr. Speaker. Thank you. I am getting used to this.

The Major Projects Office was established to be the single point of contact for major projects key nation-building projects to coordinate federal regulatory processes and permitting. They do so for all the major projects that they have listed. They work with every federal department, Fisheries, Transport, Natural Resources Canada, to make sure that there is timely review, timely assessment of projects and projects can proceed quickly.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

Again, what does this mean, then, for consulting and negotiating with Indigenous communities in the context, certainly, of the government's reconciliation mandate?

SPEAKER: Ms. Katz.

S. KATZ: Settling Indigenous rights and advancing meaningful Indigenous participation are fundamental to how Canada approaches major resource and energy projects. Canada will respect our duty to consult and the UNDA obligations.

Churchill Falls and Gull Island are already subject to an existing Impacts and Benefits Agreement with the Innu Nation known as the New Dawn Agreement. The federal government expects project proponents to continue to meaningfully engage Indigenous communities as projects advance. These types of projects can create significant opportunities for Indigenous communities through employment, procurement, training, long-term revenue sharing and potential equity participation.

Just to add that Minister Hodgson met with the Innu Grand Chief to engage in discussions prior to the August 17

announcement. Canada and Newfoundland and Labrador will continue to work with the Innu Nation on the wind and transmission projects to explore economic opportunities as these projects advance.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Just to clarify that last bit. You say that Minister Hodgson met with –

S. KATZ: The Innu Nation Grand Chief.

J. DINN: So if I may, then there was, obviously, a consultation between the federal government and the Innu Nation. Are you aware that there was any consultation between the provincial government and the Innu? Were they part of that or –?

SPEAKER: Ms. Katz.

S. KATZ: Thanks for the question, Mr. Speaker.

Yes, we understand that the provincial negotiating team has met a number of times with the Innu Nation on the projects and we spoke about that prior to our engagement with the Innu Nation.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: That's all for now.

Thank you, Speaker.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I just want to follow up with some of the questions that were asked and the answers given. There was mention of many conversations with provinces and territories related to projects, related to investment tax

credits, relating to referral to the Major Projects Office.

Can you expand on what you think made this agreement possible and get it over the line? What made it get it over this time with the federal government?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Both the DCIA and the subsequent federal supports, they were very dependent on the context of the time that they were negotiated.

We have some new tools in our toolkit that we didn't have two or three years ago. The tax credits are relatively new, were just emerging at that time. The Major Projects Office was new in the intervening years. The heavy focus on a Building Canada Strong agenda that the federal government was elected to, with their new mandate, was new. We were able to bring a toolkit to bear that we might not have been able to bring to bear at different times.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Would you also then agree or comment on the importance of timing and the importance of moving forward with the opportunities that are in front of us as a province and as a country in terms of our national energy procurement and where we are in terms, as you mentioned earlier, about the whole process of recognizing the significant resources that we have here in Canada and that we're now moving ahead to develop those resources. Just comment on the timing, if you would.

SPEAKER: Mr. Leyburne.

D. LEYBURN: Yeah, there is definitely a sense of urgency. That would have come through in the electricity strategy, as I mentioned earlier. Every year, the baseline in Canada is that tens of billions of dollars are spent in the electricity sector, but we need to see a significant uptick in that.

So the sense of urgency that the federal government brought to bear was really around that recognition that you only have to look as far as the increasing electricity demands in every province in Canada. After being relatively stagnant for about 20 years, electricity demand in North America was flat. That is certainly not the case now.

I think one of the reasons you see the increased interest from industry, from consumers and from every jurisdiction in Canada in producing more electricity is a recognition that we used to be worried about overbuilding and now we're definitely more worried about underbuilding.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

The federal government is taking up to a 40 per cent equity stake in the proposed 2,000-megawatt wind project. What makes the project attractive from a federal perspective?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

As I mentioned earlier, this project would be the largest in Canada, I believe, and also North America. It is a very important project to get energy on the system. Balancing the wind with the amazing hydro resources that exist in Labrador allows for, as the Newfoundland and Labrador Hydro CEO mentioned, a very, very good product.

There is a lot of interest in off-take of that 2,000 megawatts of wind. It seemed like a very good opportunity for the federal government to participate in that project.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

In terms of that 40 per cent equity take, can you comment on why an equity position in the wind project was taken rather than a loan guarantee or a grant, as elsewhere in the entire federal package that's in front of us for all of these projects?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

There is a clear off-take for that power and when there is a clear off-take and a clear opportunity, it makes sense for the federal government to take an equity stake where we can earn returns on that and work very closely with the Innu Nation, should they wish to participate in being a partner on that project.

The federal government has a suite of tools that it uses and different tools work for different things. In this case, given that there is a clear off-take interest on that project and a clear resource in Labrador, Canada is pleased to partner with an independent power producer and, hopefully, alongside the Innu Nation on that project.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Again, this particular wind energy project does not involve Hydro-Québec, correct, other than as an off-taker?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Yes, that is correct. Hydro-Québec is an off-taker but is not involved in the project. It is a partnership between an independent power producer that has yet to be selected, the federal government and, hopefully, the Innu Nation, should they wish to be partners.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

In looking at that too then, can you comment on the risk to the Newfoundland taxpayer in terms of that particular project, in terms of the investment by Newfoundland taxpayers in that project?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

There is no investment by Newfoundland taxpayers in that project. That would be a federal government investment, an independent power producer and, hopefully, the Innu Nation, should they be interested in participating in that project. We are in early-stage discussions with them.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

You may have addressed this earlier in some form, but I'd like for you to expand, both of you if you have the opportunity to do so – I can give you the opportunity to do it here for the both of you – about the significance of pairing 2,000 megawatts of wind with Churchill Falls hydro and what does that do? What does that achieve that wind on its own would not?

SPEAKER: Mr. Leyburne.

D. LEYBURN: At its most basic level, it allows the province to bring the predictability and the base load power of hydro, which ensures that the lights can stay on at all times. With the variability of wind, as my colleague alluded to, this is a nearly perfect combination of assets that this one province is able to access.

If you look at what industrial consumers are looking for, data centres as one example, they are looking for predictable – they call it five 9s predictability – around the electricity

they choose. That's hard to provide with just variable renewables but when you pair it with base load power like hydro, it's very easily produced.

I mention data centres as one example, but that is true of any industrial consumer, whether it's a mine, aluminum smelter, a factory of any kind.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Ms. Katz, did you want to make a comment?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

I would say that as my colleague, Mr. Leyburne, mentioned pairing up wind and hydro is critical. You've got capacity from the Churchill Falls project and even the upgrades, as they mentioned last night, do not bring a lot of energy. This would bring a lot of energy to the system and it does not require any additional transmission so the wind is expected to be built in Labrador, around the existing transmission, to reduce the need for new transmission.

Typically projects of this size would require new transmission, which is a significant cost. In this case, the very brilliant logic of pairing the wind with the capacity resource of Churchill Falls and not requiring new transmission is a savings for the off-take.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

We know that the first thing that has to be done is a feasibility study around this wind project. In your opinion, given what both of you have said, is this opportunity something that wind power is being done elsewhere? How would you comment on how you see this proceeding in terms of the viability of this wind project?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, thank you again for the question.

I think that I can honestly say I've heard from a few wind developers in Canada that once they heard the announcement reached out to ask about it. That tells you it's quite viable.

I'm not a wind expert but they are and they know that it's a very interesting project to them. I'm not going to comment on who, but I will say that the largest builders that we have are quite interested. A number of folks are interested in this project, so it is quite a viable option.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Our province has the option to buy out the federal stake over time. Would you consider that a normal feature of federal equity participation? How does the department approach it?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Yes, actually, it is an option. It is something that is done in a number of projects that I've worked on, be it with the Canada Infrastructure Bank or with the Canada Growth Fund. It is a typical feature where there is an option for a provincial utility to buy out the project at a later date. Or First Nations, which we've got First Nations partners interested in this project as well.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: So the project will get built without any risk to the taxpayers of Newfoundland and Labrador, but at some point in the future, should the government of the day decide that they would like to take

an equity stake or buy out the federal government equity stake, that option is available to them?

SPEAKER: Ms. Katz.

S. KATZ: Yes, that option is available to them.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

In terms of the investment tax credits, do they apply to the wind project on the same terms as the hydro build?

SPEAKER: Ms. Katz.

S. KATZ: Sorry, let me just clarify the question, Mr. Speaker. So the terms on the wind, are they the same as for the Hydro build? Did I get that correct?

We're still negotiating the loan guarantee and other aspects of financing with the parties, so I'm not at liberty to get into the details. The federal government is not taking an equity stake in the Hydro project. There will be a loan guarantee for the Hydro project, if I'm understanding the question correctly.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

The Labrador Trough corridor was referred in August 2026 to the Major Projects Office. What was it about this agreement that met the threshold?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

As we discussed, the Labrador Trough is a significant, massive geological belt and mining region stretching approximately

1,100 kilometres across both Labrador and Quebec. It is a huge area with high purity iron ore, which plays an essential role in the decarbonization of the global steel industry. Steel is one of the most widely used materials and is fundamental to manufacturing, construction, transportation and infrastructure projects across Canada and around the world.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

It was asked earlier about the timelines for the Major Projects Office. Is there a target timeline for federal decisions on referred projects?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for that question.

In terms of these projects, for the electricity projects, the Government of Canada will look to refer the projects to the Major Projects Office following the signing of definitive agreements. So at that time, the government will work with the Major Projects Office to determine what is the right path forward for the projects. At that point, we will have negotiated a whole bunch related to the financing. So I expect it will be very focused on streamlining the permitting processes to make sure that those projects go ahead.

I want to note that not all projects referred to the Major Projects Office are designated under the *Building Canada Act*. That is a tool that is used to help projects advance for the benefits of Canadians but not all projects require it.

If you'll permit me, Mr. Speaker, I just wanted to clarify an answer that I had previously about the projects that are under construction right now. As we understand it, Contrecoeur, Darlington, McIlvenna Bay, NCTL – that was a couple of weeks ago –

and Nouveau Monde Matawinie Mine are under construction right now, of the projects that were referred to the Major Projects Office.

SPEAKER: Thank you.

Now, how could I ever have forgotten.

The hon. the Member for Burin - Grand Bank.

SOME HON. MEMBERS: Hear, hear!

P. PIKE: Thank you, Speaker.

Certainly great to have this opportunity this morning to ask questions to the representatives of Natural Resources Canada.

Speaker, the Conservative government is claiming this deal will provide Labrador with more power, but the 400 megawatts of that comes from a proposed wind project. Is that correct?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question, Mr. Speaker.

I do not have the specifics of how Newfoundland and Labrador Hydro intends to split up the power. I can't comment on that.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: It's our understanding that 400 megawatts will come from this proposed wind project. You already touched on it, Ms. Katz, but the agreement says the proposed wind project is subject to a feasibility study. Can you explain what the feasibility study will entail?

SPEAKER: Ms. Katz:

S. KATZ: Thank you, Mr. Speaker, for the question.

I will speak in general to feasibility studies because this one would be undertaken by an independent power producer. Typically, feasibility studies look at the wind resource, look at the geography to determine the best location, determining where it would connect to a transmission line, so the transmission interconnect studies.

A lot of the studies would be related to where the best wind resource is and they would study that over a period of time to determine where it makes the most sense to put the wind resource and the wind turbines.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Is Indigenous approval required for this proposed wind project?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

In this case, the federal government doesn't have a review process for wind projects in terms of an impact assessment. Typically, a provincial review would take place and as part of those processes there is a duty to consult. There would be a duty to consult on that project.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Would you be able to tell us which Indigenous groups will need to provide approval for it to proceed?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

At this time it is not clear where the wind resources will be. If they track the existing transmission lines, it is expected that it

would be the Innu Nation. It just depends on where, because it could be a number of sites where the wind projects would be. So that would be determined at the time of the project development.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: So at this point we don't know which Indigenous groups are going to be consulted on this project?

SPEAKER: Ms. Katz.

S. KATZ: Correct, Mr. Speaker. It is too early to tell but, as I said, if it is tracking the transmission lines, which we understand it could, that would be the Innu Nation.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Has this project received any environmental approvals yet?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

No, it is in early stages and it will be subject to a feasibility study, then it would undergo, as I understand, provincial approvals.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: So we have no idea, then, when the entire 2,000 megawatts of wind would be online, given that there has to be a feasibility study, environmental studies, engineering and Indigenous consultations?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

I think that it would be online as quickly as those things can get done. I think that there

is interest on both sides to get this wind project done. We are working expeditiously with the provinces on the other aspects of the deal. I anticipate that we will work very quickly with Newfoundland and Labrador Hydro to seek an independent power producer for this project. That's part of, probably, a request for information to get more details on the project.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Quebec will get 1,600 megawatts of wind power, is that correct or not?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

I don't have the exact details of what is considered. I understand that Quebec has agreed to be a very significant off-taker of the wind when it gets built.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: This is very important to the overall project, as you know. We would like to have those numbers. These are the numbers that we have, but we would like to have those numbers.

So that means that Newfoundland and Labrador would only get 400 megawatts if Quebec is getting 1,600 megawatts. That is only 25 per cent for Newfoundland and Labrador. Did Newfoundland and Labrador try to get more than one-quarter of the wind energy?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

I think that is a question for the negotiating team and for Newfoundland and Labrador Hydro. I think, also, the previous question was for the future proponent.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: So obviously you don't know the answer.

Thank you.

I have a question – a burning question really. Why wouldn't Quebec build this wind capacity in their own province? What benefit do they get from building it in Labrador?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

I think that would be better referred to Hydro-Québec on the wind in their province and their desire to buy wind in Labrador.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: The agreement says ownership will be determined by Newfoundland and Labrador Hydro if undertaken and completed. So even the ownership structure is up in the air – and pardon that pun, by the way. Does that lead to more uncertainty and doubt that this project will actually happen?

SPEAKER: I am not sure who is taking this one.

S. KATZ: I will take it.

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

We are working very closely with the Government of Newfoundland and Labrador and Newfoundland and Labrador Hydro and will work closely to ensure that a feasibility study happens, and determine at that time how the project will proceed.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Did the Premier or his team ask for assistance with any additional transmission lines in Newfoundland and Labrador, such as the line to the south coast of Labrador or additional capacity on the Labrador-Island Link?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

I am not aware of additional, but it is a very large department and I work very specifically on these large projects. I am not aware of other transmission requests, but there could be other transmission requests.

I should also say that there will be tax credits and there are tax credits related to interprovincial transmission and soon-to-be intraprovincial transmission.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: The people of Southern Labrador are certainly eagerly awaiting some good news when it comes to the Labrador-Island Link.

Did the Premier or his delegates ask for assistance with any additional transmission lines through Quebec or the ability to transmit power through Quebec?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Additional to what – additional to these projects?

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Yes.

SPEAKER: Ms. Katz.

S. KATZ: There has been discussion of transmitting the power to Quebec to the

Romaine Complex and, as indicated, there are tax credits available for these projects. The Government of Canada has committed to working with the proponents on accessing the tax credits ensuring that's efficient.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Thank you.

What is the estimated price for the energy derived from the wind for this project? Do you have any idea?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

That would be a better question to the future proponent at this time. It's early to say. It's a little too early to tell.

SPEAKER: The hon. the Member for Burin - Grand Bank.

P. PIKE: Thank you, Speaker.

I have no more questions.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Mr. Speaker.

Just a question: Would either of you be aware of any major project in Canada that would progress without a prefeasibility, feasibility, environmental or FID?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, these are pretty standard requirements in order to meet the investor milestones for major projects. No, this is quite standard. It would be quite difficult to move to any one of those steps without having done the one before.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So it's pretty safe to say that in your opinion, no provincial, no federal or no private company would move a project of this magnitude further without taking those steps first, correct?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Yeah, that is correct. Of course, as the scale and the complexity of the projects increase, the amount of due diligence required at the front end to make sure the projects are being set up in a good way is even more important.

SPEAKER: The hon. the Minister of Mines and Energy.

L. PARROTT: Just for clarity for the Members opposite, could you describe in your own words what an off-take agreement would mean, specifically when it refers to power?

AN HON. MEMBER: (Inaudible.)

L. PARROTT: Well, they don't understand.

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question, Mr. Speaker.

Someone who is willing to purchase at a specific rate. An arrangement to buy power at a specific rate for a specific period of time.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you very much, Mr. Speaker.

When referring to wind – and we look at the 2,000 proposed megawatts with a 1,600 megawatt off-take agreement and 400 megawatts remaining here in the province;

the availability of federal partnerships, along with Indigenous partnerships and provincial participation, if they so desire; along with the ability for us to purchase back any investment that the federal government makes from an equity standpoint – would that clarify where the wind project is right now as it progresses through common industry practices of prefeasibility, feasibility, environmental and FID?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, that's typically standard approach for projects is to go through prefeasibility, feasibility, et cetera, and then we would get into environmental assessments, consultation, et cetera, to get a project to move ahead.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: The federal government has made a commitment of a billion dollars, I believe, for this proposed wind project. If the wind project does not move forward does this billion dollars stay on the table for any other project of this type to happen throughout the province?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

As the prime minister indicated in his letter, should the wind project not proceed, the billion dollars in value can be made up in other projects of interest to the province.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you very much.

Just for clarification, and you may not have an answer to this but I'll ask it. In the previous MOU that the previous Liberal government of the day signed, had they approached the federal government looking

for support to put power lines to the South Coast of Labrador?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, neither of us were as directly involved in the negotiations, certainly between the two provinces nor with the federal discussions. Whether there was a specific request made for the south shore, I'll be honest and say I'm not sure.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: But request aside, there was no agreement with the federal government for any sort of funding with regard to the previous MOU. Is that correct?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Other than tax credits that would have been available to any clean electricity project in Canada, not to my knowledge, no.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I've heard critics talk about wind and capabilities, capacity versus energy and all of the things associated with wind projects. There's a very distinct reason why we look at wind around a facility like a hydroelectric facility or certainly a geothermal facility and that has to do with the ability to provide firm power.

Would it be your assertion that a big part of the reason why wind would be successful in Labrador is because of its close proximity to both Churchill Falls, Muskrat Falls and Gull Island?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Yes, Mr. Speaker, that's correct. Hydro dams within an electricity system are effectively the very large

batteries and when you operate a wind project in the absence of something like hydro, as a baseload, it does require some other form of storage. In this case, this is a battery that you can produce electricity from on call but can also be used to smooth out the variability of wind projects.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: When we look at the overall value of the project in Labrador and we talk about wind, we talk about Gull, we talk about the Churchill Falls upgrades, certainly the ability to expand our mining and, I guess, giving Labrador the power that it not only needs but deserves, would you argue that this is a very big step forward for a northern part of Canada and a step that proves that we are world leaders?

SPEAKER: Mr. Leyburne.

D. LEYBURN: The scale of this project means that anywhere in Canada this would be a massive project. In a region that has seen fewer large projects and not as frequently attracting tens of billions of dollars, I think you can expect, if these projects move forward, for them to be additionally transformative.

I think it was mentioned off the top, but we're talking about \$30 billion that could be brought to bear in the next 15 years or so, and that's only half of the value that you can expect these projects might collectively produce over their lifespan.

So, yes – we use the phrase “transformative strategy” – in this case, I think it would be truly transformative.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Mr. Leyburne, from your 20 years' experience with NRCan, when you look at projects across Canada that changed really the landscape and the

capabilities of a specific geographical area as this would, would it be safe to say that the associated off-take industries and development of those areas really is immeasurable?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Well, I hope we can measure it eventually in the form of economic activity, but, yes, in addition to all the obvious benefits that these projects and electrification brings, the doors that are open when you have access to incremental electricity, I think we're just starting to wrap our heads around.

With every passing year, certainly around the world, electricity takes up a bigger and bigger slice of the pie in the overall energy mix. As the prime minister said, being masters of your own house in the electricity space is valuable now, but probably even more valuable with each passing year.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I am certain much as this province is doing, we're doing a 10-year energy plan, the federal government has obviously looked at energy capabilities right across the country. Can you just comment on what the successful completion of this plan would mean for, not just for Newfoundland and Labrador, but for Canada as a whole?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Yes, in the most basic terms, it would provide a reassurance that for this entire part of the country there's a plan. Every part of Canada and every part of the world is going to have to do some soul-searching about where it will draw its electricity from. When you can take off a massive bite of that demand with a single project like this, it provides a reassurance, not just to the region, but to the North American grid.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: We talked earlier about the loan guarantee that the federal government is currently negotiating with the Province of Quebec. We've heard people talk about the risks associated with the project and we have been very clear that the risks associated with the project from Newfoundland and Labrador's standpoint have been mitigated to the fullest extent possible.

Can you just speak about what a loan guarantee from a risk standpoint means for this project moving forward?

SPEAKER: Ms. Katz.

S. KATZ: Mr. Speaker, I'm going to clarify that we are working with Hydro-Québec. The province is currently in an election state and so we're working very closely with Hydro-Québec on the loan guarantee.

So the Gull Island project is huge. It will strengthen Canada's position as a global leader in clean, reliable and affordable electricity. It's one of the largest prospective hydroelectric developments in North America and is going to generate significant economic investments, long-term employment and strong economic partnerships with the Innu Nation of Labrador.

Working closely with the Minister of Finance and the Department of Finance, we are going to negotiate a loan guarantee with Hydro-Québec, backed by the federal government, to ensure that this project proceeds and with the right financial conditions to make sure that it proceeds.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I know I have specifically talked with the companies, specifically Vale from Voisey's Bay, asking them to initiate

conversations with the federal government with regard to electrifying Voisey's Bay. Can you just elaborate on what other kind of funding, outside of the tax credit, is available for electrification of Labrador and what the ultimate goal is?

SPEAKER: Mr. Leyburne.

D. LEYBURN: The federal government has a pretty broad range of tools right now available to help with electricity projects. The tax credits are perhaps the most visible because they're used at the front end but we have the Clean Growth Fund, which is producing funding for a number of electricity projects already. The Canadian Infrastructure Bank has dedicated a significant proportion of their overall portfolio to electricity projects.

We've got the SRF, which is an inheritor of the Strategic Innovation Fund, that is putting money into electricity-related projects. Within Natural Resources Canada, we have the SREPs program that is a \$4.5-billion program to assist with clean electricity projects across the country and, as we alluded to earlier, even though it is a mining-based program, the First and Last Mile Fund, a number of the projects it is funding are electricity projects to enable mining development across the country.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: If you could elaborate based on that funding – and I know specifically with CIB, but CIB and any other portions of that funding that would not only help promote but foster Indigenous and Innu involvement in these projects. Can you highlight exactly what is out there from the CIB and what it means and how they can take advantage of that?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

There is also the Canada Indigenous Loan Guarantee Program that is available. There are various tools within the Canada Infrastructure Bank and others to support Indigenous investment in major projects. So all of those tools are available. As my colleague Mr. Leyburne mentioned, including the SREPs program has opportunities for Indigenous groups to build projects and be a party to projects.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Just so we're clear, there has been questions around consultation with Indigenous, certainly feasibility, environmental, all the steps that have to be taken in order to get a project across the line. Am I right in saying that the federal government through our involvement in the Major Projects Office, through the First and Last Mile Fund, through one project, one review, not only expects all of those things from the Province of Newfoundland and Labrador, but are receiving them and that we are working closely together from a departmental standpoint and have been since the start?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

I will add that partnership and consultation with Indigenous peoples is central to this government's mission to develop nation-building projects, and that is something that is very critical to our involvement in any project being considered: meaningful participation and partnership from Indigenous peoples on decisions that affect them. That is a critical part of the projects that we are working on and we have been working on with the department in Newfoundland and Labrador.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I just want to go to Labrador West one more time. I know outside of the new projects, outside of Kami, or certainly Julianne Lake, Iron Bear or other projects that we're hoping to get across the line, the federal government has worked very closely with both Tacora Resources and Rio Tinto. Can you just highlight a little bit for what this project means for them as an existing entity and certainly what it means to the people of Labrador West?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

It means more reliable and affordable power that will be produced and available. It can help the mining companies. If they choose to decarbonize certain aspects of their operations, they can do so with this available power. It will help with the newly announced funding for Goose Bay, for the upgrades to the base, and it will make power available for the households in Labrador West.

SPEAKER: Thank you.

The hon. the Member for St. John's West.

K. WHITE: Thank you, Speaker.

The Premier doesn't talk about the fact that Newfoundland and Labrador is getting less federal funding. He recently posted a video saying watch me as I explain the \$3.5 billion in value Newfoundland and Labrador gets from the federal government. There was no video explaining the \$6.5 billion Quebec got in the same deal. Can you please explain what the \$6.5 billion Quebec receives is for?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

I'm not going to get into all the details because I am not in a position to talk about elements that are commercially sensitive, but what I can say is that a large portion of

the support, as my colleague, Mr. Leyburne, mentioned, is through tax credits. Tax credits track who spends the money and they are a direct percentage of that. The benefit of that support accrues to those who are making the investments. And again, a large portion of the costs are being borne by Quebec as the primary off-taker of the power.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

For clarification, benefits of ITC and the loan guarantee go to Hydro-Québec to reduce their financial contribution to the project, correct?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

That's how ITCs work, Speaker. ITCs reduce the capital cost of the project.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

Did the Government of Newfoundland and Labrador ask for an extra \$3 billion to equal what Quebec receives?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

I have not been privy to all the conversations. Again, all of the federal financing tracks the investments made.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

You may be aware, but equalization has been a sore spot in this province, as many

people feel Newfoundland and Labrador does not get enough in terms of equalization payments compared to other provinces. In fact, the previous Liberal government commenced a court action arguing that the equalization formula was unfair. Currently, Quebec makes about \$18 billion from hydroelectricity, yet still receives up to \$14 billion in equalization.

How will any of the new revenue from this deal affect Quebec's equalization payments?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, being able to anticipate the specific impacts of any of this economic activity on the equalization formula or any other tax or federal measure would be too hypothetical to speculate at this point.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

Does the federal government believe that this is the best deal Newfoundland and Labrador could get from Quebec for the Churchill River?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Our starting point was that we wanted to see the two parties come to an agreement in good faith that they felt respected the needs of both provinces. Once we were satisfied that they had reached that conclusion, we were happy to step in with the help we provided.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

Can you tell us what Michael Sabia's role in negotiation was?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, the federal family that was involved across multiple departments and agencies in Ottawa was very broad. The clerk, as the prime minister's deputy minister was very involved, as the prime minister himself was but, as I said, it was a multi-party effort. The Department of Natural Resources, Finance, the Privy Council Office, where the clerk works were all involved.

SPEAKER: Ms. Katz also wants to respond. Is that okay to you?

S. KATZ: I just wanted to add that the Privy Council Office is responsible for intergovernmental affairs and all relationships with the provinces and so as such, again, the prime minister's deputy minister is the lead of that department.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

It was noted earlier that demand for electricity would be higher in the coming years. Can you tell us how you expect that to effect electricity prices?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, it is very difficult to answer that question with specifics for timing and in what locations. The reality is, as we said in the electricity strategy, as the world moves to more and more electrification of industrial and other processes, you may find that electricity bills may go up in some places but are offset by reductions in energy costs for other fuels.

Generally speaking, the greater utilization you can make of transmission assets by adding more consumers and more production and maximizing the use of those wires, it does tend to have a positive effect on prices.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

If the wind project doesn't go ahead, will the federal government make it up and provide an equal new benefit to Newfoundland and Labrador?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

As I indicated earlier, if the wind project does not proceed, as the prime minister indicated to the Premier in his letter, the billion dollars in value will be available to other projects.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: The federal government and Quebec – communiqués from both of those regarding this deal claim that the Churchill Falls expansion project will create an additional 2,500 megawatts. The Newfoundland and Labrador government is claiming that it is on the backburner and relegated to a feasibility study. Can you please explain the discrepancy in those communications?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

I would defer those kinds of questions to Hydro-Québec, but what I will say is similar to the wind, the expansion is a study and it has been indicated there will be a study. The federal government is working very closely with both parties on all aspects of the deal.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Can you please explain or tell us what are the federal governments requirements or commitments to Indigenous people, regarding this agreement?

SPEAKER: Ms. Katz.

S. KATZ: As I indicated earlier, the federal government has engaged with the Innu Nation and will continue to do so moving forward. Minister Hodgson met with the Innu Nation Grand Chief on August 17 prior to the announcement, and the department officials continue to engage with the Innu Nation on these projects and the opportunities.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Does it concern you that the Innu Nation has expressed they may not sign off on this agreement by the December 31 deadline?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

We are continuing to work very closely with the parties to advance the agreements to make sure that they reach definitive agreement. We are not a party to the DCIA and so it's up to the two parties to conclude negotiations on that, but we remain committed to working closely with the two parties on the negotiation.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Would you say that the federal government would like this agreement to proceed?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Mr. Speaker, if the question is about whether we would like the overarching agreement to proceed, the answer is yes. We've had a long interest in

seeing major projects in the electricity and the hydroelectricity space move forward, and so yes, it is in the federal interest to see these projects progress.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: And you would agree that the federal government is interested in interprovincial co-operation and national unity, yes?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Mr. Speaker, yes, this is a core function and reason for the federal government to exist is to assist with the health of the federation.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

You'd also agree that the current Quebec government seems pleased with this deal, yes?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Mr. Speaker, our sense, and the reason we are enthusiastic about the project, is that both provinces, both negotiating parties, felt satisfied with the agreement.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: I think it's fair to state that, in August, there was a fair likelihood that a separatist party could form government in Quebec. Would you agree that would have been of concern to the federal government?

SPEAKER: Mr. Leyburne.

D. LEYBURNE: Mr. Speaker, what I would say is, we are hoping to see this project developed in a way that it has a durability.

The election of one government or another in a provincial capital is a regular occurrence for us within the federal family. We have shown that we can work with all parties, once elected.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Thank you.

Do you think it's possible that the federal government was interested in announcing this deal before a separatist party possibly took over?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

We announced this deal as it was ready to be announced. Timing was decided by the two parties as they came to an agreement. We worked very closely with them, but this was as the timing of them coming to an agreement.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Did the federal government insist on Newfoundland and Labrador giving up market-based pricing because Quebec wanted them to?

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question, Mr. Speaker.

As I indicated, we were not involved in the Definitive Cooperation and Implementation Agreement negotiations.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Would you agree that it is the role of the federal government to make the pie bigger, but not the role of the federal

government to determine how big the piece of the pie was for each province?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, yes, I would agree with that.

The negotiations happened between two parties. We want to see good projects move forward. How the relative risk, responsibilities and rewards are divided between the two parties was solely at their discretion.

SPEAKER: The hon. the Member for St. John's West.

K. WHITE: Would you agree that it is the Premier's job to ensure Newfoundland and Labrador benefits?

SPEAKER: Mr. Leyburne.

D. LEYBURN: Mr. Speaker, I'm sure that's a question best addressed to the Premier but, generally speaking, I would assume that is his primary aim.

SPEAKER: The hon. the Member for St. John's West.

AN HON. MEMBER: (Inaudible.)

K. WHITE: We can ask questions.

That's it for me.

Thank you, Speaker.

SPEAKER: The hon. the Premier.

Can we reset the clock, please?

PREMIER WAKEHAM: Thank you, Speaker.

We have shared in this House of Assembly a copy of the letter that the prime minister wrote to me in support of this project. I am wondering if either one of the guests in the

Assembly are aware of a similar letter that the prime minister would have written to the former Liberal government when they finalized their negotiations on their previous MOU?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

We were not close to the deal and I would have no knowledge of a letter at that time.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you.

In this letter, the prime minister clearly lays out the support for this project and this agreement and the support for the Province of Newfoundland and Labrador. One of the things that the letter talks about, obviously, is the federal loan guarantee for Gull Island and it particularly talks about reducing the financial cost of the project.

Would you agree that the provision of a loan guarantee actually helps reduce the cost of the project?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Yes, I would agree that backing a project through a federal loan guarantee is meant to reduce the financing costs of the project because the federal government's borrowing costs are lower, typically, than most parties.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Speaker, when we reduce the actual cost of the project, considering that this project will be financed 75 per cent, that is a savings on the cost, which would result in a lower cost of power to the off-takers. Is that correct?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker, for the question.

There generally is a correlation between lower borrowing costs and cost of power. However, we are not engaged in the setting of costs of power associated with that deal. That is solely the responsibility of the joint venture that will undertake that project.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Speaker, I just reference that because the fact of the matter is the Province of Newfoundland and Labrador will own 60 per cent of the Gull Island project, and Hydro-Québec are actually building it and paying for it. So the benefits of the loan guarantee are not simply to the Province of Quebec. I would ask either one to comment on that.

SPEAKER: Ms. Katz.

S. KATZ: Thank you for the question.

Yes, I would agree that the fact that you have that asset at the end is a very significant value to the people of Newfoundland and Labrador.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Again, when I look at the letter from the prime minister, it talks about, individually, of the investment tax credits and, again, there has been a lot of discussion about that. But it also does mention the fact that, as we alluded to earlier, as the minister alluded to earlier, the opportunity is there for us to continue to look at development within our own province as well as in other arrangements, and the availability of investment tax credits and opportunities for those projects as well.

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Absolutely, and there's not just the electricity tax credits. There's the Clean Technology tax credit. There's the manufacturing tax credit. There is the Critical Minerals tax credit. There are a number of tax credits that are available in a variety of areas for the province and much of it is capital expenditure.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

In terms of the Major Projects Office, again, it's described as structuring federal financing. Does it decide the financing or assemble what departments and agencies already have?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

It's a one-window approach and we're actually behaving that way right now. We have been, throughout this whole process, working as one window. I work very closely with my colleagues in the Department of Finance, at the Canada Infrastructure Bank, at the Canada Growth Fund, in the Canada Indigenous Loan Guarantee program and through all the funding resources in Transport Canada and in the Department of Natural Resources to ensure that there is a one-window approach to federal financing.

So when you look at any project that is associated with these in through the Labrador Trough, that has been a referred transformative strategy as well as the Atlantic Energy Strategy, all of those projects will benefit from the coordinated federal financing approach that the Major Projects Office takes.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Following up on that, does the Major Projects Office have the authority over departments or does it coordinate and rely on them to move?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

The authorities typically rest with the ministers responsible. The Major Projects Office does not have the authority.

With that said, we are all beating the same drum, marching in the same order – I'm very bad with references. We are all working as one team to build Canada. That is the priority of this government. So it was very clear when we brought all of our colleagues together to look at these opportunities, we built the financing package to meet the significant opportunity that is here today.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Speaker, just following up on that, in terms of the federal financing, does referral to the Major Projects Office let the federal financing be structured as a package rather than through separate program applications?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Yes, the referral of the strategies to the Major Projects Office does benefit these projects in a significant way.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Is there a role for the provincial government inside the office's process for these projects?

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

Yes, the Major Projects Office works very closely with provincial governments and provincial utilities and proponents to work on projects and to structure financing to work on the regulatory processes. It also works very closely with Indigenous communities and impacted First Nations to ensure that the projects go forward in the right way.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I realize that the time is running out, so I just want to take an opportunity to thank the two representatives from the federal government for coming here today and give them an opportunity to perhaps just summarize the federal involvement in this major agreement that we have in front of us today. We've talked about a lot of different things in terms of how the financing will work and in terms of the investments and stuff. Just to give them an opportunity for both of them to perhaps wrap up.

SPEAKER: Mr. Leyburne.

D. LEYBURN: Thank you, Mr. Speaker.

I think if I were to sum up, maybe where I started today, this is a significant project for Canada. As I mentioned, no matter where you plunk these assets, they would be of extreme value to any country in the world. I think when you're talking about adding gigawatts of power to the North American grid, there are only a few corners of this continent that can make that claim and the ability to do it.

The federal involvement was really a recognition of the importance and the scale of this opportunity. As I said at the beginning, it's not just about the electricity; it's about the mining, it's about the community development and it's about the

supply chains that can be developed through a project of this scale.

As such, we were extremely happy when the two provinces and the utilities were able to reach this DCIA. It is a major turning point for this project, but I think also in some ways a major turning point for the federation.

SPEAKER: Ms. Katz.

S. KATZ: Thank you, Mr. Speaker.

There are not many precedents for having federal officials appear in a provincial House. I actually searched it up before coming to see how often it had happened – not very often. Being here is testament to the importance of these projects to the federal government and, by extension, Canada.

We're a strong supporter of clean electricity projects across Canada and we've committed tens of billions in tax incentives, strategic financing and targeted programs to catalyze such projects from coast to coast to coast. We believe this is critical to enable prosperity, energy security and sovereignty, affordability and competitiveness for all Canadians.

This agreement was reached by the two provinces, Newfoundland and Labrador and Quebec, with their utilities and they really deserve the credit for the work that led to this milestone. We will all benefit from this generational investment as it will bring new, reliable power, thousands of jobs, energy security and catalyze additional infrastructure such as mines and rail to our country.

We are really proud to help create the conditions for these investments to succeed.

Thank you for having us today.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: Certainly, on behalf of the Legislature, Mr. Leyburne and Ms. Katz, I want to thank you for coming today and providing all of your answers for Members to consider, and certainly also to all the people of Newfoundland and Labrador who are tuning in, we appreciate your participation.

With that said, based on the rules we all agreed to, we are going to recess now until 1 p.m.

The House is in recess.

Recess

The House resumed at 1 p.m.

SPEAKER (Lane): Order, please!

We are going to continue on. As per the rules that were approved – because words matter – we are going to move on from now until 3 p.m.

We have two new panellists. I would like to welcome Mr. Jason Chee-Aloy, Managing Director with Power Advisory. Have I got that pronunciation pretty close?

J. CHEE-ALOY: Yes, Mr. Speaker, that is correct.

SPEAKER: Thank you.

And Mr. Brady Yauch – correct? Thank you. He is Director of Markets and Regulatory with Power Advisory.

So we will continue on in the same format as we have been using all along, 15-minute increments, one minute to ask your question and the panellists have whatever time they require to answer the question. Once again, questions to be directed to the Chair. I would ask the two panellists, once a question is asked and before an answer is given, if you could raise your hand so I know who to identify, who is going to answer. Thank you.

Okay, off to the races.

The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Mr. Speaker.

Mr. Chee-Aloy and Mr. Yauch, welcome back to the House of Assembly.

Can you describe to me what your firm's role was in the 2024 MOU and what your role was in the current one?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, by way of formality, maybe you can just simply address me every time, and then if Mr. Yauch is going to speak, I can address him.

SPEAKER: Okay, that's fine. Thank you.

Mr. Chee-Aloy.

J. CHEE-ALOY: Thank you for the question.

We were engaged in early 2023, and our role was predominantly to do market assessments to value the energy from Churchill Falls and really to determine optionality that Hydro-Québec would have in terms of how they would fill their future supply needs as well as potential options for Newfoundland and Labrador in terms of, in the event they did not achieve an agreement with Hydro-Québec, what options did they have. We worked on valuing the supply, principally, for Churchill Falls, and that's what we mainly did for the 2024 MOU.

With respect to post-2024, we then worked with Newfoundland and Labrador Hydro predominantly on the Churchill Falls Power Purchase Agreement or PPA payment structure.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So is it fair to say that you've looked at both structures – would it be a fair statement to make that you understand the block pricing framework better than anyone in this Chamber?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, we did look at different structures. We do understand the block structure that was articulated in the MOU under Schedule F.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In plain terms, what has changed in the pricing of the Churchill Falls power between the 2024 MOU and the current one?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, the changes are that there is no more Schedule F. There are no blocks that would be used to price or reprice Churchill Falls power contractually on an annual basis and adjust that based on those blocks.

The main change has been a fixed price, under the new agreement, that will be adjusted per annum by way of an inflation index.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Was the block pricing structure in the 2024 MOU a finished agreement or a concept still to be negotiated?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as Ms. Williams had said yesterday, the MOU represented the principles to which the block structure would be negotiated. There was a lot of discussion in terms of what the blocks were. Those discussions were had

with Hydro-Québec, as I understood it, but the details in terms of the methodology and the formulas of how to set out the payment structure was still to be negotiated.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In January 2025, when you told the House that details of Schedule F were left for negotiation, would you say that that still held true when the MOU lapsed?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think the overarching point about the timeline of the MOU would apply to its entirety.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Putting the deal that we have now aside, what does a long-term power pricing structure have to do to work for a 50-year period?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, could I ask the minister to rephrase the question a little bit?

SPEAKER: Certainly.

The hon. the Minister of Energy and Mines.

L. PARROTT: What I'm asking is in his professional opinion, what does he feel a 50-year term for a pricing agreement would entail?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Based on my experience, having worked on lots of generation contracts around Canada, including hydroelectric generation contracts or power purchase agreements, as they're more commonly referred to in the industry, PPAs, most of those contracts are fixed prices with

some form of price escalator based on inflation per annum.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Would you agree that a contract over that term should be clear enough to administer and durable enough to survive any changes and should deliver fair value over the life of the term?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think any time that two parties enter into a power purchase agreement, there needs to be principles of fairness and if both parties can reach that goal or that principle, then it could be a sound contract.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Do you feel that the complexity of a pricing formula can carry a cost all on its own?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think that really depends on how you structure a contract or a power purchase agreement. I will say that if a power purchase agreement requires a lot of contract management and administration post-execution of a contract, there can be some costs incurred to do that.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So during the life of a 50-year term and a contract, does it not only matter when the money arrives, not just how much?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, all PPAs, I know, have some sort of annual payment. It's just this question of what does that

payment look like in terms of when the money arrives. It arrives every year.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So the IRC found that the block formula leaned heavily on Hydro-Québec's own regulated rates and its replacement energy cost, with little weight on a broader market. Is a replacement cost a market price?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, electricity markets are quite complicated and they're different per jurisdiction, so there are market prices for replacement costs, there are proxies for fixed costs recovery in different markets and there are markets that have a single price, where the price is expected to include all of those costs. So it really depends on what market or what jurisdiction you're looking at, in terms of how that question gets answered.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: We're looking at Quebec.

SPEAKER: That was a question?

L. PARROTT: Yes.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Well Mr. Speaker, not to sound this way, but it also depends on how you define a market, but if we think about Quebec in terms of what does that electricity system look like in terms of price signals and markers in terms of value for supply, there is a price that's paid to most customers that's predicated in Quebec statute.

There are prices that are produced by Hydro-Québec's distribution supply plans as they file them with their regulator, and some

of those prices indicate contract prices for assets like hydroelectric generation, wind generation. There are prices that get reported by way of average prices that drive revenues on export markets to which Hydro-Québec is doing transactions. So there's a basket of prices in Quebec that start to provide information in terms of the value of supply.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So under the old MOU, the PPA block pricing probably would have required intensive management and, not only that, it still hadn't been worked out.

What would be your prediction of the cost and the work associated with that?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, a lot of that really would have depended on how those blocks, and the structure of the payments would have been negotiated. Certainly there are more variables to be considered.

As I had appeared before this House in January 2025, we discussed wholesale market pricing, we discussed replacement costs, we discussed the price that Hydro-Québec receives for supplying its own load. So all of those sorts of prices would drive the negotiation in terms of how to determine those blocks, when those blocks would kick in, when they would expire, the weighting of those blocks and those were just simply to be negotiated.

Depending on other contract terms, whether there were reopeners in the contract to adjust the price outside of the per annum adjustments that were contemplated under the old MOU, those could very well bring on administration post-contract management. In essence, what I am saying is, it really depends on how you negotiate what the pricing structure looks like whether there would be additional administrative

requirements or other costs post-contract execution.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In the old MOU, under Schedule F, who set the rates that most the formula depended on?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, at the time of valuing the Churchill Falls supply to Quebec, I don't remember exact shares but there was a share that was priced off the Hydro-Québec price that they received for supply for most of Quebec's load, which is called, basically, the patrimonial supply. Then there were elements of other blocks, like wholesale markets, to which we had to do forecasts, and then there was a waiting, along with replacement costs.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: A part of that pricing came from – and you will have to forgive my French – Régie de l'énergie in Quebec, which is Quebec's own regulatory board, correct?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as I understand it, for the patrimonial supply, which is something like just over three cents a kilowatt hour, I believe that is in Quebec's statute. I don't believe the Régie opines and determines that price.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In the previous question, you mentioned that it would have had to been negotiated with more variables to be applied or contemplated. So after the previous debate in the House, were there any

discussions about how those variables would be applied in definitive agreements?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, there was a lot of work done after that.

Mr. Yauch and I had appeared before the House in early January 2025. Roughly, starting in the spring of 2025, early spring, we were asked to do lots of work to come up with different ways to structure the payments as contemplated under Schedule F in combination with Schedule G from the old MOU. We did work with Newfoundland and Labrador Hydro on that for months, basically the spring and summer of 2025.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: In Schedule G it paid \$2 billion in 2041 and it rose to \$8.4 billion by 2075, can you explain what that number does to the shape of the value for the entire deal?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, in terms of the schedule of payments as laid out in Schedule G of the former MOU, our firm, therefore myself, did not have any input into those numbers. We were not involved in calculating those numbers. We don't really know exactly what drove that schedule. So that's my first point.

The second point is, as I said in January 2025 and I'm establishing this afternoon, we did work on the Schedule F, the so-called blocks. The idea of the blocks was to adjust the price on an annual basis to try to approximate fair value for the Churchill Falls supply. The challenge was when we were working on how to structure the blocks in terms of the different size of the blocks, timing of the blocks, price of the blocks and how to work that altogether and transform that into a logical way where it can reflect

the schedule of payments from Schedule G. That proved to be extremely challenging.

SPEAKER: Okay, the minister's time is up.

The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

On behalf of the Official Opposition, we would like to welcome Power Advisory. Thank you very much for being here today. Thank you for your service in the former MOU and the current DCIA. Thank you very much.

I'd like to start with, I guess, a specific question. In terms of the current, new DCIA, if electricity becomes significantly more valuable, let's say in 20 years, who gets the upside, is it Quebec or Newfoundland Hydro?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, it really depends on where prices go. In terms of upside, it depends on which party has the ability to receive that upside.

Now, I will say, and this is just my experience again, when you're negotiating a power purchase agreement or you're, more importantly, the supplier of the electricity within a power purchase agreement – as I've established before, most power purchase agreements are a fixed price escalated per year by inflation – you take a view of the future and you ask yourself, okay, where do I think prices are going, prices that I can actually realize, and then you make a valued judgment in terms of what the contract would be offering as revenues; because, at the end of the day, as the supplier, you're just looking for revenue certainty, and of course you want the most upside. You're making a judgment between the prices that you can actually receive if you did not have that power purchase agreement and prices that you

would receive under that power purchase agreement.

If the prices in that power purchase agreement are on balance better than what you could receive not having that power purchase agreement, then I would say the upside is with the power purchase agreement, and the same is vice versa.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you very much. Thank you for that answer.

I note that, in 2025, Power Advisory, you said, “We recommended the framework as embodied in Schedule F.” We’ve heard from the CEO of NL Hydro, Speaker, that Schedule F is for fairness. I heard her say that so many times. I guess I would ask Power Advisory, do you believe Schedule F is for fairness?

I believe you both mentioned Schedule F 45 times during your 2025 appearance here in the House. Do you believe the current DCIA embodies the spirit Schedule F for fairness as per, let’s say, the public’s expectation of fairness?

Thank you.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, the new agreement, I believe, is fair.

So to answer the bulk of the question, related to why in January 2025 I was focused on Schedule F so much, and kind of related to the change that we are talking about today, it was so important based on knowing the contract terms and conditions, the payment structure or lack thereof in the original 1969 power purchase agreement.

One of the big goals initially negotiating what became the 2024 MOU was to make sure that there was protection and that

prices would be adjusted to create more fairness. I still stand by Schedule F, in and of itself, as a mechanism, contractually. Yes, to be negotiated would have done that.

I think what has happened now is – and I’m sure we’ll get questions on the IRC, their recommendations, Mr. Perry, Ms. Williams and – sorry, I’m just blanking on Jerome’s last name.

J. KENNEDY: Kennedy.

J. CHEE-ALOY: Based on their testimony, there were, I think, logical reasons why there was a move away from, as I said a couple of minutes ago, the challenges of reconciling the mechanism under Schedule F to the schedule of payments in Schedule G, landing on a fixed price to be escalated per annum by inflation with additional enhancements to the overall agreement that still provides Newfoundland and Labrador Hydro with market pricing through optionality.

I apologize to Mr. Kennedy.

SPEAKER: The hon. the Member for Mount Scio

S. STOODLEY: Thank you very much.

I’m wondering if Power Advisory can please confirm that the new agreement does not have direct electricity market-based pricing for the power that is sold from Churchill Falls to Hydro-Québec in accordance with Annex F?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as I just had said, I believe that the new agreement does have access to market pricing.

In, I think it’s Schedule B – I don’t remember the annex number – there’s optionality for Newfoundland and Labrador Hydro to elect a certain amount of megawatts, and they would receive the same pricing as Hydro-

Québec for New England, another option for New York, another option is called the synthetic price, which is a combination of New England, New York and Ontario. There's an optionality to sell more power, 95 per cent of the contract price at the time. There's optionality in terms of the premium tranche, which is 150 per cent of the contract price. A lot of that is market-based pricing.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

We know that the optionality is either use the electricity in Labrador or get value from it. Assuming that the extra electricity is being used in Labrador, which I know we all hope is the case, if all of that extra electricity is being used and we have not chosen the optionality, we have not chosen to sell it, is there any market based pricing for the other components?

Thank you.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think the agreement is pretty clear in the sense that, if I relate it back to the MOU, there are more megawatts at play in terms of what NLH can recall. There is more optionality with what they can do with it. I think overall those are good things. Those are enhancements to the agreement.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

I am wondering if Power Advisory can confirm that this DCIA has removed the direct reference to replacement value?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, there isn't an explicit block that is going to try to proxy what the replacement cost is if Quebec had to build a new generation project at a certain price, that is true, but I think it's really important and it's really our opinion that the MOU in terms of establishing value for the Churchill Falls supply – to which, as I said, we had helped do that – to value that supply, we had to do our own analysis – it was led by my colleague, Mr. Yauch – in terms of what Hydro-Québec may do in terms of optionality to meet their own supply needs, which incorporates replacement cost principles. So in getting that net present value number, as we had talked about in January 2025, of \$33.8 billion, replacement cost is baked in that.

Now, fast-forward to today, with the agreement, our view is, and it is written in a couple different places in the IRC report, that there is value in the Churchill Falls supply in what I believe is it served as a foundation and as a springboard that wasn't discarded with the new negotiating team. It was still that value that had replacement costs built in. The change was, how do you amend and adjust the contract price over the course of the contract term and, as I said, replacement cost in that block is no longer there, but you do have a price and it is escalating by inflation.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

I'm wondering if Power Advisory could please inform the House if Quebec invests millions or billions of dollars into new electricity infrastructure, how will that impact the price?

I believe it will not directly impact the price but I'm wondering if Power Advisory could confirm that, please.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, it is correct that depending on whatever Quebec decides in terms of what is the next generation project they build, it is not directly impacting the price.

However, as I had said with one of my previous answers this afternoon, I believe like most power purchase agreements, as I said, as a supplier of the electricity, there needs to be a judgment in terms of the contract price that they would receive with whatever escalation provisions per year in that contract, are they comfortable with that price relative to the prices that they can receive if they didn't have the contract?

When I look at the schedule of payments under appendix D in the agreement and I look at the inflation indexation and the formula that was created, I think 11 cents a kilowatt hour in 2041 is a good price. As it escalates towards 20 cents, around 2060, is a very good price.

I'm saying this as someone that typically helps developers build projects, help these generators renegotiate their contracts. We've looked at comparable contracts across the country, we've looked at comparable prices that hydroelectric generation receives across that country, and the prices that I've just described, by way of the escalation, in my opinion, are very good prices.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

I do want to say on the record that it is challenging to get all your questions in, in two 15-minute blocks as a Member on the floor. This might be my last question; we'll see.

Speaker, yesterday we heard the lead negotiator indicate very clearly that they believe that this is Newfoundland and Labrador's last chance at Gull Island. They

indicated that Quebec will likely not talk to us again about development of Gull Island if we do not sign this now.

I'm wondering if Power Advisory agrees that this is our last chance to develop Gull Island.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I don't know if it's the last chance, but I know this much, as I had said in January 2025, what I see are two motivated parties. What I notice now, today, especially since Prime Minister Carney was elected March last year, then the creation of the Major Project Office in August of last year; the implementation of a National Electricity Strategy and the federal government agreeing with Newfoundland and Labrador and Quebec, things like loan guarantees, investment tax credits and equity; between the MOU being executed in 2024 in December to now, these are even better conditions combined with two motivated parties.

It is my strong opinion that the time is quite perfect to execute such a deal and get on with negotiating the definitive agreements so we can put shovels in the ground and eventually receive the benefits of all that supply.

SPEAKER: The hon. the Member for Mount Scio.

S. STOODLEY: Thank you, Speaker.

I know the DCIA has a new component of wind energy in it, and it involves a feasibility study. I know Power Advisory are very involved in wind. I believe – please correct me – Power Advisory are managing Nova Scotia's wind process for offshore wind in Nova Scotia.

I guess I'm wondering if you can comment on the likelihood you believe that the wind project going from feasibility study as outlined in the DCIA to realization in terms

of the power that's outlined – I believe it's 400 megawatts – what the likelihood of that is, and whether or not Power Advisory have any conflicts in that wind element, and what does Power Advisory do to ensure it will resolve those conflicts?

Thank you.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I'll unpack that.

The first thing is, it is our opinion, based on lots of work that we do with wind developers, these independent power producers, that there is an outstanding wind resource in Labrador. We believe that it makes good economic sense to develop 2,000 megawatts of wind in Labrador and build the associated transmission to the load customers in Labrador as well as Quebec. We know this because, as I said earlier, we work a lot with wind IPPs with their project development.

Just by way of a clarification, we are acting for the Government of Nova Scotia, but not with respect to offshore wind procurement, in terms of administering a procurement process. We are acting for the Government of Nova Scotia in administering an onshore wind process. We have been designing the RFP, the request for proposal, the PPA and the procurement is live and up and running.

In terms of the conflict question, we provide advice to a lot of IPPs in a lot of different markets; we don't have a specific mandate when it comes to the actual Labrador project because the Labrador project is just getting under way. Newfoundland and Labrador Hydro has to lead studies; there has to be a lot of things that have to be done before any of the procurements actually get going and the actual contracting.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you, Mr. Speaker.

Mr. Chee-Aloy, Annex D of the new agreement sets out a dollar figure for every year from 2027 to 2077. What does that change compared with the formula?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I'll let Mr. Yauch answer this. I'll take a break.

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, the Annex D lays out the payment structure for all the energy supplied under the CF PPA. It's slightly different than the Schedule F in the former MOU. On an NPV basis – net present value – as you sit here today, they are generally the same value. The shape of those payments have just been changed under the Annex D compared to the 2024 MOU.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So under the previous MOU, the payment in 2041 was \$2 billion. Under this agreement, it's \$2.8 billion. Can you just explain what the smoothing of the schedule did for the province?

SPEAKER: Mr. Yauch.

B. YAUCH: Under the 2024 MOU, the payment structure that was laid out in Schedule F started very low but then increased substantially as the CF PPA progressed through time. By smoothing, which is what you referred to in Annex D, you see that line has just essentially been smoothed a little bit, so that means that the province, or CF(L)Co, will receive more payments in the short to medium term than under the long term.

So it basically takes some of the payments that we had at the back end of the deal and moves them to front or medium term of the deal.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: There has been, obviously, lots of questions and all kinds of opinions on escalation, and I guess the bigger question is that there are critics out there who say there's not enough escalation in the Churchill Falls contract, what would your opinion be on that?

SPEAKER: Mr. Chee-Aloy.

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

As I said earlier this afternoon, we are active all over the country. As I established with one answer, we sometimes administer procurements.

We would be opining on what the escalator would be in the power purchase agreement for the Nova Scotia Green Choice Program, because we're running the procurement, we're designing those documents. We've also, as I said earlier, been on the other side where we're helping developers build their projects. Therefore, at times, we are helping them participate in these competitions or solicitations, for example, requests for proposals or RFPs. As I said before, and I also said it in January, power purchase agreements and their prices are commonly escalated by inflation.

Now, to unpack this more, what we typically see is CPI, and it's adjusted down by some per cent. It's not 100 per cent of the CPI. I've seen that but it's really rare. So I see some form of CPI percentage and then that is what's applied on a compounded basis to adjust the prices upwards.

I had said earlier that I believe the 11 cents, if you put a pin in 2041 when the old Churchill Falls PPA would expire, is a good price. Without getting into the bands – we can if you want – if we take the 2.6 per cent and you escalate that, when we look at what inflation is in general, when we look at what other power purchase agreements have by

way of a percentage of CPI index, 2.6 per cent is a pretty good number; therefore, bringing the price to 20 cents a kilowatt hour around 2060 is a very good number.

Back to the point, the supplier valuing what that price is over time, comparing it to the prices it can receive, 20 cents a kilowatt hour is higher than any forecast that I have seen for spot market prices in Ontario, New York or New England going out that far.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Can you explain the inflation adjustment in Annex F and provide some commentary as to whether or not it gives any protection to the province?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I used to calculate this stuff younger in my career, but I'll let Mr. Yauch do that because he's our calculator.

SPEAKER: Okay.

Mr. Yauch.

B. YAUCH: Mr. Speaker, the payment structure that you see in Annex D increases by a certain percentage up until 2041, and then beyond 2041, the base payment structure increases by 2.6 per cent.

In addition to that, you have the inflation mechanism that was mentioned. What that does is, if inflation is outside of the expectations we have today – give or take 2 per cent with a sort of buffer around that – if inflation exceeds that, then the base payment structure will increase to compensate NL Hydro for that increase. The intention was, given the long-term nature of this contract, that we don't know what inflation is actually going to be over 51 years. If inflation expectations are materially different than we expect sitting here today,

then the contract will account for that in the payment mechanism.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: The premium tranche – can you just give us your opinion on the premium tranche and what it supplies that the previous MOU didn't?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as I said, it provides more optionality to sell Churchill Falls electricity at prices higher than the Churchill Falls price.

I'll let Mr. Yauch also opine on more details with respect to the premium tranche.

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, the premium tranche is when NL Hydro or CF(L)Co recalls power to use internally. If they don't need it to serve domestic load, they can sell the power back to Quebec but do so at a premium.

The premium is based on the CF PPA. As we've talked about in Annex D, the CF PPA price increases quite substantially when you get to the back end of the deal, beyond 2041. So, in those years, if domestic load doesn't materialize to the extent that they think today, they can push the power back to HQ but do so at a 150 per cent premium to the base PPA price.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Just so we're clear, if we needed to recall that power and we gave the three years notice, just say, for example, we knew a mine was coming online or a new customer, what happens to the pricing?

SPEAKER: Mr. Yauch.

B. YAUCH: Given the three-year window that's part of the deal, you tell Hydro-Québec three years from now we have a mine coming online. If you were selling that block to Hydro-Québec at the 150 per cent premium, you'd then recall it for your domestic needs and you pay the PPA price that's laid out in Annex D, and then you use it for domestic needs. It comes back to you but not at the premium price.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Does that sound like a good deal to you?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I believe it is a good deal.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: in January, your firm told the House that Schedule F would pick up the export prices. Is being paid a price that moves with the market the same thing as being able to sell into it?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, it is the same thing in the sense of receiving the same price as Hydro-Québec has contemplated on the agreement.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Can you give me a little, brief overview of your interpretation of what the 985 megawatt transmission and market pricing portfolio is, and what it means for the province?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think the Minister of Energy is referring to the

optionality in adding up those megawatts, in terms of receiving a price.

Essentially, that would mean that Newfoundland and Labrador Hydro, they don't need to reserve the transmission through Quebec. They basically have to make that call three years in advance, declare the supply totals that they want to exercise by way of the contract and then receive the appropriate pricing as declared by them in under the contract, again whether it's New England pricing, New York pricing, the synthetic price of the blend with those two in Ontario or others.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Under the previous MOU, could Newfoundland and Labrador sell a megawatt hour of power to anyone else other than Hydro-Québec?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, there was less optionality in terms of recall. There was no optionality in terms of receiving a direct price. It was all predicated on negotiating the blocks within Schedule F.

I would also offer up that – and I stand by everything I said in January 2025 – I mean, it was meant to be a hedge in the sense of ensuring fairness and the supply from Churchill Falls would receive price adjustments in accordance with the value of the energy. So the negotiations had to happen regarding how much of the export pricing block versus how much of the replacement cost block, what prices apply to those blocks, as well as pricing and the size of the block for Quebec's use based on their own supply needs.

It was meant to be a complete hedge that way and I still believe that the concept, as I said in January 2025, was good, but I also said it was novel and I said it wasn't typical. I also said that there was hard work to be

done and we still needed to negotiate those things.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Just so the House understands – because there's confusion about all of our portfolio of transmission, I guess, is the best way to put it – can you explain to the House how the synthetic export price is set?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Speaker, the synthetic price is, again, a declaration three years prior of a certain amount of megawatts to say we're going to sell this at – and the contract stipulates one-third Ontario, one-third New York, one-third New England, based on prices at that time that Quebec actually realizes.

Mr. Yauch, I'll let you conclude that.

SPEAKER: Mr. Yauch.

B. YAUCH: Speaker, the synthetic block, as my colleague said, it's one-third of these markets. These are markets that Hydro-Québec has access to and exports energy into. The idea behind the synthetic block is that without having to book transmission or other physical constraints, you can have access to the pricing in those markets for supply from the facility.

Now, I will say the 985 megawatts also includes some long-term contracts that Hydro-Québec has, and so you also get those export pricing through those blocks as well.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Energy referenced in Annex H, annual averages, does that mean that our province sees nothing for any winter price hikes?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: I'll let Mr. Yauch answer that.

SPEAKER: Mr. Yauch.

B. YAUCH: Speaker, so for the synthetic block, you get the annual average price. That will include the winter price spikes if they appear. Now, you do also have another block of 265 megawatts with firm transmission capacity. That's one of the options that NLH can use to export energy, so it can export energy on that tie that it has access to for the entire length of the contract.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So obviously, over a 50-year period, these prices changes. What happens if one of these price references changes or stops existing?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Speaker, as far as I've read in the agreement – and we weren't in the negotiating room, as I already explained what our role was – my interpretation of the agreement is if for whatever reason those prices on the export market don't exist, then a replacement price is to be negotiated.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I guess, just for clarification, from your involvement in the 2024 MOU to your involvement here in the DCIA, can you just at a high-level explain the benefits and what you see as the upside of the current agreement versus the old one?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I'm going to take some time here because I think this is so important.

As I said earlier, I think there was all very well-founded intentions with all of the lessons learned with the existing Churchill Falls contract to ensure that any new contract there would be fairness in terms of valuing the supply from Churchill Falls, in terms of the contractual payments.

To add a little bit more colour to things I was saying earlier today, as well as January 2025, Hydro-Québec is so good at what they do. They export a lot of power, short-term sales on their spot markets to multiple markets, not just the interconnected ones of Ontario, New England and New York. They also have long-term sales through long-term contracts and, as we've been talking about this afternoon, things can change in those markets.

What we tried to do – and this is what Ms. Williams was referring to yesterday, which I agree with and I agreed with it in January '25. I still agree with it in principle that if you can amend prices and have them adjusted and be able to receive that upside, whether you're getting upside from wholesale markets or you're getting upside from the price of replacing supply and building new supply in Quebec, all of those things were embodied in Schedule F.

As I've also said, after January 2025, when our firm went to work on this with Newfoundland and Labrador Hydro, to really get to the details now, the real heavy lifting to take those concepts and those principles and put them actually into practice, it's one thing to determine what those blocks look like, the size of those blocks, as I said, the timing to which they come in, the timing to which they terminate, the price of these things and come up with something like that, it proved to be very complicated to reconcile that objective with the schedule of payments.

As I said earlier, our firm, that was not our mandate. We don't know how the schedule of payments were developed, but we did

know that they have to contort to each other.

Now, I'll offer this up. I obviously knew that in January 2025, but I also have seen really complicated contracts. I wouldn't advise against having a very complicated contract, but contractually lots of things can be done. I think, as a practical matter, it just proved to be very difficult.

So now you have the IRC that basically said the same thing. We weren't at the negotiating table this time around with the new negotiating team and Hydro-Québec, but one thing I haven't said – and I'll introduce it now – as I said, we were still involved with pricing Churchill Falls supply and the framework. We'd be asked to provide advice on certain aspects that were being proposed, either by Newfoundland and Labrador Hydro or Hydro-Québec this past summer of 2026. We can see it ourselves; it was getting really hard to reconcile the two.

Then the two parties agreed that, okay, we're going to go back to what I would believe is a more – and I've stated – traditional way of pricing electricity supply under a power purchase agreement, a fixed price and escalate that with inflation. I've established earlier today that I believe that framework is providing good prices and I use two prices: 11 cents a kilowatt hour in 2041, escalating to 20 cents a kilowatt hour or so roughly around 2060. When I compare those prices to comparable contracts or regulated rates around the country, those prices are very good.

I believe – again, we didn't opine on this; we weren't in the negotiating room – what happened then was the NHL side looked at that and said yeah, that makes a lot of sense; there's a lot of value there. Then, on top of that, they were successful in negotiating enhancements. Those are the megawatts that they have the optionality to sell to Hydro-Québec, predicated on their selection of New England Prices, New York

prices, Ontario prices within the mix of the synthetic price, as well as the premium tranche.

Overall, I think it's a good deal.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

I'm not so much interested in saying which deal is better, but I just need to clarify something with regard to Annex D and Schedule G. If I do the quick math, there seems to be more money in the Schedule G than there does in Annex D, if I look at it in terms of the billions, if I add up the payments.

I'm just trying to reconcile that in regard to whether it is to do with the smoothing, the way the payments are structured and so on and so forth, but there seems to be more money in the 2024 deal than in the current one.

SPEAKER: Mr. Yauch.

MR. YAUCH: Thank you, Mr. Speaker.

In nominal dollars, that's just the dollars of the day as we move through inflation, Schedule G would have been higher because it had more dollars at the back end of the contract when there had been higher inflation.

On an NPV basis, the net present value, you take all the future payments over the next 51 years and you put them in today's dollars, they're the same. It's just because you're getting paid – a dollar today is worth more than a dollar two days from now. That's basically what you're seeing between the two different contracts.

SPEAKER: The hon. the Leader of the Third Party.

Please address the Chair.

J. DINN: Perfect, thank you. Yes.

How common are purchase agreements like Schedule F in the original MOU? We heard testimony yesterday that it is very difficult to reach agreements on pricing schemes that bundle different market prices like in Schedule F.

So from the experts with experience, are such bundle pricing formulas very complex and difficult to reach agreement on, and are there such agreements?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as I've said, that type of framework where prices would be adjusted based on different blocks of different ways to sell power or value power, and I said it in January 2025, it is very unique. I've re-established again what the driver was and why I believe that was a good driver.

As I said earlier, I believe there is a way to calculate all of that in Schedule F. I never thought that was an issue that was going to be difficult. The difficulty was reconciling it with the schedule of payments in Schedule G. That's what proved to be ultimately challenging; not Schedule F in and of itself, not the blocks in and of itself.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Speaker, is it possible to have a CPI model in the agreed upon pricing that still allows for us to capture at least a portion of market pricing?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as the way it's being negotiated and agreed to, the CPI is what it is. It is referenced, and it's down to the T of where to actually go get the information. There are formulas that adjust it based on how CPI changes year over year

and how the plus or minus 40 basis is incorporated in that. So directly it's not.

I'll say this, I can't comment because I don't know if the negotiating team had tried to negotiate anything else in terms of a market index or anything like that. So I'm commenting on what I see before me in the agreement.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

Does the deadband in this new agreement sufficiently protect the value of the payments we, Newfoundland and Labrador, receive if there are several years of higher than anticipated inflation?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, based on my experience and looking at various PPAs, I think the structure of the bands and CPI is very reasonable. On balance, like I said earlier, I've seen PPA prices adjusted per annum as a percentage of CPI. I've seen it as high as 100, as I said, but that's very rare. I've seen it 60 per cent. I've seen it as low as 30 per cent of CPI.

So I think, given where the bands are, the initial inflation of 2.06 then 2.6, post-2041, are reasonable proxies of what you would expect looking long term at the contract and inflation over time.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

The 50-year term of this is a substantial commitment which has received near-universal opposition and Mr. Perry has stated that reopening pricing and deal structure throughout the life of an agreement like this is not typical. Critics of

this deal have cited examples to the contrary.

BC Hydro has regulatory rate reviews with independent power producers. Iceland's national power company redetermines power price with industrial customers every 10 years. The United Kingdom's Low Carbon Contracts Company implements a five-year strategic review of pricing.

My question to our experts is, can they explain why other jurisdictions can install renegotiation mechanisms into the long-term agreements, but we cannot?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as a practical matter, as I kind of said earlier with the Schedule F, despite how difficult it is and reconciled with Schedule G, I mean, you can still try to negotiate that and you can probably still come up with something, and whether that made sense, that's a whole other story. Clearly, that's not the path that the negotiating team went down.

I give that preamble because negotiating reopeners is really up to the two negotiating teams that could do that. I've seen contracts where reopeners are negotiated, reopeners not just for adjusting price, but reopeners with respect to other terms and conditions within PPAs.

I think it's important to add at this point, Churchill Falls being a large, utility-scale, transmission-connected hydroelectric facility, most facilities that are comparable that way across the country are rate regulated and their price is adjusted more frequently, for example, every five years.

I said this in January 2025; I'm saying this again. When you look at the comparators that I think make a lot of sense, in Ontario, Ontario Power Generation's hydroelectric facilities that are rate regulated, the price they are receiving right now is under five cents. In looking at Manitoba Hydro's

hydroelectric facilities, the regulated price they're receiving right now is under four cents. When I look at New York and the New York Power Authority's regulated hydroelectric generators, when I take the exchange rate today, they're receiving under 2.5 cents.

So I think that, again, it gives me evidence, as someone that has worked in the field for over 25 year, that this is a good deal, but I'll offer this point, and this is what kind of put me over the top. You can say, Jason, those are rate-regulated generators and we don't know where the rates are going by way of a regulator deciding these things 20 years from now. So I look at contracts; I look at power purchase agreements that have been executed with hydroelectric generators that have been operating for decades, and the best contract I can find in this country is the Ontario IESO Northern Hydro Program contract.

I keep going back to 2041 – and this is to give the House an example of why the inflation index matters and how it can be good. In Ontario, in that contract, it escalated per annum 60 per cent of CPI. In 2041, the price under that contract is 11 cents a kilowatt hour.

There is a better inflation escalation in the agreement in Newfoundland and Labrador right now. When you compare the two contracts as contemplated under the agreement in Newfoundland and Labrador compared to the Ontario IESO Northern Hydro Program, post-2041, that's a higher price for Churchill Falls supply compared to Ontario-based generators under those contracts solely because of the better inflation index applied to adjust the price upwards per year.

SPEAKER: The Leader of the Third Party

J. DINN: (Inaudible.)

SPEAKER: Oh, you're done? Okay.

The hon. the Minister of Energy and Mines.

L. PARROTT: So if we take all of this together, the fixed schedule, the smoothing of payments, the inflation mechanism, the premium tranche and the export references, is this a more durable pricing structure than what we had seen in the previous 2024 MOU?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think it provides a nice balance of it's good to have certainty, and that's certainly what the fixed prices escalated by CPI with the bands provides, but it's also good to have optionality.

As we've been speaking to, the optionality of Newfoundland and Labrador Hydro being able to sell megawatts at prevailing market prices realized by Hydro-Québec, it really provides a nice blend. That's why I believe it's a good deal.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So the word optionality, you've used it several times. Just so, certainly, the people at home that are watching this can understand, can you, I guess in laymen's terms, explain to them what optionality means for the Province of Newfoundland and Labrador and this contract?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Yes, Mr. Speaker.

I don't see the same optionality in other PPAs. In other words, you have a supplier, you have a buyer and the buyer is basically taking all the electricity supplied by way of the contract terms from the supplier. What's been achieved at this point with the DCIA is Newfoundland and Labrador Hydro has optionality two ways. As has been discussed in other sessions in this Chamber

since yesterday, there's optionality of Newfoundland and Labrador Hydro to use some of the supply, which is more than what was contemplated under the previous MOU, for its own domestic need.

I agree with everything that has been said in the event that there is a mining investment that is increasing the demand for electricity, being able to use the electricity under the DCIA as contemplated to provide electricity for that critical load.

I am linking this also to the opportune time we are in right now, because, obviously, the federal government is not just looking at investing in electricity or energy infrastructure projects; they are looking at investing in a whole host of industrial projects for all kinds of reasons. I believe all of that is very, very real, given the circumstances our country faces right now.

There is also optionality, as I said earlier, in terms of, three years prior to calling that option, Newfoundland and Labrador Hydro, arguably, will have a view on the value of supply, and they are going to then have the option to exercise being able to receive a price, otherwise that they would not have received, in some of these other markets as they see fit. I have mentioned the markets, again, as New England, New York and Ontario.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: From you experience, would it be safe to say, if the province were exercising its optionality and either recalling the energy or deciding to sell it, with very little effort, they would have a window to three years out, i.e., a mine closing down or a mine coming online?

This isn't the simple matter of someone moving out of a house or a town getting a little bit smaller, this is large-ticket energy usage and we could use this to our advantage pretty much all the time.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think the optionality, as I just described it, is an extraordinary benefit.

I am now going to provide an anecdote to my home province in Ontario. I am based in Toronto. The Ontario government has been very, very clear about wanting to attract a lot of different industry. Arguably, Ontario, relative to most other provinces, is really under threat given the policies of the present-day Trump administration.

There are lots of loads that want to connect in Ontario, and there just isn't enough supply or there's no certainty. I do believe that is partially because Ontario has made the decision that they are going to build new nuclear. I am not saying that is good; I am not saying that is bad. The fact is it takes a long time to build it. The second thing is, they have a vehicle in the Ontario IESO to procure supply, to recontract supply – people at home, if they're watching, they're going to laugh because I'm saying it all the way in Newfoundland and Labrador – they're not moving fast enough and they're not planning the system effectively to accommodate those loads.

If you have a vehicle in Newfoundland and Labrador to better ensure that new supply will be built, additional supply will be built, and then you know that you have the ability to use some of that supply to help incentivize and secure new investment, for example, mining, I think that's a very beneficial option.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: To your knowledge, before this agreement, how much export access did the province have?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, we've established that it was still 265 megawatts of transmission reservation that Newfoundland and Labrador Hydro has. That's what they had before. That's what they have now, but they have the optionality of – I haven't added it up – I think the number was 900-some-odd megawatts of access to wholesale market pricing.

Mr. Yauch?

SPEAKER: Mr. Yauch.

B. YAUCH: In the previous MOU, you had access to the 265 megawatts that NL Hydro has today. That is continued in the current DCIA, but the optionality of the additional megawatts that you have access to, that was not in the MOU that you have today.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: The number is 985 megawatts. It's an additional 720 megawatts.

What do you think it would cost for us to build our own power lines to get to those markets that we're talking about instead of wheeling it through Quebec's power lines?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I don't have the exact price, but I do believe the ranges of \$20 billion to \$30 billion that were discussed by Mr. Perry, Ms. Williams and Mr. Kennedy are accurate.

We work with transmission developers. We know what it takes to permit transmission. We know what it takes to cite it and route it. We know what it takes to effectively and properly stakeholder, not just with First Nation bands, but also local communities and other stakeholders. It would take a lot of money and it would take a lot of time.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: One of the other export models we have is synthetic. The synthetic export price is paid net of transmission charges. What does net mean in practice?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, net means that it incorporates the transmission costs in the price. If the price is \$40 and transmission is \$5, you would get \$35 netted transmission costs. It includes some portion of transmission costs in that synthetic price.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Who would keep the clean energy credits on the synthetic export volumes?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: I only know this by my read of the agreement, but all of the environmental attributes associated with any of those transactions are retained by Newfoundland and Labrador Hydro.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: On the Champlain Hudson and the NECEC volumes we receive the same price as Hydro-Québec. Can you explain how that be verified?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: I'll let Mr. Yauch take this.

SPEAKER: Okay, Mr. Yauch.

B. YAUCH: Mr. Speaker, both Champlain Hudson, commonly referred to as CHPE, or NECEC, they are both public contracts, so the public price that Hydro-Québec is paid for that power is available. It's publicly

available for one of those lines for New York in particular. It does not include the transmission costs, so that would be netted off the public price, but generally what HQ is paid for both of those two projects is publicly available and can be verified.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Just going back to something I asked you a few minutes ago, the changing out of our pricing options, from one option to another takes a three-year period where we give notice that we're either going to utilize or take back.

I guess you've kind of touched on what it means from a mining standpoint in optionality, but just in practical terms, can you just again say how important that is to this contract?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, it allows NLH more planning tools and more flexibility. I think it's pretty clear that electricity is such an important part of our lives and the economy. I believe that we're going to continue to electrify over the course of time, so I see this with a lot of utilities and electricity planners. They're all looking for if they had more optionality, if they had more flexibility.

Because building power plants and building transmission lines, it takes a long time. What I find often, dealing with clients, is the world changes, whether economic or otherwise, and then ideally they need to adjust, that's the electric utility, but they don't have some of the tools to help them adjust.

In baking in this optionality in these power purchase agreements and knowing that there is a call that I could recall X amount of megawatts three years in advance to have it going forward, I know that in planning my system. I know that not just in maintaining

reliability but in meeting other objectives: economic development, social objectives, things like that. Frankly, I don't see this type of optionality elsewhere. I really don't.

You often see planners. They are tasked with doing these long-term plans and sometimes they're tasked with filing these long-term plans with their regulator. I understand that governance, but when I step back and look at it, the timing never works. You take two years to do a plan and then you file it with the regulator. Then you have another year of proceeding and then you have a decision. The plan now is three years old. And I think economies are changing fast. I think technology is changing fast. I find a lot of electricity utilities are then behind.

I see what's happening right now. Five years ago or so, before COVID, there are a lot of utilities projecting that they would have too much supply. And then that got exacerbated by COVID because of less electricity demand. And then because of the lack of investment, a lot of jurisdictions are short supply right now. Having the ability to recall power if you are short or you need it is a very valuable thing, and I think it's increasingly valuable going forward.

SPEAKER: The hon. the Minister of Mines and Energy.

L. PARROTT: Mr. Chee-Aloy, your firm, obviously, looks at this stuff from a national and most likely a global lens, but how do you think what we're doing here fits in with the federal government's electricity strategy?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Speaker, I think it's extremely important, because from my observations – and we've been involved in some of this around the country – the federal government is very big on electricity infrastructure, and we see that embodied in the national electricity strategy.

For all kind of historic reasons – I'm not saying these were bad – the fact is that most of our transmission connections, at least in terms of size, in terms of the ability to transport large volumes of electricity, are mostly north-south, Canada to the US. What Churchill Falls, its upgrade, the development of Gull Island, the development of 2,000 megawatts of wind, it is not all being consumed in Labrador, obviously. It is to move the energy elsewhere.

Frankly, it is going to get moved beyond Quebec. Some of that will end up in Ontario. I believe that there are a lot of things happening that are critical for the government strategy. I have argued over the last year and a half, across the country, Atlantic Canada is the start of all of that. In many ways, this agreement is the start of all of that.

I said this before in January 2025; we act for entities all across the country. In my personal practice, I'm typically acting for executives in the sector, boards of directors, regulators, governments, and everybody outside of Newfoundland and Labrador is dumbfounded by, oh my god, how can this deal happen, it's so great. It is a lot of megawatts. I've said it before and I'll say it again. Traditionally, it was always hard to deal with Quebec. I am not saying that negatively. I've said before, Hydro-Québec are really good at what they do and part of it is that they are shrewd negotiators.

I see this as a win-win. I'm looking at the whole region and Nova Scotia creating a system operator, months ago PEI, New Brunswick and Nova Scotia signing a joint MOU to basically explore a Maritime system operator that will do long-term planning for that part of Atlantic Canada that may eventually jointly procure generation and transmission.

It is all about better connecting this part of the country and then eventually the country, where we all win. I think that this

agreement, in terms of its vastness, and the fact that two provinces, two utilities that have had their challenges were able to get this over the finish line, and there is still hard work to do by negotiating the definitive agreements in terms of power purchase agreements. I do think that is going to happen, though, and I do think that we're living in a moment, and I do believe that it is very important, not just for maintaining and fulfilling the federal government's objectives, but for Canadians.

SPEAKER: Thank you.

Before I get to the next individual, Mr. Chee-Aloy, the Clerk advised me that somewhere along the way I went from Chee-Aloy to Chee-Alo and I'm not sure how I got there. But anyway, I apologize.

J. CHEE-ALOY: Well, Mr. Speaker, I forgot about Jerome Kennedy's last name. (Inaudible).

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

J. HOGAN: Thank you.

Welcome back. Good to see you both again.

The first few minutes of my questions, pardon me, but I'm going to bounce around just trying to fill in some gaps over the last hour and a half.

When you were asked, I think by the minister, about the block structure, and I have quotes here, I think it was from you, Mr. Chee-Aloy: still to be negotiated. Speaker, that's fair to say, that it was still to be negotiated?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, yes, that's true.

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

J. HOGAN: He's better at it than I am.

Speaker, I guess I would ask Mr. Chee-Aloy that that doesn't mean the formula itself or block structure ID or concept is good or bad, it's just means the work hadn't been done to finalize it? Is that correct?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, that's correct.

Again, as Ms. Williams had said yesterday, the MOU provided those principles. I said it had provided that foundation, that was a term I had used before, and there was a lot of heavy lifting to do. As I said in my testimony so far, that work had started last year. There was a lot of work to try to make it work, for sure, the summer of 2025.

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

J. HOGAN: Thank you, Speaker.

Something the minister said, and I don't mean to put words in his mouth – I don't have the exact quote so he can correct me if I'm wrong, but I don't think it's anything controversial. He something along the lines, can complexity of a formula carry a price all on its own; I think meaning that if you do have a difficult formula, can there be adverse consequences or I guess negative consequences to the deal.

I guess my question, Mr. Speaker, would be, if something that is complex is a fundamental principle to a party, wanting that to form part of the agreement, I would suggest that the fundamental principle would take precedent over the complexity? Again, that may be a subjective decision for one of the parties, but is that fair to say?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, that's fair to say.

As I said earlier this afternoon, the Schedule F and the blocks, in and of itself, I do believe that there is a way to structure that. There's a way that, it is complex, but it can be overcome in and of itself. The issue was applying that structure to reconcile it with the schedule of payments in Schedule G. That was the part that the negotiating teams on both sides basically got to and then they decided to move off to a different construct.

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

J. HOGAN: Thank you, Mr. Speaker.

I appreciate that. Of course, the Schedule F was your suggestion. It was your advice from the outset. I know we heard some comments over the last day and a half about the percentages of market-based pricing, export markets, domestic markets in Quebec and replacement costs that would have formed the formula, but if you can confirm that, as you said, a lot of hard work left to do, whether those numbers were, for example, 10 per cent for export markets, that could have moved up or down, if and when the formula was finalized, is that correct?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, that's correct.

The 10 per cent of the markets, that comprised what became the assessment of the value of Churchill Falls supply that drove, in part, the net present value initially of \$33.8 billion.

Absolutely, I mean, in my experience in negotiating power purchase agreements, typically you would have a term sheet that sets out the parameters. I believe that the DCIA – it's not named a term sheet – is a very detailed term sheet. It's more detailed than the MOU.

But, even then, you still enter into negotiations and, as you're really drilling down in terms of the covenants of a contract, the terms and conditions of a contract, things can change. It comes down to two parties negotiating what they think is the best deal that they can get after exhausting a complete negotiation.

So, yes, things could certainly change.

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

J. HOGAN: Thank you, Mr. Speaker.

You know, if your forecasts were that replacement costs are going to increase by a lot over the next 50 years, then, of course, if you were the one getting paid based on the formula, you would want replacement costs to form a larger part of the formula. Again, you would have to forecast those three components, or whatever components are in the formula, and make that decision and hopefully you're right. Is that fair to say?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Yes, Mr. Speaker, that's certainly the case in terms of you'd have to do the work under the former MOU Schedule F to get comfortable with what value could be per block.

Wholesale market exports is a block. Replacement costs is a block; even trying to project or forecast where the price of electricity will go for the patrimonial powers I described earlier for Quebec supply.

I want to come back to the point that I made earlier, right? Again, in my opinion, looking at the 2041 price of 11 cents escalating to 20 cents, that's really good. When I compare that to where I professionally think the wholesale markets might go, I think what replacement costs might be and the cost there, I think 11 cents of 20 cents is in the money.

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

J. HOGAN: Thank you, Speaker.

Just on that, the NPV, as Mr. Yauch said, for both agreements was – I don't know if he said identical or the same – they're bang on. Ms. Williams spoke about this, it was just a forecast. Is that correct?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: The NPV of \$33.8 billion was driven off many things that went into value of the Churchill Falls supply in terms of what would be a good option for Quebec to exercise based on all the other supply options.

Mr. Yauch, I don't know if you want to –

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, I think it's very important to understand that the Schedule G payment structure and the \$33.8 billion that comes out of it, that was based on a very detailed multi-year analysis of the value of supply in Quebec. That included things like replacement value, existing assets, wholesale markets. It was a bucket of all these sources of supply that Quebec could use to meet its own supply needs, and then we put a dollar value to it that came out to \$33.8 billion or thereabout. Then Schedule F was the principles to try to get what that value was tied to market in some way, shape or form. That's how those two factors kind of interact with one another.

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

J. HOGAN: Thank you.

I have a lot more questions than that; unfortunately, I'm already halfway through my time.

I'm going to move on to some questions about the premium price, which I know you're familiar with. It allows Newfoundland and Labrador to sell an allocation of power to Quebec at a 1.5 times price. It's power Newfoundland and Labrador would otherwise get from its own use. Can you just confirm it's not power that we're already meant to sell through Quebec through a PPA?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, yes, that's correct. That is part of the recall amount, so you use it for domestic needs. If you do not need it for domestic needs, Newfoundland and Labrador Hydro will sell it back to Hydro-Québec at the premium.

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

J. HOGAN: This might be obvious but for any power that we sell to Quebec under this premium price, the most we can make is 1.5 times the sale price, which would be 1.5 times the Churchill Falls PPA?

SPEAKER: Mr. Yauch.

B. YAUCH: That is correct.

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

J. HOGAN: I know you've talked about the CF PPA, both of them, but, again, the underlying assumption has to be that that's the good price of the CF PPA for the premium price to be a good price as well. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: That's correct.

On balance, we've talked about supporting the overall value of the CF PPA. The premium would be a premium on top of that value.

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

J. HOGAN: Thank you.

So just for example, in year three of this agreement, which would be 2029, Newfoundland and Labrador will get an extra 25 more megawatts that we have now in Churchill Falls? The price would be about 2.35 cents. So 1.5 times premium of that would be 3.25 cents just for 25 megawatts. Is that accurate?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, yes, that appears accurate.

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

J. HOGAN: I appreciate he doesn't have the numbers, so if it's subject to check, of course, I appreciate that.

So, again, in year 10, for example, of the agreement, 2036, when Newfoundland and Labrador will get 605 more megawatts, the price is about 5.7 cents then. So our price would be 8.5 cents. Is that correct, assuming my numbers of years and megawatts are right?

SPEAKER: Mr. Yauch.

B. YAUCH: That is correct if you allocate it to the premium block. You can allocate it to the other blocks, as well, that we spoke about, NECEC, CHPE or the synthetic block pricing. Those may have different prices. It all depends on the optionality of what NLH actually does with the power that it doesn't need.

SPEAKER: Thank you.

The hon. the Leader of the Official Opposition.

J. HOGAN: Thank you.

Just a quick question on that then and the optionality, which you spoke about as a positive, if the 720 megawatts are all used domestically, the market exposure then goes down significantly because, obviously, there would be no market exposure for the 720 megawatts anymore, is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Yes, that is correct. If you use it for domestic purposes, if you are not selling it on these various block. Then you get into Schedule G, the kind of value of Quebec and all the various components that were included in that price. So you sort of move into the Schedule G payment world.

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

J. HOGAN: Thank you, Mr. Speaker.

The upside of optionality, of course, we can use it or we can sell it, that's great; the downside, if we use it all, we have less market exposure for pricing. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, that's correct.

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

J. HOGAN: I think you already answered it. I am just going to ask it in a different way.

The premium price agreement is actually a cap because it is based on a CF PPA fixed-price schedule. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, that's correct.

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

J. HOGAN: Now this is another way to ask it. The price can extend higher than that cap

regardless of electricity markets in Quebec. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: That's correct, if you use your allocation owing for the premium price block and you don't take the other options if they are worth more. So it is only if you decide to allocate all of your block to the CF premium block.

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

J. HOGAN: I think we are on the same page. The premium pricing is only available for the Churchill Falls entitlement, is that what you are saying?

SPEAKER: Mr. Yauch.

B. YAUCH: That's correct.

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

J. HOGAN: On that point, the 720 megawatts is actually available for more than just the CF entitlements. It's available for the CF upgrades and the Gull Island as well. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, it applies to the entire recall amounts that are negotiated, that are weighed out. I believe it's in Annex B.

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

J. HOGAN: Mr. Yauch, the Churchill Falls power, at least in the early years, is cheaper than the Gull Island power. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, that's correct.

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

J. HOGAN: This is good, rapid fire.

So the Gull Island power, which you just confirmed at least in the early years is more expensive, the Government of Newfoundland and Labrador or Newfoundland and Labrador Hydro was not able to secure a premium price for the expensive power, only for the cheap Churchill Falls power. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, I think it's the timing of when Gull Island comes in. It doesn't come in in the early years; it comes in the later years when the CF PPA starts to readjust, essentially moves higher. So in 2030, there is no Gull Island recall because it doesn't actually exist yet. So it's really a timing issue, when those new assets start being included in the recall amounts.

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

J. HOGAN: Yeah, of course, we're not going to sell power when Gull Island is not built. I understand that. But at least from the concept of Churchill Falls would be the cheaper power, we would only be able to allocate the premium price on the cheaper power for Churchill Falls. Is that correct?

SPEAKER: Mr. Yauch.

B. YAUCH: I mean, you get CF PPA recalls over the entire 51 years. In the early years, yes, given the shape of Schedule G or Annex D, however you want to rephrase it, it's lower price in the early years. In the back end of the years, if you get 150 per cent premium, it's obviously significantly higher.

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

J. HOGAN: I'm just going to go back to some market-based pricing questions.

Mr. Chee-Aloy, you talked about logical reasons why, as your quotes – sorry, Mr. Speaker, that's what Mr. Chee-Aloy said. They moved away from Schedule F, and I understand the negotiations and what happened. I think in another quote you said there needs to be a judgment. Well, obviously, when you're negotiating at some point.

So I guess at that stage if you realize, for example, one of two things; it's too complicated and you don't want to proceed, or Hydro-Québec is saying we don't want to do this anymore because you can't figure it out – at that stage of negotiations, obviously there's a judgment call that needs to be made by one or both parties whether to proceed or not. Either keep working at it or say, look, we're not going to figure this out, or pivot and make a different decision on the formula. Is that fair to say?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, that's correct. I think that both parties are dealing with a lot of broad things. It's not just the value in and of itself. I know that that's important, but without a deal, there are still 17 years, or up until 2041, of being paid 0.2 cents a kilowatt hour. So there is realizing real dollars and real payments and real benefit of getting out of that contract.

Something that was discussed yesterday, and not really today, Hydro-Québec, as I have established before, and I continue to say this in my practice, they are, I think, accurate in the amount of supply that they need and their actions are definitely showing that.

They're in the process of procuring 10,000 megawatts of wind inside of Quebec. On top of that, they wanted 2,000 megawatts more from Labrador. They're doing things like

solar. They're doing things like battery storage in terms of real procurements.

I think the tell in all of this is in March, early this year – I know because I'm in the sector; I know the sector did not expect Hydro-Québec to issue a request for information, RFI, for offshore wind from Nova Scotia. I think that is the biggest signal that they are serious about needing supply.

So I think back to the point when you've got two teams negotiating the DCIA and then moving on to negotiating definitive agreements, I think it's pretty clear where the direction is and where the needs are.

I said it earlier, and you couple in where the federal government's at regarding their initiatives and what they are bringing to the table with loan guarantees and investment tax credits and equity, a lot of factors went into that judgment to pivot to get to the DCIA execution.

SPEAKER: Just for the information, Minister, we're at 14:39. We do side to side, obviously, but just for information, the Member for Humber - Bay of Islands wanted to have an opportunity as well. So just bear that in mind, if you want to give him an opportunity now or if you want to split the time or whatever.

Are you okay with that?

L. PARROTT: Yes.

SPEAKER: The Member for Humber - Bay of Islands.

E. JOYCE: Thank you, Mr. Speaker, and thank you, Minister.

I'm just going to ask a few questions. Of course, the history of Quebec and Newfoundland, there is still a lot of people, proponents again this, who are out saying that we should wait for 2041 and let the deal run out. What's your professional opinion on that?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I think that is not a good idea. I think that, as I said in January 2025 and repeated today, I see two motivated parties in Newfoundland and Labrador Hydro and Hydro-Québec.

I also said in January 2025, our firm really understands the history in Newfoundland and Labrador. On this file in and of itself, we have been engaged since early 2023. We were engaged by the Newfoundland and Labrador government before that to assess different options for a potential negotiation. My colleague, John Dalton, he had testified on behalf of Newfoundland and Labrador or whoever the proponent was at the Supreme Court.

I mean, just earlier today, I was hearing two people randomly talk about what is going on in the Chamber, so I understand. But again, given that there is an agreement on the table – I said it earlier, the MOU, there was a lot of good work. It was foundational. I believe that the IRC was right in acknowledging the value. I believe that the negotiating team took that value as negotiated and were accepting of it. The goal then was to enhance it. I think the enhancements of the optionality with more recall megawatts available and the ability to sell that at market prices are beneficial.

If the inflation index, the CPI, or if it was a different type of index resulting in a lower price, I may have a different opinion depending on what that price is; but based on what I have seen across this country, and I use the example of the Ontario contract – which I think, up until this DCIA, was the best contract for any utility-scale hydro facility that's in operation to recontract for multiple years – this is on par with that.

Then, on top of that, the Canadian government with the equity, the loan guarantees and the investment tax credits, I don't think the situation gets better. I kind of said that in January 2025 but these things

have happened now since. Again, I started with saying, when Prime Minister Carney was elected in March and the Major Projects Office started up in August of 2025, all of these things have benefited this initiative.

SPEAKER (Dwyer): The hon. the Member for Humber - Bay of Islands.

E. JOYCE: Thank you, Speaker.

The other thing that's floating around a lot in the social media is the CPI is fixed and there's a lot saying the actual cost we're getting for CPI is not that 2 per cent. Can you confirm if that is the actual figure, or what other people are saying is that no, in actual fact, when you calculate it in through the system, it's much lower?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, as I said earlier, most power purchase agreements that I have seen across Canada, there's a price adjustment with some sort of escalator based on Consumer Price Index, CPI, and then it's a matter of a percentage of that. Both parties tend to like that index because it is representing a broad basket of goods. It is very well-known. There's a lot of confidence that the index is tried and true. It's not going anywhere, and it is a Government of Canada-driven indicator. I think it's stood the test of time through a lot of good agreements, but I'll let Mr. Yauch add to that.

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, I think when we talk about inflation, we really need to understand what is happening in the contract and not. There is the base payment that's in Annex D or Schedule G in the previous MOU. That goes up by a fixed amount, and that had an embedded inflation assumption in that number, but it goes up beyond that. If inflation goes beyond the deadband that has been negotiated, which

is around 2 per cent, if inflation is, for example, 5 per cent a year, each year annually, the payment mechanism will be adjusted to account for that.

The idea was that while we sit here today and we have our expectations of inflation, if those expectations over time are materially different, that you don't want to dilute the value of the CF PPA, and that's why that inflation mechanism was added in addition to the base payment structure that goes up between 14 per cent between now and 2041 and then 2.6 per cent for 2041 afterwards.

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: I'm going to ask you another general question, and a lot of people are putting this out on the social media again. I just want to clarify. They're saying the best option for Newfoundland and Labrador right now is to negotiate the Upper Churchill on its own and do Gull Island on its own. What's your expert opinion on trying to separate those two entities?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I don't think those are really good options. We had established earlier that to have alternate paths to sell that supply, a lot of infrastructure would have to be built, a lot of transmission would have to be built and that's a cost, and that's a big cost.

I mean, with all respect, I think that there have been lessons learned in Newfoundland and Labrador regarding building big projects without an off-taker in the beginning.

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: Thank you for the answers.

One last question, last night there was a discussion here in the House and I guess I'll just try to get it clarified for a second opinion. We have access to the US markets now. Normally if you sell the power, you have to go through the Quebec lines. Is that correct that if we're selling the power, is that normal procedure to just go to the lines, bring the power to the lines, say Quebec. Quebec then would send it on to New York or Toronto or wherever else.

Is that normal procedure for that, for the power to go through someone's else line but still it's your power, going to end up in New York City or —?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, that's generally how it works, but there are a lot of rules and protocols that have to be exercised to do that. In the circumstance today and into the future, Newfoundland and Labrador Hydro has 265 megawatts of, basically, transmission reservation to use within Quebec to export supply.

How that practically works is Newfoundland and Labrador Hydro would then need to communicate to Hydro-Québec how much supply is actually going to flow and when, across the transmission, it hits Quebec and let's just say Newfoundland and Labrador Hydro — and they do this, I don't know how often, but they have the ability then to go on and sell that power somewhere else.

So Quebec is connected to Ontario, New England, New York. Let's just say for argument's sake, it's selling it into New England, Newfoundland and Labrador Hydro would have to then reserve that supply not just through the Quebec system, it has the reservation and it just tells Quebec it's going to do that, up until 265 megawatts.

It has to actually clear with New England and New England has to basically accept it. That's how the physical system flows. Then

Newfoundland and Labrador Hydro would have to successfully also participate in these wholesale markets at the various interconnections.

I'll let Mr. Yauch add to that.

SPEAKER: Mr. Yauch.

B. YAUCH: Speaker, the only thing I will add is that for everything beyond the 265 megawatts of access that Newfoundland and Labrador Hydro already has, you typically would have to procure some sort of transmission right, physical, financial, to get the energy through a certain system into the other system. The synthetic option that's there now or the other two that are related to firm transmission lines, they essentially resolve that problem by paying you what you would get as if you had done that.

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: Thank you.

Just in conclusion, I just want to thank the two of you. You were here in 2025 with the great knowledge and expertise and again here this year. Thank you for all the frank answers, and very enlightening.

Thank you.

SPEAKER: The hon. the Minister of Energy of Mines.

L. PARROTT: Thank you, Speaker.

Just for clarification, I want to go back to some of the questions that were earlier. One of the questions was around the \$33.8 billion that was allotted. In the MOU, that target was something that was set. Basically, it was a set target of present-day value of \$33.8 billion. Obviously, those payments depended on all of the indices that nobody had settled. There was no contract. There was no agreed-upon figure.

Is it possible that it could have ended up being less than that?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Speaker, I'll let Mr. Yauch answer this.

SPEAKER: Mr. Yauch.

B. YAUCH: Speaker, in the MOU, there was a Schedule G payment, the \$33.8-billion NPV that we've spoken about, and the intention was to then get Schedule F, all the market prices and indices, to match that \$33.8 billion. It's been spoken about at length the challenge of getting those two things to weld together in an appropriate way.

But to your second point, yes, if you did do it, if you solved that problem, and then all the supply was tied to various market pricing, you could lose. Upside and downside, they go together when you talk about wholesale markets.

SPEAKER: The hon. the Minister of Energy of Mines.

L. PARROTT: In the current pricing scheme, with the 14 per cent escalation to 2042 and the 2.6 per cent and the tie-in to CPI, would you argue that that is a more stable pricing scheme than what we may have gotten in the previous MOU?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Again, I'll let Mr. Yauch answer this.

SPEAKER: Mr. Yauch.

B. YAUCH: Mr. Speaker, it provides some more certainty in pricing in that, as you sit here today, you can look at the Schedule G or Annex D payments and see what they're going to be and assume that it stays within the bound of inflation. Under the previous MOU, there was more uncertainty in the

sense that wholesale markets, particularly when you talk about electricity, can be very volatile and uncertain.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: So if you take that into consideration and you take both schemes and you put it out over a 50-year period, which one of those would you think would be easier to manage?

SPEAKER: Mr. Yauch.

B. YAUCH: (Inaudible) all contracts are complicated to a certain extent and can be managed. So I think in either case, you can manage the complexity. Under the DCIA, I think there is a more simplified structure and I believe you've seen both parties talk about that, the simplified nature of it, and there's a benefit to that in the sense that maybe it's a bit easier to manage in terms of settling every single month or hour, however you're going to settle the contract.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Obviously, after the previous MOU was announced and obviously that January negotiations towards definitive agreements had started, how close do you think you were to turning Schedule F into a working contract? Did you get to a place where you were confident that it would work?

SPEAKER: Mr. Yauch.

B. YAUCH: It was very complicated, I'll say that. There was a lot of work done. I spent many hours looking at it. In terms of how close the negotiating team was with Hydro-Québec, we wouldn't have insight into that, but I can speak from the amount of work we did to try to get these two things that kind of work against one another, Schedule G and Schedule F to a certain extent. If you try to get them to work in a reasonable,

transparent manner that was fair to both sides, proved to be very challenging.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Given the idea of certainty with the Churchill Falls contract, obviously certainly if Gull Island is to go ahead and the wind projects, from a national standard, I would assume that you would think that this is perhaps the biggest power project that the nation has ever seen?

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, short of some of the nuclear projects in Ontario, this is the biggest deal for electricity supply to be contracted in the history of this country. I can't even think of a bigger deal in the US.

So the only thing comparable is the nuclear program, building that out in Ontario, but that stuff is all going to be regulated. But in terms of two parties coming together in a contract, there is no other bigger deal.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: I recognize the fact that the Member for Humber - Bay of Islands asked the question, but one of the biggest things that we've heard is to just forget about it, let Churchill Falls expire and go into 2041.

Obviously, you guys have done a whole lot of work in this. I'm just wondering if you could, broad scope, explain to everyone what it means for us to let that expire, whether or not we actually can win from the scenario and what it means for us to move forward with this contract.

SPEAKER: Mr. Chee-Aloy.

J. CHEE-ALOY: Mr. Speaker, I've said it earlier this afternoon and I said it in January 2025, I believe, our firm believes, that Quebec does need a lot of supply. As my

colleague can attest to, he led a lot of the analysis essentially shaking down Hydro-Québec, in terms of what their options are for supply. So we are very convinced and continue to be convinced that the time is now. But because Quebec needs a lot of supply, we do not believe that they are going to wait forever to make a deal after the original PPA expires in 2041.

I had said earlier that Hydro-Québec are doing things that people historically would not have expected them to do to meet supply: plans to procure 10,000 megawatts of wind in Quebec, plans to procure 3,000 megawatts of solar and I think, as I said earlier, the real tell is issuing a request for information in March this year for offshore wind.

Our firm has done a lot of work in offshore wind in the US and with the Trump administration in terms of their policies that have stopped the development of offshore wind. There has been a big pivot by American companies, European companies and others to potentially participate in the offshore wind licensing competition that is being planned by the joint federal government and Nova Scotia government regulator.

We know, based on our experience and knowing those entities, there's a lot of interest in building offshore wind off the shore of Nova Scotia. We also know there's a lot of interest by global transmission developers to come into Atlantic Canada and build transmission to take that offshore wind supply to Quebec. Hydro-Québec has all this information right now. So the fact that they're doing that is in our opinion, in my opinion, they are being very diligent to assess all of their supply options.

That's a big, big thing in terms of Quebec needed supply, and it's batter up. Newfoundland and Labrador Hydro, they're at the plate. I don't think you're swinging and missing; I think you're hitting the ball for big time base hit, home run. Then the

second thing is, frankly, there's just a lot of money at stake. It's gone from in nominal dollars \$227 billion to \$270-something billion, and at the height of this agreement, there's an additional \$4 billion to \$5 billion a year on a \$10-billion budget in Newfoundland and Labrador.

That's generational wealth; that's outstanding benefit; that's outstanding value.

SPEAKER (Lane): The hon. the Minister of Energy and Mines.

L. PARROTT: Just one last thing, I'd like to thank you for your attendance here this afternoon, and for your forthwith honesty. So thank you very much.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: Yes, thank you. Certainly I echo those remarks on behalf of the House of Assembly. We appreciate Mr. Yauch and Mr. Chee-Aloy coming along today and answering these questions. I'm sure people watching at home appreciate hearing the questions and the answers as well.

Thank you.

Now I'm going to propose we just take a five-minute recess so our panellists can depart and our new panellists can come in. We'll start again in five.

The House is in recess.

Recess

SPEAKER (Lane): Order, please!

The next block will take us now from 3 p.m. until 5 p.m., and then we will recess for supper.

This afternoon, we have with us special guests, Jonathan Dickman-Wilkes, Vice-Chair, Investment Banking and Managing Director, utility and renewable energy group,

J.P. Morgan; and Taras Koval, Vice-President, J.P. Morgan.

Welcome to our Chamber.

Again, just to very quickly go over the rules, especially for our guests, questions will be asked in 15-minute increments from Members. We'll go side to side. Generally speaking, the Member gets one minute to ask the question, but the panellist gets as long as they require to answer the question. All questions and answers are supposed to be directed to the Chair.

I would ask, to our two guests, whichever one of you gentleman are going to answer the question once it's proposed, if you could just raise your hand so I know which of you to identify and our Broadcast Centre down below knows to turn on your mic.

With that said, the hon. the Minister of Finance and President of Treasury Board.

C. PARDY: Thank you very much, Speaker.

Let me, first of all, welcome our two guests to the House of Assembly here in Newfoundland and Labrador.

My first question would be: What was your role in these negotiations?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

Thanks for having us here today as part of these important debates.

J.P. Morgan acted as financial adviser to Newfoundland and Labrador Hydro. In the capacity of financial adviser, we provide advice on financial matters. That includes items such as valuation, financial modelling, opining on risk management and also the financeability of existing and new assets.

We have, at J.P. Morgan – my colleague, Taras, and I, and a team of us – have worked for the province on the broader Churchill River file since 2022.

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

C. PARDY: Thank you very much, Speaker.

I'm just stating that, since 2022 they've been engaged with Newfoundland and Labrador Hydro, so they were very much part of the 2024 MOU as well, as advisers for Newfoundland and Labrador Hydro.

Did your role change between the 2024 MOU and the current agreement?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

Our role towards the 2026 agreement compared to our role leading up the 2024 MOU was highly consistent. The nature of our engagement after the 2024 MOU and the subsequent debate in this House in January 2025, was, at the time, focused on the advisory to matriculate the MOU into definitive agreements at the time.

So we were hired – our mandate was extended, if you will – to advise NLH on final agreements at that time and, because things changed here, we resumed in the capacity of supporting the 2026 negotiation to bring us here today.

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

C. PARDY: Mr. Speaker, while they were engaged to Newfoundland and Labrador Hydro, but they said, generally, the mandate is the same, I'm assuming there will be some variances if there are some differences in the mandate between the two?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I would say there weren't many differences in the nature of our mandate, and maybe I'll just take a minute to review how investment bankers work with the clients to provide financial advisory services.

Our team, Taras and myself and many others, work very, very regularly with almost constant contact with our client, with the financing folks, primarily, at our clients. So the process of providing investment banking advice is highly iterative. Depending on the needs of our client, our client will ask us if it's within our broader scope as financial adviser, and we will provide those services.

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

C. PARDY: Thank you, Mr. Speaker.

What has changed from a financing point of view between the 2024 MOU and the current agreement? Would those changes be good for the province?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

I'll offer a couple of points, and then I'll ask my colleague, Taras, to add on, if that's acceptable.

SPEAKER: Sure.

J. DICKMAN-WILKES: I think the Member's question was about financing and, yes, there are certainly some changes that concern the financeability of the assets on the broader Churchill River package. Probably the most significant is the Gull Island project and the restructuring of the contract at Gull Island, which has been discussed quite thoroughly here already in the last day and a half, from a contract that has a fixed escalation for its whole term to

one that is much more similar to a regulated utility rate-based model.

That is to say, regulated utility rate-based model is the contract structure, the project structure that is used for very high CAPEX capital projects by most utilities in North America.

To say a little bit more about that, the key difference is that, instead of an increasing revenue, typically you have a decreasing revenue through the life of the contract, but the benefit – getting back to the essence of your question – is that the capital cost of the large project starts amortizing immediately, both the debt and the equity. So at the end of the contract term, which in this case is 50 years, you have much lower debt balances at the end of that 50-year period, recognizing that the amortization profile is longer than that at 65 years in the current agreement. That is quite a fundamental change in the financeability of the Gull Island project. We've also got, obviously, the addition of some Government of Canada attributes.

Let me pause there and, if it is okay, I will have my colleague add.

SPEAKER: Sure.

Mr. Koval.

T. KOVAL: Thank you, Jonathan. I think you answered that fairly well.

Just to add one more thing on the 2 per cent escalator, part of the reason why the financing risks are reduced when the cost recovery is switched to a traditional cost of service is because, to achieve a 2 per cent escalation through the PPA term, the revenues at the front of the curve would have to start at a low profile that would likely result in slightly shrinking that service coverage ratio, which would slightly increase the financing risk.

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

C. PARDY: We'll come back to the escalator in a very short time, and we'll drive down on that a little deeper, but can you speak to the federal support?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker.

In addition to the federal loan guarantee for the Gull Island debt financing – which, as an aside, but it is a relevant aside, I would say that it is likely to be the largest power plant financing in the history of this country, so a very large quantum of debt; therefore, the loan guarantee of that debt is a significant point of benefit to this agreement – as you know, there is also an investment tax credit that is part of the financing package, which has the net effect of reducing the capital cost.

Particularly in this case because, unlike many investment tax credits at various jurisdictions, including the US, where the ITC, the investment tax credit, is available at project completion, my understanding is that the Government of Canada has agreed to make the ITC during construction. The benefit of that is, if it is not available until the project is complete, you still need to finance the capital expenditures during construction which, for a large project like this, can be many years of additional financing cost.

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

C. PARDY: I think the viewers at home that are watching, Mr. Speaker, would know that there are a variety of financing levels awarded by the credit rating agencies that are different across Canada. For example, I would assume that the Government of Canada, with a AAA credit rating would have the highest in Canada, or probably one of the highest I think, along with Germany in the G7. Quebec will have an

AA, according to three out of four bond-rating agencies. Newfoundland and Labrador, we have the lowest credit rating in the country with an A1 rating.

When we look at the federal involvement, as far as them backing the Quebec venture and debt, that is a good thing, isn't it?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker. The answer is, yes, it's a good thing.

The higher a credit rating, the less lenders are going to charge to take on the credit risk of that borrower. The federal government guaranteeing the credit is effectively the same as the federal government itself borrowing the money for its own purposes.

To say a little further, and you might have been going there, but I'll just offer it, we've estimated, based on historical credit spreads – I'm getting a little technical here, I apologize – for bonds between even just Quebec's sovereign provincial rating and the Government of Canada rating, the AAA that the Member referred to, over the course of the project financing term for a project the scale of Gull Island – in our calculations, obviously, there's scenario analysis around this – our calculations would suggest that the value of that federal government guarantee is in the range of a billion dollars of NPV.

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

C. PARDY: Thank you, Speaker.

Could you please explain the cost-plus pricing for Gull Island and Churchill Falls upgrades and how it changed from the 2024 MOU? Are those changes improvements for the province?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker.

The cost-plus pricing model and financing model – and I referred to this a couple minutes ago in one of my earlier responses – is a lower risk model for operating and financing a large capital project like Gull Island. The reason that I say that, and it's the model used by almost every utility that I'm aware of in North America, it involves the financing of the capital cost using debt and using equity and the owners of the asset, which is typically a utility, earning a regulated rate of return on the equity balance throughout the life of that project.

So that presents a much lower risk investment than an asset that has a PPA attached to it, just because there is inherently more risk, generally, in a PPA, and there's a few elements of that. When we talk about cost-plus, whatever the capital cost is that's what it is and the equity will generate the return at the stated rate of return, which, in the case of the current agreement, as you know, is 8.5 per cent.

Operating costs also are pass-through, as is, without mark-up. So again, it's viewed to be the lowest risk and effectively the lowest-cost manner of financing a large utility project like Gull Island.

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

The hon. the Member for Corner Brook.

J. PARSONS: Thank you, Speaker.

Great segue from the Finance Minister, I have questions about Gull Island as well.

As we just heard, I guess, the recommendation was to do it more as a regulated utility, with a rate-based model. In this case do we have the model done so that we have the expected revenue requirement and the starting prices for the power coming from Gull Island?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Speaker.

The big variable in the answer to your question is the finalized capital cost of the project, and you'll be aware that one can only estimate what that is given where we sit today relative to what the possible in-service date is for Gull Island. That's probably the biggest single variable, and I do believe that our client, which is Newfoundland and Labrador Hydro, has done work on that. Certainly, Hydro-Québec also has done work on that.

So I think there are estimates of the answer that you're asking for. We don't have those here today. Perhaps Newfoundland and Labrador Hydro can answer that. The engineering studies I think still need to be further advanced so that the cost estimate for the project can be tightened.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Surely, though, I guess, we have in the DCIA a schedule with capacity estimates, a COD of around 2036, with about a \$30-billion capital cost and with the cost of service model, we know that the revenue requirement will be declining throughout the life of financial arrangement. So we must have some idea of the pricing at this point, shouldn't we, if we are agreeing to this?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, certainly, there are estimates of the revenue requirement for the asset which are based on an array of assumptions, as you're suggesting. The numbers that you cited are familiar to us. Obviously, there are also going to be estimates of operating costs, et cetera, and financing costs, which is another key point of uncertainty here.

None of us can begin to predict what interest rates are going to be when the

capital is actually spent to build this asset, but, certainly, yes, there are estimates of the revenue requirement for the asset.

Can I just ask if my colleague has anything to add?

SPEAKER: Mr. Koval.

T. KOVAL: Thank you, Jonathan; thank you, Speaker.

I don't believe I have anything to add.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Again, it would be really helpful to see the estimates for Gull Island because there are estimates I know in the marketing in the literature provided by government around what the NPV is in the return to Newfoundland Hydro on this. There is a number in the document around \$7.3 billion, but I understand from our meetings with Hydro that includes the upfront equity payments, a NPV of around \$3.8 billion might be the amount for the life of the project.

So do we have some better number that we can base whether or not this is a good deal or not?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, thank you, Mr. Speaker.

So maybe just to turn back the clock a little bit, step back for a moment. We talked about the model as being a regulated rate of return model for the project. The equity contribution for NLH into the project is the \$3.5-billion number, which I think everyone is familiar with.

The nice thing about the rate of return model is that the net income that that equity balance it is going to generate is fixed. It is not going to be at risk, you know, relative to

what the ultimate capital cost of the asset is. Hydro-Québec is taking the development risk of the asset, and so, in that context, the return to the province on this equity is fixed. It's a very low-risk investment for the province.

SPEAKER: The hon. the Member for Corner Brook.

Please address the Chair.

J. PARSONS: Oh, sorry, Speaker.

Again, I understand the model. The model as I understand it, with the regulated utility, the whole reason for having this kind of model is to ensure that the price that the consumer pays or the rate taker pays for the energy out of such a utility is the lowest possible price. Of course, in this case, we know that Quebec is taking a minimum of 84 per cent of the energy or the capacity from Gull Island.

So, again, is it correct that Quebec is going to get the majority benefit from this?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Well, Quebec is developing the project, is paying the Province of Newfoundland and Labrador \$3.5 billion for the right to develop the project and your percentages are correct in terms of the off-take of the project.

I mean, if we step back and think about what could happen at in-service date for Gull Island, you mentioned earlier a number of \$30 billion of capital costs. Because the equity thickness or the ownership for Newfoundland and Labrador Hydro is fixed and the equity contribution towards the capital cost for the Province of Newfoundland and Labrador, Newfoundland and Labrador Hydro, is also fixed, to the extent that the capital cost is higher than the \$30 billion, Newfoundland and Labrador Hydro benefits because the deemed equity thickness in the project is preset and the

actual cash equity, if you will, that NLH is going to put in is also fixed.

It's highly unusual that this type of arrangement, that the actual equity contribution is a fixed number. Usually, owners of an asset that's being developed share in the cost overrun risk. In this case, that's not the case. Hydro-Québec is taking all of that capital cost overrun risk.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Thank you, Speaker.

To that point, as I understand it, there is a mechanism for increasing the amount of equity or debt required for overruns and it is borne by this project subordinated debt and the equity replacement debt. In this case, that debt would be taken by the joint venture, won't it?

SPEAKER: Mr. Koval.

T. KOVAL: That is correct.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: So, Speaker, it doesn't sound like it is actually Hydro-Québec that's taking on the risk. The joint venture is, in which we own 60 per cent of. In terms of who is getting the value out of this project, I have to wonder is there really any upside here for us? Is this just the utility being built for Quebec and for Hydro-Québec?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Speaker, again, I see it as a very low-risk investment to the Province of Newfoundland and Labrador. The equity contribution is fixed. The rate of return is fixed. So the net income coming off the asset is going to be fixed and certain. At the conclusion of the contract, this is going to be essentially an asset that is 50 years out of 65 years with its debt amortization, so

it will have a relatively – not zero – small amount of debt given the size of the asset.

Frankly, I think that the province could look to that asset and think that's an underlevered asset and depending on what power prices happen to be in 50 years, there could be a tremendous amount of upside to the province because it's 60 per cent owner of this asset.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Likewise, turning now to the upgrades project, that also is done through a cost of service type model. In this case, of course, there's a lot lower cost of capital. The first question I have is, there is a \$4.8-billion estimate to the upgrade capital cost, but in the DCIA document it says that capital cost will be actual cost minus \$700 million.

I'm just wondering if this \$4.8 billion is the actual cost or the cost minus the \$700 million, and what is the \$700 million for?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, the \$4.8 billion is after the \$700 million, and the \$700 million referenced in the DCIA is a subtraction of capital that would have been spent at CF(L)Co regardless of if the upgrades were built or not. So capital spending would've already been there.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: So in this case, CF(L)Co is completely financing this deal. There is no extra capital coming in through Hydro-Québec or through NL Hydro. Is that correct?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, that's right.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: My question here is with Gull Island, it seems to make sense that the amount of energy that is being sold, we'll set the price for the declining cost of energy on a per kilowatt basis. In this case, as we heard yesterday from Jennifer Williams, there is very little energy being produced. It's more of a capacity project. It's an upgrading of the plan itself.

First of all, do we have a model for the revenue requirement for that upgrade and, again, can you confirm that it is a declining just like Gull Island? What is the pricing model? Is it for energy or capacity?

SPEAKER: Who's taking this one?

Mr. Koval.

T. KOVAL: Mr. Speaker, I can confirm that that is also a declining revenue requirement similar to the Gull Island. I can also confirm it is cost plus PPA, where all the capital costs will be recovered from the off-takers, similar to Gull Island.

Apologies, Mr. Speaker, I might be forgetting a third part of the question.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Hydro-Québec is taking 77 per cent of this power, I believe. How are they paying for it? Are they paying for energy or are they paying for capacity?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, the upgrades are going to be capacity propped.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: So in terms of the overall Churchill Falls project, the first part of the

payments are based around energy payments and these costs of this revenue requirement will be raised through capacity. Is that correct?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, I believe that is correct.

SPEAKER: The hon. the Member for Corner Brook.

J. PARSONS: Again, do we have that revenue requirement at the outset calculated modelled yet?

SPEAKER: Mr. Koval.

T. KOVAL: We do have that revenue requirement and we do have those asset models. Unfortunately, I do not have those figures with me today or ready to quickly bring them up with me today. Those figures have been modelled and that is how the all-intake contribution from both Gull Island and the upgrades to projects that we just talked about has been calculated from those two specific models.

SPEAKER: The Member's time is expired.

Moving over to this side, the hon. the Minister of Finance and President of Treasury Board.

C. PARDY: Thank you, Speaker.

I know people have opinions and they state opinions, but yesterday my colleagues across the aisle had posted a Facebook post after Barry Perry had presented to the House on the traditional cost of service model. If I can read you what the post is, I'd like to have your commentary to make sure we clarify for Newfoundlanders and Labradorians what the significance would be.

It says: The negotiating team just confirmed – and with a video showing that the

trajectory on the line that Barry Perry was stating – the price Quebec pays for Gull Island power goes down over time. Just like the Churchill Falls deal of 1969.

Can you give an opinion on that, please?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I'll just say this, as a financial advisor to NLH, I think we do have a pretty solid understanding of the differences between these two things. Frankly, it feels a little bit like a political question.

I think that there are very important differences between the 1969 contract and the regulated cost of service model. As I've said, I think twice already, that regulated service model is the way that most large-scale utility assets are financed in North America today. I would say that there are some pretty significant differences.

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

C. PARDY: Allow me to ask you a very non-political question, if I may: Which agreement finances Gull Island more cheaply, the 2024 MOU or this one?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, we believe there is a very high likelihood that this new agreement will likely result in cheaper financing costs for Gull Island. One of the factors driving that is the change in the cost recovery mechanism from the 2 per cent escalator to the traditional cost of service.

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

C. PARDY: It provides, Mr. Speaker, a cheaper financial cost for the development of Gull Island on the current agreement.

Did the 2 per cent escalator make the financing more expensive or less? Because we've been hearing that one of the critiques of this one is the 2 per cent escalator is not part of it. That's been one of the critiques of this deal that have been floating through the populous of Newfoundland and Labrador, the 2 per cent escalator is not in this deal.

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, that is correct that the 2 per cent escalator likely would have made the financing more expensive. The reason for that is to achieve a 2 per cent escalation through the full 50-year PPA term, the revenues would have to start at a relatively low profile at the start of the PPA and then, of course, escalate 2 per cent for the next 50 years.

In those first initial years of the PPA contract, the cashflow profile from the asset would not have been enough to fully service the debt in both return of and return on equity capital. So because of that, that also would have likely resulted in lower debt-service coverage metrics, which may have likely increased the costs of financing because lenders would not have gotten enough comfort that the asset can meet its financial obligations in the early years of the PPA.

Of course, there could be some potential solutions to it, such as a debt reserve interest account. I don't want to quite get into the nitty-gritty details of that here, but happy to if you'd like me to.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I just wanted to add one point, which I think is obvious, but a complete answer to your question I think has to also capture the fact that, again, now there's a federal loan guarantee. That's another element that would contribute to our expectation of the current model attracting lower financing costs.

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

C. PARDY: Mr. Speaker, just for clarity, the 2 per cent escalator that was in the 2024 MOU, the one that is being levied as a critique for the current, would have made it more expensive. It may have made it harder for the investors to come in because we didn't have the revenue earlier in the years of the development which would have maybe jeopardized having investors for the project which the end result may have jeopardized whether Gull Island was being built at all. Would that be correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, we can agree with the first part of your statement certainly that we think it would have been more expensive. Also, quite uncommon, just the way that the model worked with a very significant amount of subordinated capital, debt and equity which would have had to have been issued to help service the debt and the equity balances in the early part of that model – that project model's life.

Whether that would have led to the project being unfinanceable or not, it was our view that the 2024 agreement still would have been financeable but we do agree it would come at a higher cost.

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

C. PARDY: When financing costs are more, Mr. Speaker, who pays for that?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Well, the off-takers of the project ultimately pay for financing costs. The way in which financing costs make it to the ultimate off-taker, which at the end of the day are ratepayers, people who pay their electricity bills.

The way that one thing leads to another varies quite dramatically. So I can't give you a blanket way that it works, but certainly it is the ultimate ratepayers that bear the cost of financing.

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

C. PARDY: In Gull Island, it would be what percentage for NL Hydro?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: In the current model, in the cost of service model, it would be ratable to the off-take, which, as you know, is 16 per cent of the off-take for Gull Island.

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

C. PARDY: Mr. Speaker, if I may go back to the 2 per cent escalator clause again, and I know that you have been involved since 2022, back when the 2024 MOU materialized, was it your idea of the 2 per cent escalator and were you in favour of that being part of that agreement?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, we were obviously involved, as you said. The 2 per cent escalator was the idea of the then government, is my understanding. I did not hear that directly, but it was perhaps the one area of the prior deal that made us the least comfortable, just given the complexity that I have already described.

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

C. PARDY: Just for full clarity for the resident of Newfoundland and Labrador, you believe that the 2 per cent escalator clause came from the government, at the time, but you would given the advice that you would suggest otherwise. I guess the

otherwise would have been the traditional cost of service model which would be the standard and would be deployed in the current one. Would that be correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that is correct.

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

C. PARDY: Thank you, Speaker.

Does the federal loan guarantee lower our price or Quebec's?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I think the answer can only be all the off-takers benefit from a lower cost of debt; therefore, the answer is both, Hydro-Québec's and Newfoundland and Labrador Hydro's cost.

Additionally, I'll offer this, which is that because Hydro-Québec is the majority off-taker, notwithstanding that they are the minority shareholder, they benefit more from the federal loan guarantee, that's just math.

I'll leave it there and see where you go with your questioning.

Thank you.

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

C. PARDY: Just another clarification I'd like for you to weigh in on, if you will.

One of the critics that we hear on social media and questions that have been posed by my hon. colleagues in the House was, out of the \$10 billion of the federal government payment – and questions occurred this morning, maybe if you were listening, you would have heard them – Quebec is getting \$6.5 billion from the

federal government while we are getting \$3.5 billion. There seemed to be an unfairness posed but was generic in the questioning.

Can you explain the difference, why Quebec would be getting \$6.5 billion and we are getting \$3.5 billion?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I think it's quite a complicated array of factors and the federal government's participation in these projects touches a number of aspects in this iteration of the agreement.

A lot of it comes down to what we were speaking about a minute ago, which is share of off-take, and then the other one comes back to something we spoke about a few minutes before that, which is share of CapEx.

So Hydro-Québec has more off-take therefore they benefit from the federal government more, but they are also putting up much more of the CapEx, taking more of the risk of development and in that capacity benefit from, again, the loan guarantees as well as investment tax credits.

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

C. PARDY: I'd like to go back to the 2 per cent escalator, just for a final point. It was part of the 2024 MOU and, as I stated, we were critiqued that it's not part of this one, and this was one of the things that we were heavily critiqued, not having that escalator. Can you explain, with the amount of debt that may have been accumulated at the end of the PPA that we would have with Gull Island, compared to what we have now?

And I think you stated a little earlier that, at the end, we'll have maybe \$5 billion owing. What would be comparable on the 2 per cent escalator, with the 2024 MOU?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, the approximately \$5 billion in the cost of service model is a number that we're familiar with. Comparatively, in the 2 per cent escalator model, the debt balance, it was in the range of \$30 billion at that point.

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

C. PARDY: So just for clarity and to make sure with the viewers and the people who are listening at home, with the 2024 MOU, at the end of the PPA, the agreement that would have been signed at that time, there would have been a \$30-billion-plus debt, compared to the way it's being done now, which would be industry standard, it would now be closer to \$5 billion. Would that be correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: That is correct.

SPEAKER: Thank you.

The minister's time has expired.

The hon. the Member for Waterford Valley.

J. KORAB: Thank you, Speaker.

Happy to discuss the DCIA here this year. I know some Members are more fixated on debating the 2024 MOU, but I'll stick to this one.

We heard last night that the price that Quebec will pay for power from Gull Island will decrease through the course of this deal. Can you confirm this is correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, that's correct. In the cost of service model, as we said, the price of power does decrease as the capital

accounts, both debt and equity, are paid down over the life of the asset.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Thank you, Speaker.

What do you expect to be the starting price that Quebec will pay, when it is commissioned and the PPA starts? Even an estimate will do.

SPEAKER: Who's taking that one?

Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yeah, I think I need to apologize, I don't think we have that number here. We'll look for it, if that's okay, Mr. Speaker.

SPEAKER: If you don't have it, go ahead.

The hon. the Member for Waterford Valley.

J. KORAB: So I guess I'd be safe to assume that you wouldn't know what to expect the price will be at the end of the contract?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yeah, that's correct. We just don't have the figures in front of us. There are obviously an awful lot of numbers associated with this advisory mandate.

It would certainly be much lower than the starting PPA rate.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: The end price they'll pay is going to be much lower. Any idea when we could get those numbers. Again, given the gravity of the numbers and the deal we're talking about here, is that something you can get relatively quickly or something that we're getting sent later?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I would think those could be provided relatively soon. I just can't honestly tell you exactly how soon, but those numbers most definitely exist in modelling that we have collaborated with NLH on.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Is that something, Speaker, we can get by supertime, say 5 or 6?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I really do need to defer on that, I apologize. We'll do our best, Mr. Speaker.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Soon and we'll do our best, I hope it's actually soon, but all right.

I'll just reference this. The Finance Minister had referenced the '69 deal just recently. Just want to confirm that the deal right now here will go down, and you said significantly, but the '69 deal which we know is not a good deal, that didn't go down at all, that stayed the same. Is that a safe statement?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yeah, as you know, the contract called for a fixed dollar per megawatt hour over the life of the contract. It stayed exactly flat and remains there today, as you know. In real terms, it dropped very significantly over that period of time, given the number of years in the contract.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Does the federal government loan guarantee lower Quebec's borrowing cost?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I assume the question is would the respect to the raising of –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

J. DICKMAN-WILKES: I assume the question is with reference to raising the debt at Gull Island?

SPEAKER: Sorry, I'm being distracted by people talking who shouldn't be.

Mr. Dickman-Wilkes, I'm sorry, did you answer that question, Sir?

J. DICKMAN-WILKES: Mr. Speaker, I was clarifying the question. I understood the question to be with reference to the cost of debt at Gull Island, not just Quebec's sort of broad borrowing costs.

SPEAKER: Okay, thank you.

The hon. the Member for Waterford Valley.

J. KORAB: I guess both answers are yes, Quebec's overall borrowing cost, but as well as Quebec's portion of Gull Island.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Certainly the cost of raising the financing at Gull Island will be lower, as I've said already. Quebec is a large province, so I wouldn't want to opine on the extent to which a federal government guarantee for one project, being Gull Island, is going to reduce the province's overall borrowing costs. That would be out of scope, but I wouldn't want to opine on that here.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: In your opinion, would the federal loan guarantee have addressed in any way a debt balloon at the end of the Gull Island PPA?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: It doesn't directly address a debt balloon. The cost of the debt at Gull Island would be lower, but it doesn't significantly impact the quantum of debt that can be raised. You could argue potentially that because the coupon on the bonds, the actual cost of the debt is lower, that you could issue more debt. But given the capital structure of the project is fixed, I don't think that's a reasonable scenario to start thinking about.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Speaker, in the new agreement under Annex F, the vast majority of the Churchill Falls power, the only indicator that can vary the price from the expected price is based on CPI. Is that correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, the payments are set out in, I believe it's Annex D, with the escalation factors that have been, I think, mentioned several times already in this House. Beyond those, CPI is the external variable that influences the future price of power, accepting the ability to sell power from Churchill through the various transmission options that are part of this new agreement. Certainly, those pathways can influence the price of power, and those are obviously not directly related to CPI.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: We'll get to the power through Quebec in one question, after this one.

If CPI increases, is it guaranteed that the price would increase by the same amount?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, it's not quite that simple. As was, I think, discussed yesterday, there's a target inflation rate and that target inflation rate starts at 2.06 per cent. That was a negotiated number between Hydro-Québec and NL Hydro. There is then a deadband of 40 basis points higher or lower. Think of that as a deductible in an insurance policy, if you will, to the extent that CPI is on a sustained basis more than 40 basis points higher than 2.06, the province eats the first 40 basis points and then the price that Hydro-Québec pays gets higher, and the obverse is true. If inflation runs lower, Hydro-Québec would eat the first 40 basis points to the downside and then Hydro-Québec would pay a lower amount for that energy.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Other than the 265-megawatt block that has been in place since 2009 – we know that's not something new – that enables NL to sell power through Quebec's open-access transmission system, does the new agreement allow for Newfoundland and Labrador to sell power directly to any other buyers?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, the agreement and the various transmission paths beyond the 265 megawatts that you noted allow NL Hydro to sell power in three cases at the rate that Hydro-Québec itself negotiates with buyers of power in places like New York and New England without directly contracting with the counter parties in those external markets.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: So Newfoundland and Labrador or Newfoundland and Labrador Hydro does not have any ability to quickly sell power to any spot markets, this goes through Quebec, correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, the Member used the word “quickly,” obviously to allocate the excess power through these external pricing mechanisms, pathways, requires this three-year advance notice, as was covered in the prior testimony. NLH, as I said earlier, will not directly contract with buyers of power in these external markets.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: The two external markets you referenced, we have 240 megawatts that we can sell to CHPE and we have 200 megawatts that we can sell to NECEC for those prices. When do these expire and can you confirm that Newfoundland and Labrador Hydro has no ability to negotiate any prices here, these are set?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I honestly don't remember when those individual contracts expire that Hydro-Québec has in the Champlain Hudson and the New England Clean Energy Connect lines, 20 or 25 years, but it's in that order of magnitude. I do believe NLH has the ability to piggyback on contract extensions that Hydro-Québec may in the future negotiate on those pathways.

If you could just remind me of the second part of your question?

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Thank you.

Yes, my question was when did it expire, which you weren't sure, which is fine. We'll move on from that.

The CHPE and NECEC, the change in these markets is irrelevant right now because it is a set contracted price. With the agreement looking to be signed now, we know these agreements are not expired, assumingly – I think you can comfortably say that – so this DCIA could have actually listed those prices now in this agreement rather than saying you will get the equivalent price, because we know what the prices are now, they are online, correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, maybe this a little bit more in the domain of the power market consultants rather than the financial advisors, but it is my understanding that those prices that Hydro-Québec has negotiated with buyers in those markets are public.

SPEAKER: The hon. the Member for Waterford Valley.

J. KORAB: Thank you for confirming, so they could be listed now.

Probably my last question. When these two contracts expire – which they will if you said they're typically 25-year contracts – Hydro-Québec would or could renegotiate these new contracts and not NL Hydro, correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that is my understanding, that it would be Hydro-Québec renegotiating those contracts.

SPEAKER: Finished?

J. KORAB: Yeah.

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

Please reset the clock.

C. PARDY: Thank you very much, Speaker.

My hon. colleague, through his questioning a short time ago, talked about the debt balloon at the end, and he mentioned about the \$5 billion approximately at the end. Is it not negotiated in this current agreement that it is capped at \$5 billion? Would you be aware of that or would that be one that I would ask the negotiating committee?

SPEAKER: Mr. Koval.

T. KOVAL: Mr. Speaker, can you please clarify that question.

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

C. PARDY: We were referencing the debt balloon with the 2 per cent escalator that the previous MOU had and the \$30 billion that would be greeting us at the end of the agreement. In this new agreement at the end, I think it was stated yesterday and earlier today here, that we expect probably about \$5-billion outstanding at the end of the PPA.

My question would be: Is the \$5 billion capped? That means it's maxed, it's a ceiling.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I would say that in the current agreement the amortization profile is known, that's 65 years. The PPA length is known at 50 years. This debt balance would be expected to amortize on a straight-line basis. So it would be just math as to how much debt would be on the project at year 50, which is the balloon date, if you will.

The \$5 billion, as an example, is obviously going to depend on the ultimate capital cost of the project. For that we have estimates now, but we obviously don't have certainty

about the capital cost and therefore what the 75-25 capital structure will actually result in that debt balance being at year 50. I think that your example is the way that we understand it, Mr. Speaker.

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

C. PARDY: We had mentioned about that we are an off-taker on Gull Island and you had mentioned that the way it is, the way it follows is that we're doing the cost of service model, which is the industry standard. We're doing that.

A 16-per cent risk, we have minimal risk with Gull Island, I think that's what you referenced earlier, very little risk.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Speaker, yes, I do see the risk as minimal with Gull Island. It's obviously a very large project that does carry a lot of development risk, but almost all of that development risk is borne with Hydro-Québec. The \$3.5-billion development fee, as you know, the first billion is guaranteed and actually has no risk to it from the province's perspective. Operating costs are a passthrough and financing costs will be minimized as we have previously discussed.

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

C. PARDY: Thank you, Speaker.

I just want to go back to the 2 per cent escalator. At the end, we said it's the \$30-billion debt for our future generations in Newfoundland and Labrador. Give us what it's going to look like, what it would have looked like at that time with that 2 per cent escalator clause that you weren't in favour of, but the government of the day was. Tell us what percentage and what the debt load would've been on the residents of Newfoundland and Labrador and the future

generation when the PPA ended. Who would be responsible for that debt that would be anchored?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: At the end of the PPA, it would be uncertain as to who was going to benefit from the power, whether there would be a new PPA at that time, after the initial PPA had expired, that's uncertain. It's very difficult to say. It's quite a difficult question to answer.

Another consideration that's relevant is what the price of power is going to be in 50 years' time. It's very difficult to opine on that. What the value of the asset would be in the market at that time. These things are difficult to estimate. I find your question hard to answer.

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

C. PARDY: Hopefully, this will be an easier one, Mr. Speaker.

Is it your opinion that the government of the day, under the 2024 MOU who made the decision, did they ignore your advice on the 2 per cent escalator?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

I would say that our preference, our advice, for something other than the 2 per cent escalator with the capital structure that had been negotiated, it was clear to the government of the day what our position was. I can't say that they ignored our advice exactly, but our advice and perspectives on this issue, obviously, were not followed, were not adhered to.

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

C. PARDY: You stated your opinion clearly – I asked that question – on the 2 per cent escalator that it wasn't in the best interest of this development?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker.

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

C. PARDY: My follow-up would be, would you know what the government of the day, their motive would have been for wanting the 2 per cent escalator, knowing, against your financial advice, that it was not in the best interests of the residents of Newfoundland and Labrador?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

It just falls outside of the scope of our work as a financial advisor. If I were to answer the question, I would be speculating and I would really prefer not to speculate in this House.

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

C. PARDY: So a question, under the MOU, how was Hydro going to fund its share of the equity?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Just to clarify, the question pertains to Gull Island, I am assuming.

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

C. PARDY: Yes.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, the equity that NLH will be investing in Gull Island, in the Gull Island development, will come entirely from a development fee that is going to be paid by Hydro-Québec to NLH.

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

C. PARDY: Can you speak to how, under the 2024 MOU, Hydro was going to fund its share of the equity?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, it was a consistent way, so the same way that I just mentioned under the current agreement.

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

C. PARDY: We will have a 60 per cent interest in Gull Island, when it is pretty well paid fully, for our future generations, correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, that's correct.

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

C. PARDY: I would ask, Mr. Speaker, can our 60 per cent interest in Gull Island be diluted in anyway in the future?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, the question is in part a legal question – I'm not a lawyer – but from my perspective as a financial advisor, I'm not aware of the ability for the province's equity interest to be diluted.

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

C. PARDY: Thank you very much, Mr. Speaker.

Let's say if indeed Gull Island costs more than \$29 billion to build, who pays for that extra cost?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, Hydro-Québec has agreed to pay the cost.

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

C. PARDY: Would the province have to guarantee any of this borrowing?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, no.

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

C. PARDY: I just want to ask for the record and for those that would be watching at home, because prior to yesterday, for quite some time, even in news releases, the 2 per cent escalator was one of the big critiques about this particular deal. I just want to be clear that you did recommend to the government of the day that this would not be your preferred choice in moving forward – the 2 per cent escalator.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that is correct.

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

C. PARDY: What is the purpose of the financing policies in Annex I in DCIA?

SPEAKER: Mr. Koval.

T. KOVAL: Thank you, Mr. Speaker.

There are two financing policies documents in the DCIA. One of them is related to Gull Island and it sets out a number of principles that both HQ and Newfoundland and Labrador Hydro have agreed to, that they agreed to follow during the construction of the Gull Island generation facility as well as during the initial 50-year PPA term. Then those policies would no longer be active after the PPA period expires.

There's also a second set of financing policies related to CF(L)Co and they also generally govern how any sort of financing would occur at that entity.

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

C. PARDY: What's the benefit of assuring that we have the right financing policies? What is the benefit in this agreement of making sure that we have sound financial policies? I ask that question to make sure of the protection of the interests of Newfoundlanders and Labradorians.

SPEAKER: Mr. Koval.

T. KOVAL: For Gull Island, Hydro-Québec will be leading both the construction and the financing. Those sets of policies are meant to, in a way, be guardrails for Hydro-Québec to follow, to ensure that the province's interests would be protected. Again, these are a set of principles that both parties have outlined.

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

C. PARDY: Another thing that has come up in the past is that we maybe at risk of losing control of the Gull Island entity or CF(L)Co under these policies and the governance principles in Annex K.

Your response to that?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that again is a little bit more of a legal question, us not being legal experts, lawyers.

As financial advisors, we haven't seen any risks that concern us about the province losing its equity interests or dilution, as I said earlier, of its equity interests in Gull Island.

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

C. PARDY: The IRC report stated: "Both the negotiating team and its expert advisors advised the government not to require a 2% price escalation" clause in the MOU. That's the 2024 one. Again, for the record, do you agree with that statement?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: We met with the IRC multiple times, answered their questions of us, both orally and in writing. I recall that question coming from them and I gave the same response that I gave earlier in this House.

SPEAKER: Thank you.

The minister's time has expired.

The Speaker recognizes the hon. Member for Lake Melville.

K. RUSSELL: Thank you, Mr. Speaker.

Speaker, the Government of Newfoundland and Labrador, we've got the option to keep the allotted power for domestic economic development or we can sell it. Did J.P. Morgan quantify the financial cost to the province choosing the domestic use rather than selling that to Hydro-Québec?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that was not part of our mandate as financial advisors to NLH.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: So we have no idea what revenue or premium is forgone for each material block of power retained for domestic use, say for in Lab West?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, it just wasn't part of our mandate. We just couldn't speak to that.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: Very interesting.

Hydro-Québec is ready to pay 150 per cent premium if we don't use that power in Labrador, say, for example, we want to use that in Lab West. Did you guys model, I guess, how that premium affects NL Hydro's incentive to use the electricity at home?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, we did not analyze that. It was not part of our mandate.

SPEAKER: The hon. Member for Lake Melville.

K. RUSSELL: I was just wondering if we have any costing associated with the opportunity cost of using our own power inside or outside, selling inside or outside?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, there may be. Again, I apologize, it just wasn't part of our mandate here at J.P. Morgan.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: Another question again.

If we use the power domestically or if we sell it all, we haven't had any scenarios costed to effect the \$49-billion NPV, that assumption?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, certainly, we ran, as part of the modelling part of our mandate as I described earlier, a tremendous number of scenarios on it with various inputs. But sort of a broader economic analysis of the use of the power within the province at various industries, or selling the power to other markets was not part of at least the modelling that we at J.P. Morgan did.

Our observation is that the ability to sell excess power back to Quebec at that premium price just in and of itself has real option value to the province.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: Let's just say for example, if the demand across Labrador and the Island grows faster than expected and we want to retain more of that for our own residents, how much would be calculated that NPV of it would fall?

SPEAKER: Mr. Koval.

T. KOVAL: Thank you, Mr. Speaker.

I would just like to note that out of the \$49 billion of value that is eventually coming from this deal, approximately \$3.5 billion of that is related to the premium sales that we're discussing here. If you don't sell any power back to Hydro-Québec, absolutely zero, that would be a \$3.5-billion impact to it. So depending on how much power is

going back, it would be between zero and \$3.5-billion impact.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: I guess in 2025 you guys told the House that 50 years was a reasonable contract length for that contract and I guess that's still the same for us. Being that it's the standard if you will. On what financial basis can this House be guaranteed that 50 years maximizes value rather than just being common in the marketplace and what Quebec wants?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, it's very difficult to sit here and be certain that any one course of action necessarily maximizes value in such a long, long, long time frame. We routinely give advice to all sorts of clients and we, obviously, don't forecast the future power prices or interest rates or demand for electricity.

The contract term for this asset, if the Member is speaking about Gull Island, yes, we believe that a 50-year PPA is customary and, as I think people know, Hydro-Québec pushed very hard for a longer PPA than 50 years. With respect to CF, yes, 50 years but they have 15 years remaining. I think one needs to think about it in that context. They have 15 years today, so it's an extra 35, approximately, years beyond that.

For an asset of that size, that scale, there's a real practical system-planning need to know whether they're going to have that resource, and that's one of the reasons why an off-taker for such a large volume is going to push very hard for a longer PPA term because they need to plan their system, as any utility would.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: It's very hard to build anything in Labrador, a very rugged place. If we had delays, let's say, we go ahead right now, if Gull is delayed, I don't know, five, seven to the maximum 12 years, how does that affect our NPV?

SPEAKER: Mr. Koval.

T. KOVAL: Thank you, Mr. Speaker.

If there are delays to the start of commercial operations for Gull Island there, of course, would be change in allocations of power between Newfoundland and Hydro-Québec and I believe those are set out in Annex B, if I'm not mistaken, of the DCIA.

Then, of course, if the commercial operations start up a little bit later, there will be a delay of receiving those dividends that you would have expected to receive and be the impact from that.

SPEAKER: The hon. the Member for Lake Melville.

K. RUSSELL: No, that's fine for now.

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

J. HOGAN: Thank you to the government side for staying on this side of the House.

The Member for Lake Melville just had some questions that overlap with mine, so I'll see if I can just fill in some blanks. I think he asked about the \$3.5 billion; I didn't quite hear the answer. The question was if none of the power was sold at the premium price, how would that affect the \$3.5-billion NPV? I think that was the question and I didn't quite hear the answer.

SPEAKER: Mr. Koval.

T. KOVAL: If I just look at the upper and the lower bounds, so currently in the values that were disclosed, all excess volumes above the 525 megawatt hours are assumed to be

sold back to Hydro-Québec. The value of that is \$3.5-billion NPV, and then if we assume that Newfoundland and Labrador Hydro keeps all of that power, well, of course, that would be zero NPV. So depending on how much power you choose to sell to Hydro-Québec under these arrangements – go ahead, Jon.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I just wanted to add one thing to my colleague's response. So the extent to which NLH would keep the power, not resell it at the premium pricing, it may have that impact on NPV, but that's one-half of the economic equation. Of course, the other half would be what that power is doing for the economy of the province.

J. HOGAN: (Inaudible) I understand the concept very well of using power domestically will affect the economy and that's great, but I'm curious about the value –

AN HON. MEMBER: The rules say that he could finish, right? He wasn't.

SPEAKER: Were you not finished your response? I thought he was finished his response. It's difficult to hear, to be honest with you.

AN HON. MEMBER: He said he was finished.

SPEAKER: Anyway, he just said he's finished.

The hon. the Leader of the Official Opposition.

J. HOGAN: So do you know the maximum number of megawatts that could be sold under the premium pricing provision? Sorry, Speaker, I'll ask them if they can answer that.

SPEAKER: Mr. Koval.

T. KOVAL: Thank you, Mr. Speaker.

I believe the values outlined in some of the public disclosure, it is potentially the full allocation from Churchill Falls to Newfoundland and Labrador Hydro. Although I'm aware that some power will likely not be subject to those sales because it is needed to domestic use. I believe the number that is expected to be used domestically is 525 megawatts. That full block will likely have to be kept in the province.

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

J. HOGAN: Thank you, Mr. Speaker.

I think the number is 1,630 megawatts we will, potentially, get from Churchill Falls. So 1,630 minus 525, does that number sound about right, 1,100-odd megawatts available for the premium pricing?

SPEAKER: Mr. Koval.

T. KOVAL: That's right, Speaker. That number sounds about right.

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

J. HOGAN: Just a question then. We have a three-year obligation to book any of those megawatts to get the premium pricing, and we talked about, I think, some evidence today was that's a fair timeline. You know three years in advance if a mine is going to come online. As the Member for Lake Melville said, Labrador can be difficult sometimes to build things and get things finalized on time. We certainly saw that with Muskrat Falls.

So in the event it is anticipated that a mine is going to come online and the power is booked for three years in advance, my understanding is then that is booked and then let's just say something goes wrong with the mine, maybe it's late, maybe it's not

going to happen at all, would Newfoundland and Labrador Hydro then be in the position that they booked power or they plan for power that they don't need and what happens then to that power?

SPEAKER: Mr. Koval.

T. KOVAL: In a scenario where that would occur, Newfoundland and Labrador Hydro would have the option to sell that power to Hydro-Québec at 95 per cent of its cost or a 5 per cent discount.

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

J. HOGAN: In that scenario, the Government of Newfoundland and Labrador would have theoretically secured more power that we booked for our needs that we don't use and then we're selling back to Hydro-Québec at a discounted rate; is that correct?

SPEAKER: Mr. Koval.

T. KOVAL: It is a possible scenario, and that could happen.

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

J. HOGAN: Thank you, Mr. Speaker.

I just want to go back to questions the Minister of Finance was asking about the debt balloon at the end of the Gull Island 50-year PPA. Can you just confirm that regardless of whether advice was given – well, advice was given, but regardless of the status of that advice built into the MOU in 2024, obviously definitive agreements have not been finalized and the final results of what that Gull Island financing would have looked like could have changed between the signing of the MOU and the signing of definitive agreements.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I'm sorry, Mr. Speaker, I didn't actually get the question.

SPEAKER: Okay.

The hon. the Leader of the Official Opposition.

J. HOGAN: The final financing structure for Gull Island obviously hadn't been concluded. So it could or could not have included that 2 per cent escalator. Is that fair?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, I suppose that's fair. But, again, I do put it in the category of speculation.

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

J. HOGAN: Just to confirm, there is no escalator for Gull Island in this agreement. Is that accurate?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, that is accurate. Under the cost of service methodology, there is no built-in escalator, as we've discussed.

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

J. HOGAN: What is either of their understanding with regard to the Independent Review Committee's recommendation about using nominal dollars versus NPV?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I think the IRC in its report expressed an opinion that sort of headline financial values are best expressed in an apples-to-apples way as NPVs as opposed to nominal dollars.

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

J. HOGAN: When we hear about the debt being \$30.8 billion, would that be nominal or NPV?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that was a nominal dollar amount at year 50.

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

J. HOGAN: We are just hearing different things that I feel is confusing to the public, so anybody using the \$30.8-billion debt to describe it would be going against the recommendations of the Independent Review Committee; is that fair to say?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: It is highly unusual to talk about a future debt balance in NPV terms. It does make analytical sense, but it is just unusual. I think when people think about a debt balance in the future, they honestly, typically, think about it in nominal terms.

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

J. HOGAN: Thank you, Mr. Speaker.

Just a couple of final questions. The \$30.8 billion nominal would be \$1.0 billion in PV. I will just read out what the Review Committee says.

“At the end of the 50-year PPA, due to both the 2% revenue escalation and the misaligned 65-year amortization and PPA periods, there will be a debt” of \$1.0 billion. So are you able to allocate how much of the \$1.0 billion would be for the misalignment and how much would be for the escalator?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, we would have to do some quick math, and I don't think we're quite equipped to do that, but the unamortized debt balance would be 15/65ths of that nominal number, though, discounting cash flows isn't linear so it's not exactly that, as hopefully you can appreciate. The NPV citing of \$1 billion or so sounds about right, 50 years down the road depending on the discount rate you used.

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

J. HOGAN: Thank you, Speaker.

If you do that math, of course, it lessens the billion dollars and, pretty obvious, but only 60 per cent of that debt, whatever that number is, would be the responsibility of NL Hydro. Is that correct?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, I think that's correct.

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

J. HOGAN: So that number was certainly different than the \$30.8 billion that we've been hearing in the public and in the House of Assembly; is that fair to say?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, again, we're talking about present value versus a future value or a future nominal number. So they're definitely different because we're talking about a timespan of 50 years of discounting or compounding.

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

J. HOGAN: Last question.

I understood you didn't have the numbers for Gull Island, which is disappointing, I know you said you'd make best effort to get us that information. We're now in day two of the debate and we don't have the pricing structure for Gull Island. I'm sure everybody can understand why that's frustrating. On top of that, we asked for those numbers on August 18, at a technical briefing, and we asked for those numbers on September 8, as well at a technical briefing. So this is the third time we've asked for those numbers and we don't have them.

We're talking about the costing of Gull Island and the Opposition does not have the numbers to ask questions to J.P. Morgan, to ask questions yesterday to the negotiating team and to ask questions to Power Advisory about those numbers. I think everybody can understand that's very important.

We've been saying all along that that number goes down over time. You can understand why we want to talk about it, and without providing it, again, this goes to trust, transparency and openness, the fact that it's not being provided certainly raises issues and why the public should see it.

Thank you very much, Speaker.

SPEAKER: I just would remind all Members that this is a question-and-answer session for our guests, with our guests.

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

C. PARDY: Mr. Speaker, just to wrap up with a little review and maybe a couple of additional questions.

The Leader of the Official Opposition referenced about the debt balloon; I know he had discussed that there. But I would ask our guests from J.P. Morgan, would not the Gull Island asset, with no money from Newfoundland and Labrador and very, very little risk, at the end of this PPA, would it not

be a tremendous asset for our future generations?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I do see a lot of value in the 60 per cent equity ownership of Gull Island at that period of time.

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

C. PARDY: Just a quick question.

The Leader of the Opposition had said that the 2 per cent escalator was in the definitive agreements in negotiations. Could it be conceivable that it would be settled in definitive agreements? I would say that once it's in the MOU and it's sent to definitive agreements, there is probably little chance of it changing into definitive agreements because I would assume the definitive agreements are there to settle the MOU.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, I have that in the category of speculation so I prefer not to speculate on that.

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

C. PARDY: My final question is related to Gull Island. My hon. colleague had asked about the NPV for 2024 or the amount of debt that would have been outstanding or left over in 2024. Can you give us the comparison between the NPV for 2024 and 2026, the new agreement, what the amounts would be at the end? An estimate?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, our apologies, I don't think we have it with us just now.

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

C. PARDY: Before a couple of review questions, I would ask, is this a better financing model, Mr. Speaker, this current agreement, than the 2024 MOU?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, the answer is yes.

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

C. PARDY: Just to recap for our viewers that are watching at home, what risk do we have with Gull Island? I know that you've answered that earlier, but if you could just summarize with a few quick sentences on what the risk associated with this massive investment that, at the end of the PPA, we're going to have a tremendous asset for future generations, paid for, not by the residents of Newfoundland and Labrador, but by our Quebec friends.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, I think the key risk is that the asset is not actually built. The Province of Newfoundland and Labrador only receives the first billion of the development fee. That's the biggest risk that we see.

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

C. PARDY: I would conclude there, but I thank our guests. I know that when we look at J.P. Morgan, they are global, financial leaders and we appreciate their expertise in this Chamber and thank them very much for their indulgence.

Thank you very much.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: One question, Speaker.

It has to do with the 2 per cent escalator, something I've been trying to wrap my head around since the last debate. I've heard here today from representatives of J.P. Morgan that it's not a preferred choice for a 2 per cent escalator, I think with regard to Gull Island, that there were concerns with this.

I'm just trying to figure out, then, why in the 2025 debate, or when we had the Q & A here, that representatives of their firm did not raise that in the House of Assembly because we heard nothing – not that I can remember anyway – that there was any concern with the 2 per cent escalator clause, because that would have certainly helped me make a decision.

In 2025, I guess, what I'm asking is there was no concern raised, now there is a concern. It's not the preferred choice. I would have appreciated knowing in 2025 if it was not the preferred choice and if there was another.

I'm just trying to wrap my head around the two different – the change or the conflicting –

Thank you.

SPEAKER: Are you finished with your question?

J. DINN: Yes.

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

At the time, from our perspective at J.P. Morgan – the two of us weren't here at that time – as we've said, did counsel our client that it was not the preferred way, certainly

not the market accepted way, to finance such a large project. The necessity or the deemed necessity of that as being fundamental to the deal was very apparent to us at the time.

How did we get comfortable with it? Well, at the time, we ran scenarios of potential future asset value using long-term estimates of power pricing that were developed by others but modelled by us. Based on potential forecasted future power pricing at year 50, notwithstanding a debt balance of \$30 billion, you know, you were looking at the potential for an asset value as being well in excess of that number.

There are many assets that are financed in this industry where financiers, lenders, look at the loan-to-value ratio to get comfortable with their credit quality at that point in time. So it's not generally preferable, but that was the way that we looked at it at the time.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: I guess J.P. Morgan wasn't comfortable with it at that time but they became comfortable with it because of the models that they ran?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, it wasn't our decision, I just want to be clear. We were counselling our client and running scenarios and presenting that work to our client. As the role of a financial advisor, it's on us to provide financial advice and financing advice and that is what we did.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Is this something that it would have been the responsibility to bring up during, I guess, a question session like this that would have helped us make the decision or is this something that would

have only been in confidence with the client?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I would not want to speculate on that. I do, though, just want to say that Hydro-Québec, as 40 per cent owner of the asset, also has a very material economic interest in the solvency of this asset. Even in the 2 per cent scenario, which is a different model as we have been through quite extensively in this scenario, they got comfortable with it, clearly, because it made it into the MOU.

Yes, while the province is the majority owner, a 60-40 split, certainly they were also able to get comfortable with that capital structure.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

J.P. Morgan has not raised any concerns with the current approach?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Mr. Speaker, that is correct.

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Mr. Speaker, one final question. If I understood it, you met several times with the Independent Review Committee and J.P. Morgan is indeed one of the experts that they consulted. We have not been able to find that out, but would it be fair to say that J.P. Morgan did, in fact, meet with the IRC?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Yes, Mr. Speaker, as I mentioned earlier, we did have multiple discussions with the IRC and responded to

their oral and written questions before they published their report.

SPEAKER: Are you finished?

The hon. the Minister of Energy and Mines.

L. PARROTT: Thank you.

The 2 per cent escalator, was it something that the government of the day recommended to you guys or was it something that you brought to them?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: Thank you, Mr. Speaker.

We did not bring it to the government of the day. It came from our client at the time.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: Would it have been your opinion that the 2 per cent escalator was put in place so they could avail of funding early in the project?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I apologize, Mr. Speaker, I would just be speculating if I answered that question.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: We're open to speculation.

SPEAKER: That's not a question.

The hon. the Minister of Energy and Mines.

L. PARROTT: The Leader of the Opposition stated earlier that it wasn't in concrete in the contract, the number they brought to the House was \$33.8 billion as a net present day value. If the 2 per cent escalator had to have been taken out of their MOU, what

would that \$33.8-billion number have looked like? How much lower would it have been?

SPEAKER: Mr. Dickman-Wilkes.

J. DICKMAN-WILKES: I think on this one of the \$33.8 billion, certainly the NPV of Gull Island was a small minority of that value. I don't have the number at the top of my head. I'm just looking at my colleague.

Okay, we don't have the number at the top of our head. It was a relatively small part of the \$33.8 billion.

SPEAKER: The hon. the Minister of Energy and Mines.

L. PARROTT: No more questions; I would just like to thank the gentlemen for coming in here today and presenting the facts as questioned.

Thank you very much.

SPEAKER: Thank you.

Given the hour, we're literally less than a minute to go, so I, too, just want to thank you two gentlemen for coming in and for providing answers to the House of Assembly and, as I said before, indeed to the people who are watching across our province, I am sure they are.

Thank you very much.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: This House is now recessed until 6 p.m.

Recess

The House resumed at 6 p.m.

SPEAKER (Lane): Order, please!

Admit strangers.

I guess just to quickly see where we're to with today's activities. We're going to welcome back members of the negotiating team: Ms. Williams; Mr. Perry, the lead negotiator; and my former colleague, Mr. Kennedy. We will go until 8:15 p.m., then we'll take a short recess, and then we'll go into Question Period.

The same rules as have applied all along will continue in terms of the one minute to ask a question, unlimited time for the panellist to answer the question and direct questions to the Speaker. I would ask the panellists that whoever is going to answer the question, if you could just raise your hand so I can identify you, not just for my purposes, but so that the people down in the Broadcast Centre can turn on your microphone.

With that said, the hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I want to start off my line of questioning this evening addressing them to Mr. Kennedy. I want to talk about compliance with the IRC report. One of the things that was part of the negotiation strategy was to make sure that we use the IRC report as a framework for the future negotiations.

In terms of the recommendations of the report, I'd like to read out the recommendation and then, maybe, Mr. Kennedy can expand on exactly what and how it was followed.

Recommendation 1 said: "The Government of Newfoundland and Labrador should determine ... the extent to which power generation from the Churchill River should provide financial versus economic value to the province over time."

SPEAKER: Mr. Kennedy.

MR. KENNEDY: Thank you, Mr. Speaker.

Let me start, Mr. Speaker, by saying that this report by the Independent Review Committee was one that we took very seriously. The Premier indicated that he wanted to use it as a framework for negotiations and we went through the report in great detail. I think one of the witnesses earlier today talked about the MOU being a foundational document in terms of the new negotiations.

The Independent Review Committee, made up of three very qualified individuals, stated a number of times in their report that even though the MOU, as it was written, was not in the best interests of the people of the Province of Newfoundland and Labrador, the recommendations addressing the concerns outlined in the report could lead to a revised agreement. That's how we approached it.

So then if you look at Recommendation 1 – if you actually look there are about 40 pages in the report that is the key part, the body of the document, and, of that, there is close to 25 per cent of the document that deals with the need for power and mining in Labrador. This was before the federal government were involved.

One of the things they indicated or suggested was that there needed to be a decision made by government as to whether or not you would look for financial value, which would be exporting or selling power to make money, or for economic value, which would be in the province over time and investing and using power for mining and other industrial purposes. In terms of using the framework, what we tried to do was craft a strategy whereby we got both. In other words, how do we get maximum financial value and still make sure that we can have the power for the economic opportunities?

That's why, Mr. Speaker, we've talked a lot about the premium tranche or the premium pricing. That's one of the reasons it was so important. I think the word that's been used a lot – I think Mr. Perry might have coined

the term, but it's been used a lot – is optionality, is that we can use the power – and there is more power – in the province or we can sell it outside.

We feel, Speaker, that as a negotiating committee that we certainly did our best to comply with Recommendation 1.

SPEAKER: Thank you, Mr. Kennedy.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Following up on that, so the idea is that the optionality that we have is, right now, if Newfoundland and Labrador Hydro sells all of the power into the premium tranche, we get X amount of dollars, but if we don't sell any into the premium tranche because we're using it all, there's a significant value to the fact that it would mean that our industries are moving and we're hiring more people. Would that be a fair assumption?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Speaker.

In fact, the Independent Review Committee stated – I think it was at page 34 of the report – that the long-term economic benefits of mining in Labrador could provide more value to the province than the financial benefits of power to external markets.

That's a little bit counterintuitive, Mr. Speaker, to the average person, perhaps, or to me, because we've grown up with the thought that Hydro-Québec has made all of this money so we can do the same. So it was quite enlightening, and even a little bit almost startling, to see that the Independent Review Committee were taking such a long-term view in terms of the contribution to GDP over an extended period of time.

So that's the basis upon which they seemed to make that recommendation. Again, I

indicated that's one that we followed closely and that's one that we really concentrated on attaining as much power as we could.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Recommendation 2 was about the sanctioning and support of the Labrador West transmission line. Maybe you could expand on that one.

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

Initially when I read that, I was a little bit thrown off because how did it fit within the mandate of reviewing of the MOU? Then when I thought about it and when I read what the Independent Review Committee had written, it certainly made sense. However, the question was, how do we get this Labrador West transmission line? Because it is nothing to do with HQ, per se, because the power would be used within the province.

Sometimes there is a confluence of events that happens that makes the time right for events to occur. When we had the MOU, we had all the background information done there by the experts, we had this lengthy debate in the House of Assembly, which we could go to, then we have the Independent Review Committee report. So I think as Mr. Perry indicated yesterday, a lot of the groundwork was done for us.

Then, when the federal government came on the scene and the whole issue of critical minerals, which we have heard so much about in the last year or couple of years – we have always known about the iron ore in Lab West. Ms. Williams and the people at Newfoundland and Labrador Hydro had always emphasized the need for this Labrador West transmission line, as opposed to the line from Gull Island to the

Quebec border. So when the federal government came along and they put approximately \$300 million in ITCs, we were very pleased. That's what allowed us to comply with Recommendation 2.

SPEAKER: Thank you, Mr. Kennedy.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

The third recommendation is one to build respectful relationships with Indigenous communities. Can you elaborate on that and what exactly the negotiation team did in terms of that?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

One of the things that we did – and I had been familiar with it in terms of some of the members of the Innu negotiators from back in the Muskrat Falls days – we reached out to have a discussion fairly early on in terms of indicating to them what was happening.

I went through my notes and the first meeting we had with them was July 24. There were at least four members of their land claims committee, their three external advisors and we had a discussion for about an hour and a half. We gave them details as to where we were and started talking in a more general way at this point as to the potential benefits for Innu Nation.

So then a couple of weeks later, on August 4, we met with them again and we gave them some more detail. At this point, we indicated to them there are real opportunities here in terms of the federal government, the opportunities for Innu Nation to take equity stakes in transmission lines in the wind project. Then as we got closer, Mr. Speaker, towards the agreement – I think the agreement was August 17, I'm not sure, but I know that around August 13

we're still arguing over the last few lines in the – when I say arguing, I mean we were arguing over the last few lines in the agreement.

The next day, we met with the Innu and said, look, there's a tentative agreement reached and we'd like to tell you what's going on. So we had, again, the same group of people; we had a very frank discussion with them.

It was a little bit complicated, Mr. Speaker, in that their election for Grand Chief was going on at the time, so we didn't have the opportunity to brief the Grand Chief as to what was happening. Over that weekend, prior to the announcement, I think it was on a Monday, on a Sunday we sent the – I think this is correct – DCIA to them and to their advisors to look at. So we reached out and had discussions with the Innu Nation.

We realize, Mr. Speaker, that there are still issues there to be resolved. We realize that the Innu are very good negotiators and they certainly fight for their rights. We appreciate and respect that, but what we've tried to do as we went through this process was keep them involved.

Now, if someone says, well, why just the Innu Nation? We were advised by lawyers that it's Innu Nation lands that we're dealing with, therefore they are the ones that we have to primarily deal with, although Nunatsiavut would certainly be consulted, and I think NCC, as the process moves on.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Recommendation 4 stated that the Government of Newfoundland and Labrador should rigorously evaluate alternative models for Gull Island, such as a P3 arrangement or participation agreement. There have been questions raised about the 60-40 split on Gull Island. So tell me exactly

how you arrived at your conclusion to continue on with the 60-40 arrangement.

SPEAKER: Mr. Kennedy.

J. KENNEDY: Mr. Speaker, like all the recommendations made by the Independent Review Committee, we took them very seriously and tried our best to comply with them, if it was possible. As I said yesterday, I can't say we complied with – because beyond the recommendations, there are suggestions throughout the report, but in this one, this was a big issue. This was one where they had raised a concern.

There were already two law firms, Newfoundland and Labrador Hydro had Stikeman Elliott out of Montreal, who had been working on this file for a long time and are excellent lawyers, as Mr. Perry said yesterday referring to our province; and then we had excellent lawyers out of McInnes Cooper, here in St. John's, who also did really great work; then Michael Ladha, the vice-president, senior counsel – I don't know if that's the exact term – at Newfoundland and Labrador Hydro, but despite all of that, we said, look, we have to get this issue figured out. How do we do this? Let's find out.

So we went to a law firm in Toronto, another national law firm. Stikeman Elliott and Gowlings are two of the biggest law firms in this country. I have no idea how many people even work with them. So we went to Gowlings. These issues of governance were intense among ourselves and eventually we got to the point where we had two national law firms advising us that, based on the factors in this case, that the joint-venture model was certainly an appropriate model.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Would you consider them to be experts in their field, in terms of their legal advice that

they would provide on this type of modelling?

SPEAKER: Mr. Kennedy.

J. KENNEDY: These bigger law firms, they have within their groups, they have energy groups, they have lawyers who specialize in certain areas. It wasn't that we had any doubt or were questioning Stikeman Elliott in any way, we certainly weren't. But with regard to the seriousness of the recommendation, we needed to have it explored.

Gowling had an energy – I mean these firms probably have 400, 500, or a thousand lawyers. We had some of their senior lawyers look at this and talk to Stikeman Elliott and come back with their opinion. Their opinion was the joint venture was an appropriate model in the circumstances of this case.

SPEAKER: Thank you, Mr. Kennedy.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Recommendation 5, the last one, was the need for a fully articulated negotiating strategy and governance. Again, can you expand on what you did to achieve that or meet that recommendation?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

Again, like other recommendations in the MOU negotiations, there was what was referred to as a principles-based approach where there were certain principles. What the Independent Review Committee said was, you need to flesh out your strategy. What is it you're looking for?

It revolved around the Premier's comments, Mr. Speaker – not comments, his requests –

the main goals of more power, more value and more transmission.

So we actually worked on putting together a negotiation strategy that outlined what we were looking for. We also defined what I'll call our red lines or walkaways; when we were willing to walk away, there were certain things that we would walk away on; and also we looked at that things are going to change.

I mean, negotiations by their very nature, you have to have flexibility. You have to have the ability to go back and forth because there is no one walks in and says this is what we want, and we get it. We had outlined in there that this strategy, even though this is what we're looking for, we recognize that there will have to be discussions and we won't get everything we want, but that would work for the other side also.

With the negotiation strategy, though, there became a reference to the need for governance. There had been criticism of the involvement of the previous government in terms of almost taking over negotiations and usurping the role of the board, so an Oversight Committee was put in place. As Mr. Perry had indicated yesterday, that Oversight Committee, we met with them every week. They asked very pointed, good questions. They had a good mix of people there. It was very helpful to us.

On a couple of occasions, Mr. Speaker, we had changed our approach or adopted a new approach and so what happened was the negotiation strategy was amended, and we would go back to the Newfoundland and Labrador Hydro board and we would go back to the Oversight Committee and explain our reasons why. So we had that aspect of it and then we had the Newfoundland and Labrador Hydro board who were very engaged.

We attended, as the negotiating committee, before them on at least three or four

occasions. Their questions were pointed, they knew their stuff and they were very interested in performing their role. So we felt that, as a negotiating committee, we had certainly complied with the five main recommendations of the Independent Review Committee.

I'll say this, Mr. Speaker, in my mind – again, this was just the way I approached it and maybe it's just the lawyer in me – if you're going to have an inquiry or you're going to have a report, once you get the recommendations, you can't simply say I don't like them; I don't want them. We used this as our guidelines in terms of negotiations, in terms of getting things done, and we were very pleased in terms of the ability to follow these recommendations and to implement them.

SPEAKER: Thank you, Mr. Kennedy.

Premier, your time is up.

The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you, Speaker.

Good evening to the panel.

Most of my questions will probably be for Ms. Williams. I've only got a finite amount of time, so hopefully you can keep your answers as concise as possible. I've received many, many, many questions from the people I represent. Fortunately, I was able to clump most of them in two or three themes.

I represent a land that had been the subject of discussion for years, when it comes to the tremendous amount of energy and resources that area has to offer. But there are a lot of longstanding grievances in Labrador. The word "emotion" has been put on the floor several times the last couple of days.

It is very emotional for people who live close to that area. There's a lot of history with the river, a lot of personal and spiritual attachment. We talk about – okay, I'm going to get right to my question; I got lost.

I want to ask about a transmission line – no surprise to Ms. Williams – has there been any discussion in any circle that you've been in to build a transmission line to the South Coast of Labrador?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you for the question, Speaker.

There's been, I guess, numerous times that a transmission line to the South Coast has indeed been discussed. Certainly, with the more recent issues that we have in one of the communities that Hydro serves in Labrador with the fire from 2019. I think there has been probably conversations over the years, but that's certainly the ones that I'm aware of in recent years.

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you.

Ms. Williams, do you believe that it is feasible that a transmission line could be built to the South Coast of Labrador?

SPEAKER: Ms. Williams, and I would ask to address the Speaker, thank you.

Ms. Williams.

J. WILLIAMS: Thank you for the question.

As an engineer anything is possible. I think the question – sorry, am I okay?

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: I missed the answer, I'm sorry.

SPEAKER: No, I thought you were answering the question.

J. WILLIAMS: I thought I was too, but then I saw motion. I thought something was happening.

SPEAKER: I'm finding it difficult to hear you, I have to be honest. It's really hard to hear you, though.

J. WILLIAMS: I'm really sorry.

I'm going to do my best to speak up a lot better. I was also advised about that by one my colleagues in the back.

SPEAKER: I'm going to get a listening device now; it's going to help me a bit.

J. WILLIAMS: Oh, gosh.

SPEAKER: But that's probably my problem, go ahead. Time is –

J. WILLIAMS: Sorry, I'll start over again, if that's okay.

The question was, is a transmission line feasible to the South Coast of Labrador? Certainly feasibility would be a combination of cost, what your inputs are and, just, is it possible. Certainly it's possible. You can build a line to anywhere.

What we understand is – probably I might be jumping ahead a question – what is appropriate for the South Coast as it relates to unreliable supply. We would want to make sure that from a feasibility perspective, that we are honouring all of the expectations of the people in the region for supply of a transmission line. So the feasibility would rely on what is the expectation of the people in the area as well as the legislative requirements that Hydro has to abide by.

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you, Ms. Williams.

I do appreciate that a portion of this will rest with the government and some, possibly, legislative change. In terms of levelling the expectation myself, my colleague from Torngat, all the communities we represent are on diesel, and we know that we've got Central Labrador, which pays about three cents a kilowatt hour and we pay about 16 cents. So this is where some of the anger, the frustration, businesses paying \$2,000 or \$3,000 a month for just their electricity bill.

Has it ever been discussed that because the numbers are small – you would know the customers. I know the regional facility being looked at is 900 customers. That's half of my district. Has it been considered that given we're talking about a project again that is more than \$200 billion that maybe a subsidy rate could be applied, an MOU2 subsidy rate? Has that been a part of discussion?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

As it relates to future decisions for the revenue that would arise from the benefits of this agreement, that obviously would be a public policy decision if government wanted to allocate some additional funds to deal with either rates in the isolated communities or build additional assets over and above what can be cost justified or generally justified to the Public Utilities Board. So I do think that is an eventual public policy discussion or decision.

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you, Speaker, and I thank Ms. Williams.

In the context of the last couple of days – and we're talking about this tremendous power, global significance, power from Central Labrador, right in our backyard. It's

powering Quebec, it's powering Boston and Massachusetts and on it goes. I'm just wondering if Ms. Williams can tell us what the plan is to get Charlottetown and Pinsent's Arm – in three weeks' time, it will be seven years we've been on mobile units.

It's a very big issue. It's concerning because it's Hydro's obligation to provide reliable power there. I'm just wondering, what is the plan? Is she aware that right now Hydro is gone back to ground zero, a full reset, doing surveys with the seniors in my community, asking them what they would like. It's unheard of.

Thank you.

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker, for the question.

I certainly understand the Member's frustration. I don't live in that remote area. I am living in St. John's where I don't have anywhere near the same concerns about that kind of temporary supply that the customers in that area are experiencing. This has been going on, as was mentioned, since 2019. We've worked really hard to put forward solutions to the Public Utilities Board, and we have not been successful in getting the solution that we believe the evidence shows that meets our obligation to the certain aspects of the obligation.

I just want to make a quick comment on diesel. We are having some early success with regard to different communities where we can institute renewable solutions, in addition to diesel backup. When I think about reliable supply for very remote communities, whether they have a transmission line or not, it's important to make sure that the customers there – and to the point from the Member – is that we are required to have reliable supply and reliable supply has to be available at all times.

At this stage, to have on-demand supply, and at the stage in technology adjustment, there is no great alternative to diesel. That is probably coming over time, but even if you had a very long transmission line just like Marystown, or you think about Port aux Basques, at the end of long transmission lines, you generally have some sort of backup to ensure.

So all that to say is that, yes, we are still without a solution with the Public Utilities Board oversight of trying to find a proper solution for the Member.

SPEAKER: The hon. the Member for Cartwright - L'Anse aux Clair.

L. DEMPSTER: Thank you, Ms. Williams.

What legal guarantees exist in this framework to ensure Labrador consumers and businesses pay a distinct, permanently lower rate reflecting their proximity to the generation source?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you for the question, but if I could ask you to rephrase it. When you say what legal guarantees, I'm not sure I understand the question.

SPEAKER: The hon. the Member for Cartwright - L'Anse aux Clair.

L. DEMPSTER: I'm just wondering if there was anything built into this framework to take into consideration the pocket of people that live a stone's throw – because when you have major resource development, the people who should stand to gain the most, usually are the ones that lose.

That's why my question is has there been any discussion around ensuring Labrador consumers and businesses can pay a distinct, permanently lower rate, in discussions that you've had?

SPEAKER: Ms. Williams.

J. WILLIAMS: As it relates to this file that we're here to discuss, I haven't been involved in any broad conversations around solutions for any specific class of customers. So I think the answer would be, no, I haven't been involved in any conversations specifically for remote customers.

SPEAKER: The hon. the Member for Cartwright - L'Anse aux Clair.

L. DEMPSTER: Thank you, Speaker.

I've heard from many, many Labradorians who feel the 2012 environmental assessment, now 15 years old, given the changing weather patterns, given the tremendously difficult, tumultuous time that we went through, some of us were here at that time around Muskrat Falls with methylmercury, food security, big issue for Indigenous people.

I'm just wondering if Ms. Williams believes that this project is okay to proceed under a 2012 EA.

Thank you.

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you for the question, Speaker.

Yes, we do have an existing release of the project, and the release encompassed both Gull Island as well as Muskrat Falls; but, as we move through definitive agreements and then into execution of the projects, we will certainly be reconfirming that that EA does hold, or if it doesn't, we will have to get that information back. Obviously, where we've just signed this agreement, we have not gone through those processes yet.

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you. I thank Ms. Williams for the answer.

Speaker, it is well documented that if you do not engage Indigenous groups on major developments on their lands, it can lead to uncertainty and heighten the chance for confrontation on the land. We live through that for a long time with Muskrat. We've got to learn from those lessons.

What are the plans to fully include and seek the agreement of Indigenous groups, and I'm including NunatuKavut when I say Indigenous groups? Is Ms. Williams or anyone on the panel able to speak to if they've had consultation already with the three Indigenous groups in Labrador, and will those continue up until whether it's the 31st of December or beyond?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

A little bit of what Mr. Kennedy had to say prior to the signing of this DCIA, we did have engagement with Innu Nation. Post-signing of the DCIA, we have continued fairly detailed engagement with Innu Nation. They are our IBA partners under the release of the Muskrat Falls and the Gull Island project, but we also did have briefings that did have representation from NunatuKavut Community Council as well as from Nunatsiavut.

As we move through various processes, including permitting for example, we would certainly have to consult with those groups, including other Indigenous groups even in Quebec. Those are the ways we have conducted ourselves in the past, even last year when we were getting field work done in Labrador. Those methods, processes and requirements would continue in the coming months and years.

SPEAKER: The hon. the Member for Cartwright - L'Anse au Clair.

L. DEMPSTER: Thank you, Ms. Williams.

When we think about Muskrat Falls, Speaker, not a single kilowatt was allocated to unlock the billions of investments, to allow economic or commercial expansion. Not a single kilowatt for Northern Labrador, for Southern Labrador, just to put it into context. So the importance of Labrador rings hollow when those major developments are there in our yard and yet ignore the region.

Yesterday, Mr. Perry indicated that a block of power was available for the \$8-billion NORAD modernization and Northern Basing Initiative at 5 Wing Goose Bay. I just want to ask Mr. Perry if he could clarify how much power will be available to support this project, and maybe in sort of the same answer, will additional power be available for Upper Lake Melville to sustain future growth? I'm also wondering, where will this power be sourced and will new transmission lines be required and what is the expected cost and who will pay?

Down to the crunch, so I packed a lot in there.

SPEAKER: Mr. Perry.

B. PERRY: Speaker, I just want to revisit what I said yesterday about our initial engagement with Hydro-Québec.

Ms. Williams had been telling me that basically Newfoundland and Labrador Hydro had no incremental power to supply any new businesses in the region. Almost in my first engagement with Hydro-Québec, I expressed a concern about the fact that we had about three or four years in the old MOU where there was no new power coming back to Newfoundland and Labrador.

After we submitted our proposal to Hydro-Québec, in a first proposal coming back they had put in some amounts of power in those four years: 25 megawatts in two years and then climbing to 50. And then we start getting into the higher amounts after that.

I would've used in that argument, obviously, 5 Wing Goose Bay, but the power can be used for other uses, other businesses. That's possible. Off the top of my head, I'm not sure how much 5 Wing Goose Bay needs. Jennifer might know that. But I think that was enough to supply them and maybe then some for some other uses.

SPEAKER: Ms. Williams, did you want to comment on 5 Wing Goose Bay?

J. WILLIAMS: Yeah, I can add a little bit, but we do have some preliminary information from, say, the Department of National Defence that the megawatts that are allocated there would be helpful and in an ancillary, I'll call it, domino effect. So, for example, new housing, those kinds of things, could also be likely absorbed in that.

But if you look at the power allocation again in 2032, we do go up to a significant amount of power. I will double-check on break – or not break. I don't think we take a break necessarily tonight. But I'll just double-check from a transmission perspective, but for the amount of power that we would reasonably foresee in the coming, near term I don't believe we need any additional transmission to be able to deliver that power, so that's helpful.

SPEAKER: The Member's time has expired.

Over to this side, I'm not sure what to call you, the hon. Deputy Premier. How's that?

B. PETTEN: Yes, that covers a lot, yeah.

One of my, I guess, portfolios that fall under me, under Municipal and Community Affairs, is Community Engagement, and engageNL did a piece of work, we had over 700 responses come back. I'm not sure how many questions were up there, maybe a thousand questions. These questions were derived from engageNL, so these questions come from the general public and what

have you, so it's important to get them on the record and some themes, I guess.

One of the first things on the day the announcement was made, was I think someone shared a text with me about: How come Quebec are paying 8 cents and Newfoundland customers pay 16?

I think anyone in this room know that took a lot of legs in the social media world, and for what it's worth, it did get a lot of traction. You can explain that to a lot of people a lot of the times, but, ultimately, I want to ask Mr. Perry, why does Newfoundland customers pay a higher electricity rate than Quebec?

SPEAKER: Mr. Perry.

B. PERRY: Thank you, Mr. Speaker.

Mr. Speaker, Quebec has a very large power system. I mentioned earlier, 40,000 megawatts of hydro. They have the concept of the heritage block, I think it's called, which is essentially power plants that have been paid off over the years. So they're benefiting from, I would say, almost like multiple Churchill Falls in their system. That has allowed them to have lower rates.

The other part of this is they are subsidizing their rates more, as well, from the profits of their power company, so they're making those choices. I will point out that power is made up of three sources: it's the generation, it's the transmission and it is the distribution of power. So when we look at Churchill Falls in the future, we are going to now have this plant that's going to be generating a fair amount of return to the province, so we're going to have some choices that we can make.

The Minister of Finance just announced the plan for a rebate for Newfoundland and Labrador customers of 15 per cent. That's an example of one of the choices, an example of what we'll be able to do in the future to start reducing our power rates and,

hopefully, closing the gap between where Quebec is and where Newfoundland and Labrador is.

I will point out that Quebec will be losing the benefit of Churchill Falls over time as well. They're going to be paying a lot more for the Churchill Falls power. So that's going to put pressure on their rates in the future – start to rise their rates. That aspect, plus our ability to offer some rebates, discounts in our power, starts to close that gap. I would expect, over time, we'll start to see a lower amount of the difference between the two provinces.

Will we ever get to where Quebec is totally? Probably not because they have multiple generation sources that have been fully paid off over time.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Mr. Perry, how did we arrive at the current electricity price that's been established? How was that arrived at?

SPEAKER: Mr. Perry.

B. PERRY: Thank you, Mr. Speaker.

I think this was talked about today with Power Advisory really. There was this work done between the parties about the value of the Churchill Falls contract and there was an agreed upon net present value – \$33.8 billion. We've heard that number and that was based on an assessment of the value of the plant when you take into account export markets, replacement power in Quebec and the heritage block. The combination of all of that determined what Churchill Falls was worth.

So the parties had accepted that number in the old MOU. Then, that was turned into a payment structure over time which became what we call Schedule G. Then, Schedule G, really there was some concepts there,

Quebec was reopening the contract so there was this conversation about there could not be a big increase in prices, immediately, there had to be a gradual return to market pricing amounts in the early years. That's why we started at the 1.8 cents and started to escalate at the 14 per cent per year, to arrive at a price in 2041 of about 11 cents.

The 11 cents you heard today was a good price, a fair price and that price was then escalated by the 2.6 per cent to the end of the contract life. Then, when you look at that Schedule G with those payment amounts and you calculated the net present value, that got you back to \$33.8 billion.

I will say on the recommendations of the IRC that we should smooth those payments. We did adjust those payments. We took some monies from the outer years and brought them more into the middle years, but the overall NPV did not change.

When I got involved with this process and when I really started to understand Schedule G, one of the goals was not to screw up Schedule G because I thought that that was a really good piece of work that was done. Now we did push to get more. We started out the process asking to lift that Schedule G up and we sort of pounded on that in our negotiations.

Ultimately, it led to Quebec putting on the table the premium tranche. But our approach was from a more value perspective to try to lift that overall payment schedule. Ultimately, that sort of ended up with us getting the premium tranche. So that is the origins of that.

Now, what we have ended up with is this pricing schedule that starts out initially at the 1.8 cents, which is up from the 0.2 cents and it escalates at 14 per cent a year to 2041 and continues that escalation of 2.6 per cent to the end of the contract when you include the premium tranche. If you do not include that, it is 2.5 per cent to the end of

the contract. The contract price ends up being about 32 cents a kilowatt hour.

I heard today, Power Advisory saying that pricing in the 2060s in the 20-cent range, which is delivering about \$5 billion a year to the province, was a very good price, I think he said an unmatched price in any forecast. So that was very good to hear.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: How does this proposed pricing compare to electricity market forecasts?

SPEAKER: Mr. Perry.

B. PERRY: I think it compares very well when you look at wholesale prices for energy. Again, it was calculated using the \$33.8 billion of value that the parties had agreed to that was based on an assessment of the value of the Churchill Falls plant.

Hearing today from Power Advisory about where forecasts are, that was good to hear as well. When you get up to 11 cents, climbing up to 20 cents, and it's 26 cents and it's 30 cents at the end of the contract, these are very, very high prices.

You heard the expert from Power Advisory today talking about other prices in Canada on long-term contracts. You didn't hear any price in those ranges. You heard three cents, four cents, five cents. This is a very good spot for the province.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you.

Speaker, I think this was said earlier today, but it bears repeating sometimes because I think these questions, when they come from the general public, it's important to get them out there and we keep hearing the same questions. There's a bit of confusion.

Have electricity prices increased faster than inflation? There are people out there saying they're only 2.6 per cent after 2041. We know that's not accurate, but could you explain or elaborate further on that, I guess, for the listeners out there, explain how the inflation mechanism works?

SPEAKER: Mr. Perry.

B. PERRY: Sorry, Mr. Speaker, I think we could repeat this as much as we can because I guess maybe folks have trouble believing it. There is a lot of escalation that's built into this contract right now: 14 per cent a year for the next 15 years, moving the price from 1.8 cents to 11 cents by 2041, then it goes up the 2.6 per cent a year after that.

That, in any sort of scenario, probably is better than an inflationary increase. That's built in, guaranteed in the contract. Nothing changes that. Then, on top of that, we also have this inflation adjustment formula that if inflation runs hot for a period of time, we get to lift those prices on top of that. So it's additive to the overall pricing.

I think we are protected well in terms of a rising price environment. Hearing again where these prices sit in relation to other contracts in the country today, that was very helpful.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Mr. Perry, these questions are coming out, so they're questions being asked. Who owns Churchill Falls under the proposed agreement?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, CF(L)Co, the ownership does not change from where it is today. In approximate numbers, there are some fractions in here, but Newfoundland and Labrador Hydro, the Province of Newfoundland and Labrador owns 65 per cent and Hydro-Québec owns 35 per cent,

and that is not changing under the new agreement.

Gull Island, by the way, is 60 per cent owned by Newfoundland and Labrador Hydro and 40 per cent by Hydro-Québec. I will point out that transmission that we're building in Newfoundland related to Gull Island is owned 100 per cent by the province.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Could you elaborate on the power we can keep in the province, in Labrador, of course? I think there's a missed point. I think you may have heard it. I've heard somewhere in the debate. A lot of questions in the last two days. The value of having power used in Labrador for a mining operation or what have you – and I don't think that has really been included in the figures that we're looking at with these values. I don't think they're reflected in the – they've been kind of left out. I guess you don't know.

But can you elaborate on what potential that has for, like, the Labrador region? Because there's some conversation earlier this afternoon about the value of coming back and we're not going to sell it to the enhanced price. We're not getting anything. But that's not actually factual. If we don't sell it through Quebec, we're going to use it in Labrador, and there's a value attached to that. Do you want to elaborate on that?

SPEAKER: Mr. Perry.

B. PERRY: Thank you, Mr. Speaker.

We have negotiated a total of 2,750 megawatts of power that we can use in Newfoundland and Labrador. That's up from about 1,960 or 1,990 in the previous MOU. The Churchill Falls component of that, which is another, I think, 1,100 megawatts, we can actually sell to Quebec under this concept of the premium tranche. So we can get 50 per cent more than what's in the

Churchill Falls PPA for that power. That is a really great feature of this new deal and, as I mentioned, the effort we had to create more value came – we created that option.

We valued that, by the way, and the overall deal of about \$3.5 billion of NPV. As part of the \$49 billion, \$3.5 billion is related to that. So one could say, well, if you bring that back to Newfoundland and Labrador, you're not going to get that value. The arguments we would say is, yes, if we bring it back to Labrador to use for mining, it's actually going to be worth more than that, and that's our first choice.

Our first choice is use it in the province for mining, for other industrial development, and we will make more than the \$3.5 billion. But it's good to have the option. We haven't even valued that option over the 50-year life of the contract, this concept that we can actually bring back power when we need it for mining and put it back at the premium price when we don't need it. That flexibility, you heard Power Advisory talk about it today, is very unique. I don't think they've seen it anywhere else and this is not small amounts of power.

Overall, I think we've created this tremendous optionality if we use it in the province, it's always in my mind, probably going to be better. It's going to generate more value than we could achieve when selling it to Quebec and that's going to benefit the province overall.

So, really, what we have to do is get these mines going so we can use this power and, as it starts to come our way in the early 2030s, that the mines are ready to take it, that's got to be our goal going forward. If they're not, we'll keep selling it at the 150 per cent price.

SPEAKER: Thank you, Mr. Perry.

The Deputy Premier's time has expired.

B. PETTEN: Speaker, can we table these?

SPEAKER: You want to table something?

Go ahead.

L. PARROTT: That is the pricing index that you guys were looking for earlier.

Do we have leave to table them?

SPEAKER: Leave to table the documents?

AN HON. MEMBER: Leave.

SPEAKER: I thought the government could do it anyway.

The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you, Mr. Speaker.

I thank the panellists for their time over the last couple of days and into tonight.

I'm going to break this down into three categories. Constituents have reached out to me about some of the discussion that we had here today and yesterday.

My first question, because I don't have a lot of time, Mr. Kennedy was the minister of Natural Resources when Muskrat Falls was sanctioned and approved. It was the PC government that taught Newfoundland and Labrador a very valuable lesson. I think hoodwinked was the Speaker's terms of the day, that the Public Utilities Board should be involved in reviewing future hydroelectric projects in Labrador.

The Muskrat Falls inquiry found that exempting Muskrat Falls in a Public Utilities Board oversight was unjustified and unreasonable.

I'd just like to ask Mr. Kennedy, why would the DCIA make exemptions for Gull Island and Churchill Falls upgrades from any review from the Public Utilities Board, a condition with the deal for Hydro-Québec?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

It's my understanding that this is not primarily a ratepayers' project, it's a resource project, therefore the Public Utilities Board is not involved.

I'm trying to remember the exact wording of Justice LeBlanc's recommendation, but he did recommend that when ratepayers were affected that the PUB should be involved.

You heard today about the involvement of the Major Projects Office; you've heard about the way that the matter will proceed in terms of it's Hydro-Québec who takes on the risk here. So one of the most important aspects, from my perspective, of the report of Justice LeBlanc is, in de-risking projects, he spent a long time talking about overruns, how to involve overruns and basically said that if there is going to be risk for the province, there has to be certain steps taken.

In this particular case, what we've tried to do is follow Justice LeBlanc's recommendation and to de-risk the projects. You'll see that with the wind. You'll also see it with Gull Island. Although, at this stage, I can't say there is no risk with Gull Island. We do have the opportunity, if we so choose, to have no risk. That's the reasoning, I'd say to the Member, for this decision.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you.

We heard earlier today, Mr. Speaker, from Power Advisory Managing Director, Jason Chee-Aloy, and he said that we have lessons that needed to be learned from Muskrat Falls, which I tend to agree.

The Muskrat Falls inquiry – quote – the Government of Newfoundland and Labrador

should have removed the exemption and directed the Public Utilities Board to conduct a full assessment of the project before sanctioning. It further made clear Recommendation 2: 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.

So I ask the negotiating team, any one of them, why they are ignoring this recommendation from the Muskrat Falls inquiry as a direct response to Justice LeBlanc's report called *A Misguided Project*.

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, just to reiterate what Mr. Kennedy said, these projects are export projects. We've contractually mitigated the risk to the province. We have choices. If Gull goes over budget, we don't have to take the power. We would have zero risk to cost overruns. That applies to the upgrade at Churchill as well.

I will say, my understanding is this was the plan under 2024 MOU as well, that the projects would not be subject to the Public Utilities Board. So this is not new in the process that we've been underway here with these projects.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you.

It's not entirely all export, though, I don't think, based on the report. There is opportunity for sale within the province or involvement in the province.

Mr. Speaker, during the first briefing we had, I was a bit surprised to hear Mr. Kennedy talk about the trust factor with Quebec. I just wanted him to expand a little bit further on that because I was sitting there and I was a bit taken back,

considering we're partners in a dance for the next 50 years, at least for the residents of Newfoundland and Labrador. If we don't trust the partner we're with, that's a challenge. That was your words and I just wanted to ask you, how do we square that to at least give me the comfort level that I (inaudible)?

SPEAKER: I would ask that you address the Speaker.

B. DAVIS: Sorry, Mr. Speaker.

SPEAKER: Mr. Kennedy.

J. KENNEDY: I think with those words – I talked about yesterday the historical impact that Churchill Falls has had, our relationship with Quebec in terms of what's happened over the last 50 years. But when I say that, though, I say to the Member, it doesn't mean we can't do business. It means that we're very careful, we're very cautious. We're reading every line so that basically we're trying to ensure that things are being done right.

Now, when I say that, it's not the Hydro-Québec people by the way in the room, I mean they were very professional, very polite. There's nothing with the individuals. It's almost this institution or this conglomerate that we see as the boogiemani here in this province. It's been difficult dealing with them.

One of things I had the opportunity to do was trace the negotiations from day one, as best I could, and to try to get a flavour for how Hydro-Québec were dealing with things. When it comes to trust, prove it. Secondly, when it comes to partner, they're our business partners and we've tried, and they've been very good to deal with, but you have to be careful. They are very seasoned, tough negotiators and we approach it from the perspective that we are going to do due diligence on everything that they tell us or ask us or negotiate with us.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: I'll move on to another topic.

In 2024, Ms. Williams referenced the old MOU Jobs Agreement, the Lower Churchill Construction Projects Benefits Strategy. Is it correct that this agreement already covers provisions for the construction of the project in this province as well as the hiring protocol for up to 100 per cent of qualified Innu Nation members, then residents of Labrador and then residents of Newfoundland? Is that correct?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

Yes, the existing release which then resulted in a benefit's agreement that was written and was applied during Muskrat Falls, that holds. There is updated information with Hydro-Québec being the primary constructor as is included in the DCIA.

But just to pick up on something that you mentioned, it's really important when folks are looking at the clauses in the DCIA as it relates to benefits and hiring, there's a reference to the 85 per cent, but it's really important to read that with another clause that talks about the hiring protocol. To pick up on your language there, if there were 5,000 qualified members of Innu Nation, if that was the peak at the time say, for example, for construction of Gull, that's the only people that would be hired. Then, if there weren't 5,000, but say there were 2,000 qualified and there were 3,000 qualified Labradorians and the total number of jobs that you needed was 5,000, that would be the people that would be hired.

So there is an opportunity for the number to be 100 per cent people from the province, even though it might reflect that there's a minimum or the number is 85 per cent. The more qualified people that we can have

from this province, that's where you can go even further than what's contained here.

So it's really important to read a couple of the clauses together in the benefits agreement. There's new information updated in here that will be reflected go forward.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you.

Thank you for the 85 per cent clarification there. That took away one question I was going to ask.

Premier Wakeham promised a referendum for the DCIA. Is there anything in this DCIA that will ensure that we hit the threshold for the 85 per cent, hopefully, 100 per cent as you mentioned before, to ensure that's covered?

SPEAKER: Ms. Williams.

J. WILLIAMS: I'm sorry, could I ask you to rephrase the question? I'm not sure I understand the question.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

Perhaps without the preamble. It might make it a little easier for her to understand.

B. DAVIS: Is there anything in the contract, or in the DCIA, that would ensure that we hit those targets of 85 per cent, as the floor, I would guess, as you're saying, to the ceiling of 100 per cent?

SPEAKER: Ms. Williams.

J. WILLIAMS: I guess the expectation is that is the eventual agreement. This is the non-binding agreement, then we're going to sign the definitive agreements, but these are the details that we have to abide by and, as the constructor, that Quebec would have

to abide by as well, so those details are the expectations.

I feel I'm not answering your question but

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: There are no penalties associated with not hitting those targets?

SPEAKER: Ms. Williams.

J. WILLIAMS: I probably should've flipped to it, because I do know that there are going to be methods for monitoring, checking, expectations and ways that we will hold them accountable. But right now, not written, as in today, I don't know of the exact penalty, but there is a very clear expectation that we'll be monitoring, measuring, reporting, et cetera, and that was made very clear to Hydro-Québec throughout the process.

As has been very much communicated throughout the province since the announcement, there is significant expectation of everybody here in this province that we're going to maximize not only the jobs worked here, but the amount of people that work specifically on these projects.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you.

Mr. Speaker, the fact that the IRC group – and I know the Premier just mentioned about the IRC a few minutes ago – was paid for by taxpayers, and I've not once had to answer any questions about their research, report, recommendations. It's challenging to say the least. I'm just concerned about the oversight of the group, the challenge function, no accountability.

Does the negotiating committee feel that there would be any value in having the IRC speak to the public?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I spent a lot of time with the IRC report and we used it as the framework to set up a negotiation strategy. I found the report very clear. So from my perspective, it was well done; I don't see a need for further process around that report.

It became a very useful tool, frankly, for us in these negotiations. I think we delivered on the recommendations that were in the report. Overall, I think that process was very good, and I don't see any value of further examination of that. That's my perspective.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: I think you said yesterday, but I just want to confirm it, that you have yet as the negotiating committee to meet with the IRC. I think that was confirmed yesterday that you didn't. But they did form the basis of the foundation of the negotiating process. You didn't feel the need, given I guess the fundamental future of this province being in this deal, to meet with the people that designed your mandate for finding a negotiations deal here?

SPEAKER: Mr. Perry, and I would remind the hon. Member that they're supposed to be addressing the chair.

B. DAVIS: Sorry.

SPEAKER: Thank you.

Mr. Perry.

B. PERRY: Mr. Speaker, I say again, the report was very clear. It had recommendations which we followed. There was no misunderstanding of the direction. The Premier obviously said it was going to

be a framework. We did not say we had to deliver on every one of the recommendations. Because that was not going to be possible, given it a negotiation with Hydro-Québec.

So, no, I don't feel there was a need to have a further process where we would meet with the authors of the report.

SPEAKER: The hon. the Member for Virginia Waters - Pleasantville.

B. DAVIS: Thank you, Mr. Speaker.

The IRC report was 91 pages, 31 footnotes, no bibliography, no appendix of sources of the people consulted – none. They did not audit independently, confirm the numbers that were given to the review. That's their words from their own report.

I'm just wondering, and for the assurance of the public and the constituents that have reached out to me on this very topic, we uncovered today that J.P. Morgan were contacted as one. I would hope and plead, I guess, that the negotiating committee would have some knowledge of who consulted with this IRC group that is putting this deal forward for the future of our children.

It's unbelievable that the Premier don't know. We found out today that J.P. Morgan were consulted. Thank God we found that out today. Maybe we'll find out Power Advisory tomorrow.

SPEAKER: I would ask the Member to get to the question.

B. DAVIS: If you could just let me know, do you know who was consulted?

SPEAKER: I'm going to let Mr. Perry respond.

B. PERRY: Mr. Speaker, it was an independent review report. They were independent. So they had the ability to do their work. If you started to say who are you

talking to, that's not independent. You start out selecting the right people to be involved in it. It seems like they were highly qualified to do the work. Mr. Huskison is familiar to me. He was the CEO of Emera, which, at Fortis, we would've ended up in a lot of the same places over the years, trying to buy the same companies and all of that. I'm very familiar with his expertise.

Michael Wilson was a senior partner with Ernst and Young. The third individual, I can't remember his name now; I'm not as familiar with. But those two individuals were very much experts.

I think that when you do these things, you give them the runway to do it and they produce their report. We've used it in our negotiating process as part of the strategy, and I think, frankly, it enabled us to achieve very good outcomes for the province in certain areas.

SPEAKER: Thank you, Mr. Perry.

Over to this side.

The hon. the Deputy Premier.

B. PETTEN: Mr. Perry, I just want to ask some questions on the transmission access and external markets.

These are questions from the public, so they are important to get it out as I repeated before. Will Newfoundland and Labrador have direct access to external electricity markets?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, we will have our existing reservation, 265 megawatts, that we can still export through Quebec into markets. We also now will have these three other choices: synthetic and being able to access the Champlain Hudson Power Express line and the New England Clean Energy Connect line, I think it's called – one

into New York and one into the Massachusetts area.

Yes, we continue to have that access.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

I'm not going to hold you to the answer on this, but it's a question and I've heard some over the last day and a half or two days. The price that Quebec is getting on those lines that we're going to avail of now if we use them, in your professional opinion, because you've got a lot of experience with transmission, are the prices they're getting good in comparison to what the established price is – is that good pricing?

I'm a layman to this stuff. The general public are asking these questions. Are we getting the near maximum value for that transmission?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, a good question. Let's just use the Champlain Hudson Power Express line. The price that Quebec is getting is in cents per kilowatt hour, 9.75 cents US per kilowatt hour – megawatt hour it's 97.50 but kilowatt hour 9.75 cents. That price is escalating by about 2 per cent a year over the life of the contract.

Now, they're not getting that full price net back to Quebec. The net in their pocket money is not that price. They have to take off the cost of transmission. When we're going on that line, we're going to get our 97.50. That's going to keep going up by 2 per cent a year and we're going to have to pay for our transmission access through Quebec. I think that's running about \$8 a megawatt hour right now. Then we have to pay for the transmission in the New York side.

I think that's about 40, in these kind of numbers. So net back we're getting about,

probably in US, five cents or six cents, which is maybe eight cents Canadian. Which, by the way, when you think about the early years of the Churchill Falls new contract where we're starting at 1.8 cents and going up, our choice is going to be on that line to get that increased price.

That's the value for us of having negotiated those options to be on those lines. They're going to be better for us in the early years of the reopened contract until a price in the contract starts getting to a point where it starts to surpass that net number that we're getting on the line. So once that happens, we'll know when it's coming. We can come off those lines and start selling our power to Quebec and make more money. That's another sort of flexible option that we have created here.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: With the optionality and to be able to use this power wherever, would it be a fair statement – and this is more of a question of mine; it's not meant to be an aha moment or nothing but I'm curious – if we kept that power and kept it in the province in Labrador, we could probably make equal or more profit to Hydro and to the province if we were to keep that in Labrador with the right options, with the right mining opportunities and what have you.

There's a lot of talk about transmission through Quebec and down through the US, but could we not see probably equivalent value if we were to decide to go that route and use it in Labrador, basically for mining operations?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, that is our number one goal. That's got to be the province's number one goal. Jennifer Williams's number one goal is to have a use for that power within Labrador.

I think the IRC report identified that if we can get these mines going with the power that we will now have coming, it's like \$48 billion of value for the province. These are big numbers and that's not in this deal. We haven't included it in the value calculation, but that's got to be our plan.

Let's get this deal done. Let's get our power coming back to Labrador; let's get the mines going. Yes, we'll have these flexible transmission options, the premium tranche, all of that, but the number one goal has to be let's use this power in Labrador for industrial uses to create jobs, to drive the growth in the province. That will be the best value creation that we can do.

I expect that's the base plan. That has to be the base plan and it does seem like the mining opportunities set, especially with what's happening in the world and the support of the federal government that that is well under way at this point in time.

SPEAKER: The hon. Deputy Premier.

B. PETTEN: Thanks, Speaker.

This is another question again that comes up a lot. It's probably been said and I probably tried to answer it many times myself: Why is a 50-year agreement necessary, for one? Part two of that question is, also, could a shorter term be negotiated? I know that you hear a lot of that, reopening clauses, why not have a five-year or 10-year? Why not have a 20-year contract?

It's out there and I guess we all try, and I've tried as well, to some it doesn't seem to matter or to resonate or maybe we're not explaining it properly. Do you want to elaborate on that for us?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, let's just start with Gull Island. Given the enormity of that project, the \$30-billion price tag, that doesn't

even include transmission costs that have to be built and borne by the project. That project does not get built unless there's at least a 50-year contract.

This negotiation with Quebec basically fell apart over them wanting a longer contract than 50 years. We stuck to our guns to make sure that we would not sign a contract longer than 50 years. That plant is coming back to us after 50 years and we'll realize the full market value for that power at that time. That's Gull Island. A very normal contract, traditional cost of service and I'm very comfortable with that.

The Churchill Falls contract, the new contract: 51 years. The complicating factor here was the fact that we're reopening the contract. The existing contract runs until 2041. It's got 15 years left to go. What we negotiated, just on the contract alone, \$10 billion NPV related to that reopening.

When you think about what we have here, we run out the first 15 years, that gets us to 2041 with the new contract. That's when the old contract was going to expire. Quebec was never going to say, well, let's just do a 25- or 30-year contract from this point forward. That would mean they're only adding 15 years of life to a contract that they had until 2041. That was not going to happen. I think we've ended up in a reasonable spot here with the contract. It's 36 years beyond 2041. Overall, I think it's reasonable.

The shift then happens to making sure you get the right price, that you know that you're going to keep getting more and more money every year under that contract. That's what we have here with the escalation that's built in, with the price getting up to 32 cents by the end of that period, and on top of that the inflation formula. The combination of those points, I think, puts us in a very good place from this renegotiation perspective.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Mr. Perry, do you think it's a fair statement to make that a 50-year term in projects like these – and this is one of the biggest hydroelectric projects, I think we heard today, it could be in the country and North America. It's one of the biggest – it's massive. Do you think a 50-year term in an agreement like this is the norm, or is reasonable on a project of this magnitude, between two provinces like this project?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I think if we didn't have the history that we had with Quebec, this would be a 65-year contract. There is just no way – and I said this to Hydro-Québec – that this province was going to accept a contract of 65 years. It's not going to happen. It sounds and feels like Churchill Falls, the first contract, 40 years with a 25-year extension. There's no way, and I said that to them.

I think the norm would have been longer, but we just said that is a threshold item; we're not doing longer than 50 years. They kept pressing and that became very difficult in this negotiation. It was one of the biggest blowups we've had, along with the transmission. But we had a strategy and we kept going and they accepted it at the end of the day. Gull Island is a 50-year contract. They wanted 65 but we have a 50-year deal.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Mr. Perry, do we have any protections in the event if energy markets change significantly over the next several decades?

SPEAKER: Mr. Perry.

B. PERRY: First of all, making sure the pricing in the contract is well done, Mr. Speaker, which I just described with the escalation, the inflation protection, I'm very comfortable that that is strong protection for the province. We're not in a scenario where

there are flat prices; the price keeps going up year after year; the province keeps getting more and more money every year of this contract. You know, we get out in years, we're getting \$5 billion, \$6 billion. As I said, it becomes the based revenue source for the province in the future. That's how big this contract is.

But we still have some optionality, really, with markets, with our transmission portfolio that we have to tap into the synthetic pricing when we want to use that. We have the price that Quebec is getting for the two lines into New York and into Boston. When those contracts come due in 20, 25 years, they will be redone in a way that, I guess, will become closer to whatever the market is at that point. We have negotiated that we will get that as well.

So there are some aspects of being able to tap into the markets at that time that aligns with your question.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Mr. Perry, we've also seen today there are allusions or commentary out there that Gull Island pricing goes down over time. I think what it was followed up with, the comment was, here we go, another '69 deal, Quebec are getting our power for nothing. We know that's not accurate, but, again, that's stuff that's out in the public domain.

Could you explain, I guess to listeners and to us here, how that pricing mechanism works from the onset, and why it drops and that rationale, please?

SPEAKER: Mr. Perry.

B. PERRY: What we did with Gull Island was remove this 2 per cent escalating factor that created the \$30-billion debt balloon at the end of the project, and now we've moved to the more normal, accepted industry practice of a traditional cost of

service approach for the Gull Island project. In that approach, the price for Gull Island power, which we get 16 per cent and Quebec gets 84 per cent of, starts out at around 17 cents a kilowatt hour in the early years. I think there was a schedule sent around to Members tonight, and I think it ends the period around 9 cents a kilowatt hour in 50 years.

So Quebec is building the project. It's putting the capital in the ground. We're using an industry norm in terms of how to structure the project. All the costs in the project are passed through to the off-takers, by the way. There is no way that there's a cost in the future that somehow we have to bear. It's just all the costs, transmission costs, operating costs, if they go up, if inflation causes those costs to go up, all that gets passed through the off-takers.

This is nothing like the 1969 contract where we just got initially 0.3 cents and then dropping to 0.2 cents and no matter what happened to our operating costs, we had to sort of eat those costs. We couldn't pass them through to the off-takers.

In the case of Gull Island, no matter what happens to payroll, to engineering costs, all these things are passed through to the off-taker, so we're never left in a situation where we have a plant that we might have to put money into in the future because we couldn't pass the costs on to Quebec. So that is, I think, the right of way of doing this.

We're very comfortable that we have this plant now that's going to get built, especially with the federal government's involvement with the loan guarantee. We're going to earn our returns. Quebec is paying us \$3.5 billion in incentive to actually access that resource. We're taking that money and investing it in the plant as our equity and we're going to earn our returns over the 50 years on that. We have a right to take 16 per cent of the plant as an off-taker and then we're going to get it back in 50 years

and own 60 per cent of this plant that basically has very little debt left on it.

I think that is a fabulous outcome for this negotiation and that, combined to what we're doing with Churchill Falls, with the Lab West line, the wind, it's creating this really strong business for Newfoundland and Labrador Hydro that puts it in the leagues of the bigger utilities in North America, frankly. That's what we've created with this set of negotiations.

SPEAKER: Thank you, Mr. Perry.

Deputy Premier, your time is expired.

The hon. the Member for Humber - Bay of Islands.

E. JOYCE: I only have a few questions that someone sent to me, I guess. Constituents just ask questions.

Annex C, Scenario 1 shows a path where Newfoundland and Labrador gets 525 megawatts until 2077. Does this mean the real value of this deal is contingent on whether Quebec decides to build Gull Island?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, if Quebec does not build Gull Island, we get to keep all the power that we've been negotiating for the Churchill Falls contract. So, no, if Quebec chooses because they think the price of Gull has gone way high, there's some new, brilliant piece of technology, like small modular nuclear that gives cheaper power and they say we don't want to do Gull going forward, then that's on them. We get to keep what we've negotiated.

So that is, for me, fundamental here, that Quebec – you know, this is not a free option in any way whatsoever. If they don't do this project for these kinds of reasons, then we get to keep everything we've negotiated.

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: If Quebec builds big Gull, page 37, what's the total expected payments? If Quebec builds small Gull, page 39, what is the new payment?

SPEAKER: I'm not sure who's going to take that. Raise your hand.

Ms. Williams.

J. WILLIAMS: Sorry, I think their microphone didn't kick in at first, if you don't mind repeating the question.

SPEAKER: Can you repeat the question, please?

E. JOYCE: If Quebec builds big Gull, page 37, what is the total expected payments? If Quebec builds small Gull, page 39, what's the new payment?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I don't have the exact answer to that, but I do have the fact that if there is a smaller Gull, we get less allocated power. So it reduces the total power allocation to the province, which would be normal in that outcome.

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: We are seeing the prices of Gull Island before the vote is held, or does the price structure exist yet?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I think we just handed around a price schedule for Gull Island to Members.

L. PARROTT: That's the document I just tabled.

B. PERRY: It was just tabled by the minister, I believe.

SPEAKER: Okay.

B. PERRY: I just will sort of summarize it. It starts out in the early years that the off-takers are paying around 17 cents. This is the Gull Island price itself. There is a transmission component that would be added to that, but 17 cents, and over time, because of how the capital is amortized down, the price will start to decline, as is normal under the traditional cost of service model, to about nine cents at the end of the contract.

All along the way, we're earning our returns. We're earning our returns on the equity in the project. As I mentioned, I think, yesterday, of the \$49 billion in value in this deal, \$7 billion comes from Gull and that accrues to the province over the 50 years. That's an NPV number in today's dollars, but we get an annual payment from Gull over the 50-year period.

SPEAKER: Ms. Williams.

J. WILLIAMS: Sorry, I would like to add one thing. Mr. Perry referenced the document that's been tabled that shows that pricing. That's on the estimates that we currently have, so I want to be sure that, if in three or four year's time, the project goes to sanction and there's a change in pricing, that would reflect at that time. It's a small nuance I thought it would be important to mention.

SPEAKER: Thank you.

The hon. the Member for Humber - Bay of Islands.

E. JOYCE: That's fine. That's the three questions.

SPEAKER: You have 24 seconds left on your total clock, if you have one question.

E. JOYCE: Okay, I'll ask one more.

What conditions does the 525 megawatts take place? Are there any conditions that we get the 525 megawatts?

SPEAKER: Mr. Perry.

B. PERRY: I don't think there's any condition where we only get 525 megawatts.

J. WILLIAMS: I'm assuming you're referencing the existing 525 megawatts that we're using? Obviously, we don't anticipate – and certainly Members from Labrador could have a perspective as well – customers dropping off that. We expect that, as a minimum, we're going to be using 525 megawatts long into the future, but we obviously are planning for much higher numbers. We're using that now and we don't ever anticipate that dropping away.

E. JOYCE: Thank you.

SPEAKER: Okay.

Thank you, Ms. Williams.

The Member's time is up. I think your bank has expired as well.

The hon. Deputy Premier.

B. PETTEN: Thank you, Speaker.

Some questions, I guess, I might direct them to Mr. Kennedy. Once this deal is in place, who decides where our Churchill Falls power is sold?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

In terms of where the Churchill Falls power is sold, as we've discussed here on numerous occasions, there are various scenarios that can take place. There's a chart that I think that's on the website which shows the way the power goes up, so we can choose to sell the power to Hydro-

Québec for the premium tranche, 150 per cent. We can then determine to recall the power. Then, when we look, there's still the ability to transmit the 265 megawatts direct transmission and then we have the ability to use the power on either the synthetic export or the New England line or the New York line.

I think the word, Mr. Speaker, that most applies is that of optionality and flexibility are two words that we have options – Newfoundland and Labrador Hydro has various options which can allow them to choose what is needed in the province at that point. So it could be, as the Independent Review Committee said, we're going to sell the power for financial value but we're going to use it in the province for mining and various other industrial uses in the province.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

So does Hydro-Québec have to approve that decision or the CF(L)Co board?

SPEAKER: Mr. Perry.

B. PERRY: Maybe I'll just take that.

So for the power that we have negotiated to be used in the province, the 2,750, the contractual arrangements will allow Newfoundland and Labrador Hydro to determine where that power is used.

Obviously, there is a contract between Newfoundland and Labrador Hydro and CF(L)Co that will have to be administered but Newfoundland and Labrador Hydro will determine where that power is used.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: What options are available for selling our power? What options do we have?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I'm hoping we're going to have some exciting options very soon with projects like Kami coming online and the other mining projects in Labrador, especially getting the Lab West line built to be able to get the power over there to power those mines.

I still think we might have some opportunities with data centres, as well. Clearly, with data centres, the number of jobs are not as high but, increasingly, they're starting to pay closer to market pricing for the power. So there might be some optionality there for 200-or-300-megawatt kind of data centres. I know Bell Canada is doing some really big work in the country on Sovereign AI and data and all that stuff.

So there will some interesting parties showing up as soon as we can get through this definitive agreement process here in the province with the understanding that we have some chunks of power coming our way very soon here.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Under the '69 contract, could we sell our power to anyone other than Quebec?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, no, we had, obviously, the amount that we are using, the 525 megawatts in Labrador, but other than that all power has to be sold to Hydro-Québec.

Jennifer, you can confirm that.

SPEAKER: Ms. Williams.

J. WILLIAMS: Yes, I think Mr. Perry got it, but for the allocation that we did have, we would sell that at times, but it would be in

smaller amounts and not big, long-term contracts.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Why is the price only a fraction of Quebec's replacement cost?

SPEAKER: Mr. Perry, are you taking that one?

B. PERRY: I'm going to try, Mr. Speaker.

SPEAKER: Okay.

B. PERRY: I think this relates to the starting price of the contract where we just reopened the contract at 1.8 cents. Again, when you're coming off 0.2 cents and you're negotiating a 15-year early reopener, the price, it's not surprising that it is initially starting at a lower level but quickly escalating up.

I will point out as well that the replacement cost concept is just one component that was considered, when, in the old MOU process, the value of the Churchill Falls contract was determined at \$33.8 billion. It was replacement power, it was the heritage block, it was export markets and it was wholesale markets in Quebec as well that all went into calculating a value of the overall contract that both parties agreed to.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

What is a water management agreement and why does one matter on the Churchill River?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

A water management agreement, it is very common across North America. It really allows for multiple users or multiple generators that are along a river to co-

operate with each other and ensure that different entities are being treated fairly.

So I think there are rivers, say, in the West Coast of North America where there are dozens of generators that would be there. A generator that is downstream has to understand how the generator upstream is going to be operating and, therefore, releasing water for its economics and its viability.

What we have now in Labrador is, you've got Churchill Falls, obviously on the most upper end in the reservoir in that watershed, we obviously have Muskrat Falls now at the most downstream end and we are going to put Gull Island in the middle.

So each of those plants has customers. For example, Muskrat Falls has significant customers, both in Nova Scotia but certainly on the Island. We have to ensure that how the existing Churchill Falls plant and the future Gull Island plant will operate, will ensure that, for example, Muskrat Falls gets its allocations and the customers don't have to worry, but also that the upstream plants, they'll all know how they interact and work with each other.

It's important to have those agreements and they're very standard in electricity generation and hydroelectric plants.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Under the '69 contract, how much control did Hydro-Québec have over how the plant runs?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

Under the existing contract, the Power Purchase Agreement itself really dictated exactly how the water would move, and certainly we had a period of time where it

was difficult to match Muskrat Falls needs and expectations with regard to water and how the contract under CF(L)Co with the obligations to Hydro-Québec, how that would work. There was a lot of wrangling over a number of years on exactly how we would put those commitments in place.

As we were entering into these negotiations and certainly even in the 2024, it was incumbent on teams to make sure we had a view to how the water would need to be managed fairly and certainly Muskrat Falls, at the most extreme end, protected for its customers long term, no matter what the contractual obligations were going to be at the upper plants.

That was really a primary focus of the negotiations, to ensure that we had the right water management agreement in place.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Does this deal protect Muskrat Falls production?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

Yes, this arrangement does indeed ensure that Muskrat Falls is protected with regard to its commitments to its customers. It sounds kind of weird to say that, but basically as Newfoundland and Labrador Hydro is a customer of Muskrat Falls, and then certainly the people in the province are customers of Newfoundland and Labrador Hydro, we ensured that the commitments that Muskrat Falls has to give with regard to how much it produces over the course of a year and that we can produce on peak, et cetera, that we're protected and that customers are eventually protected.

We incorporated requirements for that protection to be in place in this set of agreements.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: To be clear, if Muskrat Falls is affected by new projects, who pays?

SPEAKER: Ms. Williams.

J. WILLIAMS: Thank you, Speaker.

If it's affected, for example, I guess it can be affected in a number of different ways. But Muskrat Falls will be protected, whether that's by replacement power or maybe eventual financial compensation. Ultimately, Muskrat Falls is protected through the course of the actions of the upstream facilities.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

If optimizing the river for everyone's benefit hurts one plant, what happens to that plant?

SPEAKER: Ms. Williams.

J. WILLIAMS: If I could just phrase the question to make sure I understand it. I think you said if the optimization of the river hurts one plant, who pays?

I think I would phrase the question back or maybe phrase the answer that the optimization of the river, everybody benefits. The intention is that everybody on that river should be interested in getting the most energy out of every single drop of water that runs through the course of the river.

Really, no one should be harmed. No one generator should be harmed. Basically, you put in what's called an independent river coordinator. That river coordinator – it's an actual job that somebody holds – has to manage and dispatch or suggest, plan the dispatch of all the facilities and all the commitments to ensure that no one generator is harmed by how the river is managed and how the plants are dispatched.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

Which province's laws govern the water management agreement?

SPEAKER: Ms. Williams.

J. WILLIAMS: I'm going back here now. Thank you, Speaker.

I'm 99 per cent sure the water management agreement is governed by our own province.

SPEAKER: The hon. the Deputy Premier.

B. PETTEN: Thank you, Speaker.

The wind payment is described as compensation for physical charges. What does that mean?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, basically it's an upfront payment related to any charges the province would place on a wind developer. It was calculated, basically, based on some of the information that has been produced by the province for the wind farms that were planned in the province. Also, based on some of the charges that are in place across the country.

It still got to be fine-tuned a little bit. It doesn't include like land rentals or anything like that, but definitely a sweetener to really have us focus on this wind farm opportunity. It could be as much as 1,600 megawatts that Hydro-Québec would take as an off-taker in that \$600-and-something million range.

SPEAKER: Okay, thank you, Mr. Perry, understand it.

The Deputy Premier is finished with his questions.

Before I get to the next speaker, I just want to take one second just to recognize in the public gallery, the former Member for Baie Verte - Green Bay, I do believe, Mr. Shelley.

Welcome.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

I do want to thank the negotiating team for being with us here. It's certainly a privilege to always sit in my chair this evening for the residents of Burgeo - La Poile and certainly understand the weight that's placed on all of us here in our discussions.

I did want to take a second, Mr. Speaker, I think Mr. Perry was speaking about the electricity rebate a little earlier, mentioned it in some of his remarks. I think he made a comment about having effect on the rates. I just want to give him a chance to clarify, but I don't believe the electricity rebate would have an effect on the rates. Can he clarify that comment, please, Mr. Speaker?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I have not examined the actual tool, how it shows up on a customer bill but I guess when I look at it, if a customer is consuming a certain amount a month and their bill was X, now their bill is going to X minus 15 per cent. The actual rate structure and how rates are determined and all that, I'm not familiar with how the province is planning on doing that.

But, in effect, I think it will lower customer bills basically. I think most customers, most residential customers especially, will receive that rebate.

SPEAKER: Thank you.

The hon. the Member for Burgeo - La Poile.

M. KING: Mr. Speaker, I'd say to Mr. Perry again, is he aware of on average what a resident would save with that rebate?

SPEAKER: Mr. Perry.

M. KING: Sorry I need to clarify, Mr. Speaker, (inaudible).

SPEAKER: Sorry, can you repeat that?

M. KING: Just, sorry to clarify, is Mr. Perry aware of what a resident would save on average per month with the rebate?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, can I ask Ms. Williams, that's her speciality?

SPEAKER: Ms. Williams.

J. WILLIAMS: I believe the number that is estimated and I'm sorry I don't have it on a monthly basis but I thought it was about \$350 a year is the number.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Mr. Speaker, for clarification for our viewers, yes, it's on average about \$29 a month for residents. So that is a savings, for sure. But obviously the viewers are looking at this and looking at the billions of dollars that are coming in from revenue and are expecting to see, hopefully, more than \$29 a month.

There has been a lot of talk, Mr. Speaker, about the 2024 MOU compared to this MOU, so I would like to give the panel an opportunity – was the 2024 MOU used as the basis for starting for this current agreement?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, when I got involved in early May, I definitely spent time with the 2024 MOU. I clearly would have

read it before, and I spent a lot of time with the IRC report as well, meeting with Jennifer, Jerome and all the resources of the province and Newfoundland and Labrador Hydro.

So I would say, yes, for me, it was a key document to allow me to get quickly up to speed on how those negotiations had progressed, where the sort of outstanding matters were and where the focus of some of our negotiations should be. So, clearly, it was very helpful, along with the IRC report, to help us formulate our negotiating strategy on a go-forward basis.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

I set that up because I do have a number of questions here. There was a lot of criticism and complaints, of course, of the 2024 MOU that still exists here in the current MOU. So I'd like to go through some of that as well.

I'd ask the panel, of course, how significant was the IRC report in their mandate in negotiating this new MOU?

SPEAKER: Mr. Kennedy?

J. KENNEDY: Thank you, Mr. Speaker.

As I indicated earlier, the IRC report was used as a framework in developing the negotiation strategy and in guiding us in negotiations. I think I said earlier that the IRC stated in their report that, even though they found the MOU wasn't in the best interest of the people of the province, that a revised agreement could come from the MOU with the suggestions that were made therein. In fact, I think the Premier had said at one point that he would take what was good from the MOU and use it and take what was bad and not use it.

So the IRC report was really a guiding and foundational document to guide us, but it was used as a framework.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker, and I thank Mr. Kennedy for that.

It was then indicated in 2025, the Premier had said, at that point: "There has been no independent expert review of the MOU. Why not? What is being hidden from you, the people, in all the rush to get this done?" He also said: "I would think that having an independent second set of eyes on that would certainly not do us any harm whatsoever." We just heard the significance of the Independent Review Commission on this MOU.

So I would ask the negotiating team, are they aware of any independent review to look at this deal?

SPEAKER: Mr. Perry.

B. PERRY: We've done the independent review. There was an MOU. There was an independent review. We got the report. It was used to help formulate, as a framework, our negotiating strategy. We now have a new deal. We've been discussing it in the House for two days now and another day tomorrow. In my opinion, this process has worked and it's not for me to determine, but I don't see the logic of this perpetual process that we would be going through of having another IRC and keep going that way. That's not something that in a negotiation with another party for this kind of arrangement that you could do.

Again, back to what I said earlier, yesterday, I would be doubtful that Quebec would come back if we started to go back through another process like that but that's just my opinion.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

I would say there, it's clearly being indicated to us that there were significant changes to the 2024 MOU in the current MOU. So I would argue that this is not a private company. The shareholders are the people of Newfoundland and Labrador.

So I would ask again if the negotiating team are aware or would even recommend an independent review of this current deal?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I'm not aware of any other process and I would not recommend it.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

It's quite interesting to hear, actually, from the negotiating team. I'm sure the government is listening clearly to that.

One of the other points that was made during the 2025 year was the complaining about the locked in for 50 years, and the Premier said last year: "We will be signing up for a pricing model with Quebec that will be in place for 50 years, no changes – we all know how that turned out the last time."

So can the negotiating team confirm the new deal has 50-year PPAs despite the Premier's objection last year?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, the new deal, the DCIA, has a 51-year PPA, the same as the last MOU for the Churchill Falls contract, and it has a 50-year PPA for the Gull Island contract. That being said, the approach to Gull Island has changed dramatically, where

we have under that new PPA simplified the project and eliminated the \$30-billion debt balloon that was present in the last deal. So those are the big changes.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

The 50-year deal last year was too long, and now we have them again as confirmed by the negotiating team.

On December 18, 2024, a Conservative press release said: "The Churchill Falls MOU is a 51-year agreement with Hydro-Québec. We have learned from our history with Quebec that long-term deals are nearly impossible to modify if circumstances change, resulting in a less beneficial deal than promised"

Mr. Speaker, I would ask Mr. Perry, does he disagree with what the Premier said that day?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, it's not for me to disagree with the Premier. We negotiated a new deal here; we fleshed out all the business issues; very comfortable with the length of the contract, given the pricing mechanism that is in place, but I think that's a question to the province, to the government, I can't answer that question.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Mr. Speaker, I would love to ask the government that question right now, but I'm not allowed to.

Another point that a lot of people talk about during this deal is the referendum, of course, that was promised from the government. So I would like to ask the negotiating team: Was it brought to the negotiating team from the Government of

Canada to basically say not to do the referendum as a part of these negotiations?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I had no conversations about that.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

So I would like to confirm also that the Government of Quebec did not ask the same question.

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I had no conversations about that. It's not something I would have engaged in.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker.

That's quite interesting to hear that, so I'm interested to hear where the government came to the conclusion to make no referendum.

Mr. Speaker, also that we've seen, and I know that Mr. Kennedy may remember I asked this question in the technical briefing, but Hydro-Québec is claiming to have a better deal. They are stating that publicly and they're using different numbers than us. It's been mentioned a number of times, and as I mentioned to Mr. Kennedy in the technical briefing.

So can he elaborate on that a little more, when something should be so clear, black and white to folks, why Quebec would be using different numbers than we are?

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

When I first heard those numbers that Quebec were putting out there, I had no idea where they were coming from. The Premier of Quebec had used a figure of six cents a kilowatt hour. Then Hydro-Québec put out a press release saying it was 5.5 cents a kilowatt hour, and they just did not correspond with our numbers.

Subsequently though, it appears that Hydro-Québec – and I don't know who asked this question today, but it appears that Hydro-Québec, what they do is their profits, somehow or other the profits from Hydro, they use that to mitigate their hydro rates and it doesn't affect their equalization.

So they're obviously very good at moving numbers around and using numbers. I think they include their dividends. I think they include a bunch of other things, and either Mr. Perry or Ms. Williams would have more. But, again, without saying that I don't trust their numbers, I really don't trust their numbers.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Mr. Speaker, I would say that that adds to a lot of skepticism that we're seeing in the public. One of the key things that I'm hearing and I know a lot of Members here are hearing is trust – trust in the process, trust in the negotiating team, trust in the leadership of the government.

I would ask Mr. Kennedy especially, because it has been mentioned here of other hydro projects, respectfully, of course, but Mr. Kennedy was a key part of the Muskrat Falls Project in the past and did state that the project would pay for itself, which we know was not the case.

I will give Mr. Kennedy the opportunity to clarify if he still agrees with that statement and what assurances would they give to the people of the province that this negotiating team and this government has certainly got

the best deal for Newfoundland and Labrador.

SPEAKER: Mr. Kennedy.

J. KENNEDY: Thank you, Mr. Speaker.

First, in terms of that comment, I've heard that in the past. I've always accepted, by the way, my involvement and my degree of responsibility in Muskrat Falls. But that comment would have been made based on the information that was provided to me at the time.

As a minister, we act on the information that was given. If I remember correctly, I was minister at the time of sanction. I moved on before financial close, and I actually had resigned from government before the financial close took place.

But, at that point, the figure was \$6.5 billion, I think. At the time of sanction, it was still the figure being put forward. It was very elucidating for me to read Justice LeBlanc's report as he looked at various things, and it became clear that the information provided to us wasn't always accurate. So I made the statement. I'm responsible for the statement. I could only act, but I would have been acting on the information that was provided to me.

SPEAKER: The hon. the Member for Burgeo - La Poile.

M. KING: Thank you, Mr. Speaker, and I thank Mr. Kennedy for clarifying that.

I just elaborate on my second part of the question; what assurances could the negotiating team give to the people of the province that this is indeed the best deal for Newfoundland and Labrador?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I just go back to the overall deal. This was a tough set of negotiations. We had a strong strategy

going in. We went through an iterative process with Hydro-Québec back and forth. We walked away. We paused negotiations. We had threshold issues that got resolved.

After all of that and with the goals of creating more value, we delivered \$49 billion of value here, more transmission. The portfolio of transmission that Newfoundland and Labrador Hydro has going forward is markedly different than the old MOU, 985 megawatts and then, on more power, where there is so much value, we have lifted that from just under 2,000 megawatts in the old MOU to 2,750 megawatts here.

All the exciting opportunity sets around the Lab West line, the federal involvement, so I have no hesitation to say that we've delivered a real good deal here to the province and it is one that I would recommend that we move to completing the definitive agreements on to get it done, to get going on these projects and get mining and development happening in Labrador.

SPEAKER: Thank you, Mr. Perry.

The hon. Member's time has expired.

Before I move on, I also just wanted to quickly recognize former MHA Kathy Goudie to our public gallery this evening as well.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: I apologize, I didn't recognize you the first time.

The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I just want to build on a few of the comments that are being made about 50 years. Let's do a comparison, if we will, between the 2024 MOU and it's 50 years and the new agreement that we have in place.

Under the old MOU, Gull Island debt was significant, the way it was structured with a 2 per cent escalation clause that would have resulted at the end of 50 years, as identified by the Independent Review Committee, with a potential of \$30-billion balloon payment. Is that your understanding, Mr. Perry?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, when I got involved with this process and I started looking at the Gull Island structure, I was just like, what is this, frankly? With the work that was done in the IRC report, it was like, okay, this has got to change.

Hearing the feedback of J.P. Morgan today, I would have heard that feedback during my preparatory process of getting ready to start our negotiations with Quebec. I heard it from a lot of folks, frankly, that you have to get rid of that escalation, and that's what we've done. It absolutely had to happen.

Now we've ended up with a project that is using a well-known process of traditional cost of service and it delivers, at the end, a project back to the province that is, essentially, fully paid off, with a little bit of debt on it, but way lower than the \$30 billion.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

It's interesting, yes, because we circulated earlier today the Gull Island Debt Balance Schedule and this clearly shows that at the end of the 50 years, instead of a \$30-billion balloon payment, there's about \$5.4 billion left on a mortgage, for lack of a better word. Though effectively, as you said, this new 50-year deal that we have with Hydro-Québec for Gull Island will essentially pay off the asset.

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, and Quebec is paying it. So that's the story here. They pay the mortgage and we get it back at the end with just about no debt on it.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

At the end of this, 50 years from now, generations that will come, instead of facing a \$30-billion debt on Gull Island, which the old MOU would have had us being responsible for, this new agreement actually means that 50 years from now, the people who are here in this building, in this House of Assembly, will have an asset that has been virtually paid off and they will own 60 per cent of that asset and get to use that power in whatever way they want. Is that correct?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, that is absolutely correct.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Speaker, let me go now into the other part of this agreement, the 50-year deal on the Upper Churchill and the difference between the previous 50-year deal and what we have now.

Your negotiating team has successfully negotiated more power, and not just simply more power, but more optionality, is the word I think that's been used a lot here. Over the course of the next 50 years, instead of power being at the same rate or actually down like the old '69 contract, this has built-in price increases that will see this power rise, but there's a power corridor here, power that you've been able to achieve that wasn't there in the old MOU that we have complete flexibility with.

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, I think I've referred to it as the power bank. The power is in the bank and when we want it, we take it out of the bank. While it is in the bank, it's earning its 150-per cent premium. We have a mine that's starting, we give the notice and we bring it back to power the mine. That's for 50 years.

I mentioned mines close maybe 25 years after they start. When that happens, if there's not another mine that's going or another industrial use, we put that power back in the bank and earn our 150 per cent of the then price under the contract, which 25 years from now will be a big number. It's 50 per cent on top of that number.

It is a remarkable outcome to have created that optionality for the province. It was caused by the fact that we went in aggressive to generate more value for the province. We didn't give up on that approach and finally sort of – pardon the pun – broke the dam with Quebec to get more value there.

I just haven't seen it anywhere else in the country and I think Power Advisory today said the same thing, that this is an amazing feature for the province over the long term.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Again, I think about where we are today, where we will be 10 years from now, where we will be 20 years or 30 years from now. Again, the people that will be sitting in these seats will have the ability to be able to decide on whether they want to keep the power and build more industry or sell the power at 150 per cent. That stays there for the entire life of this 50-year contract. Is that correct?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, that is absolutely correct.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Speaker, I also heard today some questions from the Opposition relating to the numbers in the current schedule and how we're factoring in the sale of all of the power to Hydro-Québec in the Trough at the 150 per cent rate. That's part of what we've done.

Then the question was asked, well, what happens if Newfoundland and Labrador decides not to sell any power to Quebec? I guess I'm looking at it from the potential of what we have in front of us from economic development. Would you agree that the potential for us, if we develop our own industries and develop our own mining activity, that potential for future generations of people of Newfoundland and Labrador will actually be worth billions more than what's even recorded in your schedules?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, I agree with that. Energy and Mines and Finance have done a fair bit of work in this area. The IRC also identified it. The best use of this power is in Labrador for these industrial uses, mines, and what's great is we have mines that are ready. They want to use it.

I'd be happy if not one megawatt is sold under the premium tranche but is used to power industry in Labrador. That would be remarkable and would add overall value well beyond the \$3.5 billion that we have assigned to this premium tranche concept.

But the flexibility is important. You know, the ability that when the industrial use disappears maybe for a few years, to be able to put that back in to get the premium price, that is a great piece of optionality for the province.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Today, we heard other guests that were here in our Chamber talk about optionality and the fact that we have negotiated that. Would you consider that, in your personal opinion, to be one of the best values that we have been able to achieve as a province, as a result of this agreement?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, I still sort of think about the effort we put in to create that outcome and it's just an amazing piece of optionality. I would add then the federal government's involvement, those two pieces of this new agreement really are additive to the previous MOU in such a material way.

So I'm pretty comfortable that we've ended up in a really good spot here from the province's perspective.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

That was going to be my next question, the involvement of the federal government. This is different from the last MOU – the 2024 MOU that's been talked about – that we now have a new agreement, of which the federal government made what I would call a substantial commitment to the people of Newfoundland and Labrador to ensure that we are the principal beneficiaries of our own resources. This agreement reflects a significant contribution that eliminates a lot of risk for the taxpayers of Newfoundland and Labrador.

Could you just elaborate on that a little bit?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, absolutely.

I'll start out with the Gull Island loan guarantee. Getting Gull Island built is important, and that delivers \$7 billion of value to us in this deal. So having that loan guarantee was important. The extension of the ITCs – these are not easy things to get. The extension of the ITCs, getting them paid on the annual basis was an important part of this project.

Then the wind farm, where the federal government is stepping up to own equity in the wind farm, to open up opportunities for the Innu Nation to be owners, to guarantee a billion dollars of value to the province even if the wind farm doesn't go, to actually provide that value in other forms and other projects and the help on the Lab West line to open up the mines. All of this is done by the federal government and not by the Newfoundland taxpayer.

That part of this deal is all new and is a major part of why I recommend it to the Premier. With that support from the federal government, this is a deal we should move forward with. Without it, I was having a lot of doubts that we just had not gotten far enough, but with the value that comes from the federal government, this is a strong deal.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

I want to finish up quickly by quoting from Power Advisory, J. Chee-Aloy today when he said, so that's a big, big thing in terms of Quebec needed supply and it's batter up. NL Hydro, they're at the plate and I don't think you're swinging and missing. I think you're hitting the ball big time, base hit, home run.

And then the second thing is, frankly, there's just a lot of money at stake. It's gone from in nominal dollars \$227 billion to \$270-something billion and, at the height of this agreement, there's an additional \$4 billion to

\$5 billion a year on a \$10-billion budget in Newfoundland and Labrador.

He goes on to say that's generational wealth. That's outstanding benefit. That's outstanding value. Do you agree?

SPEAKER: Mr. Perry.

B. PERRY: Mr. Speaker, yes, I do agree. This is tremendous value to the province and this is why the negotiating team, us, really are recommending that the province proceed.

SPEAKER: The hon. the Premier.

PREMIER WAKEHAM: Thank you, Speaker.

Once again, I would simply thank the members of the committee for the outstanding work, the negotiating team for your outstanding work.

SPEAKER: Thank you, Premier.

Given the hour of the evening, I, too, want to thank the panel for being with us again this evening. I think you are back again tomorrow. So we look forward to spending some more quality time with you but, between now and then, I hope you have a good night.

We're just going to recess now for five or six minutes to give the opportunity for our panellists to leave and if anybody needs to stretch their legs for a couple of minutes, and then we'll move along with Question Period.

The House is in recess.

Recess

SPEAKER (Lane): Order, please!

We're now going to finish off our evening with, well, I'm going to call it Question Period. That's what it is.

AN HON. MEMBER: Call it what it is.

SPEAKER: Call it what it is, Question Period. Normal rules apply.

Questions to Government Ministers

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

SOME HON. MEMBERS: Hear, hear!

J. HOGAN: Thank you, Speaker.

It was one year ago today the Premier promised a referendum to everyone in this province. Today we know that won't happen.

How does the Premier expect anyone to trust what he says today when he couldn't fulfill the first promise he made on this day last year?

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Yes, one year ago today I did tell the people of Newfoundland and Labrador that I would hold a referendum. Yes, I know there are people out there who are disappointed in my decision. I accept that.

It was also one year ago that the Leader of the Opposition started his campaign telling the people of Newfoundland and Labrador how great the 2024 MOU was and that everybody should vote for them and get this MOU over the line.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: We actually asked the Premier on March 31, May 19, May 21, May 25 and

June 2 about his referendum promise. He dodged the question and refused to answer each and every time.

Did he know as far back as March that he wasn't going to keep this promise?

SPEAKER: The hon. the Premier

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, every single time I was asked about a referendum I gave the same answer. I said we can't have a referendum until we have a deal. That's exactly what I said in all of those instances.

Let me also tell you something that the former premier said on election night: "Listen to the experts, because there is no better deal" He was talking about the 2024 MOU. Well, we all know there is a much better deal –

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: It delivers more power, more value and more transmission to the people of Newfoundland and Labrador.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: I would suggest, after two days, it's time for the Premier and our government to tell people why the 2026 deal is the best deal for Newfoundland and Labrador and stop focusing on the past.

The Premier wants Newfoundlanders and Labradorians to trust him and that won't work the way he's doing it, but they trusted him when he promised a referendum. They trusted him when he said their Independent Review Commission would speak.

Does the Premier understand that trust needs to be there so the public can trust him as he's moving forward with this agreement?

Premier, will you start by living up to the promises that you've made over the past year?

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, I promised the people of Newfoundland and Labrador we would do an independent review of the 2024 MOU. We did that independent review. We have followed the recommendations of the independent review, had our negotiation team go back and get a better deal for the people of Newfoundland and Labrador which we now have, which again more money, more value, more power.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Speaker, negotiator Barry Perry confirmed that for Gull Island, the higher the amounts are in early years and the price comes down over time. J.P. Morgan also stated that later prices would certainly be much lower than the starting rate.

Will the Premier confirm himself to the people of the province, that the price for Gull Island will de-escalate, that means each and every year, this province will get less?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, earlier this evening we tabled the Gull Island Debt

Balance Schedule which actually shows you what happens.

The reality of it is future generations of individuals, of people of this province, instead of being stuck with a \$30-billion debt at the end of 50 years of the contract, they will now have an asset that will have little debt on it, that they will own outright. They will own 60 per cent and be able to decide what they want to do with that power. I think that's great planning.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: There are always two sides to the story with this Premier, because he didn't turn over the page and show that the prices go down every single year.

SOME HON. MEMBERS: Hear, hear!

J. HOGAN: This is what Newfoundlanders and Labradorians are getting with this new deal.

On the day of the announcement, the Premier released a chart showing the pricing going up for Churchill Falls but not this chart. We asked for it. Actually, we asked for it, twice at technical briefings and we asked again today. We got it at 7 p.m. after they were shamed into it because the media did a story.

Debate is now half over, J.P. Morgan are gone, Power Advisory are gone and we can't ask them questions about this chart. It shows exactly what we knew, Quebec is getting more than Newfoundland and Labrador.

Why is the Premier hiding this from the public and not allowing us to ask important questions for Newfoundlanders and Labradorians?

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, we heard today from J.P. Morgan and others about the 2 per cent escalation clause and the fact that it was not recommended by them to the former government in the 2024 MOU. That recommendation, the fact that they included a 2 per cent escalation clause, which would have resulted in \$30 billion in balloon payment at the end of the contract –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

PREMIER WAKEHAM: – that's been eliminated, Speaker. So that the whole asset, that will be paid off by Hydro-Québec, that 50 years from now we will own 60 per cent of an asset that will have about \$5 billion left on it compared to \$30 billion (inaudible) –

SPEAKER: The hon. Premier's time has expired.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: What's been eliminated is our ability to do our jobs and, Premier, we lost our chance to ask questions to the financial advisors and Power Advisory about this. It's beyond secrecy and it's beyond tilting the rules in the favour of the Premier. Why? Why was the Premier hiding this information and preventing us from asking our questions and doing our jobs on behalf of Newfoundlanders and Labradorians?

I really look forward to the answer from the Premier.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

One of my other jobs is Government House Leader. With 13 minutes left in the debate today with Power Advisory, the Opposition House Leader came over and said that the previous speaker that just got up, the MHA, wanted an hour extension. He decided 13 minutes before it was over that he wanted to get up and speak. So he had lots of –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

L. PARROTT: – opportunity to get up and ask questions today –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: I ask the Member, I only want to hear the people asking the question and answering the question. I don't want to hear anybody else. If I do, I will start naming people, and see what the public thinks about that.

The hon. the Leader of the Official Opposition.

J. HOGAN: The Minister of Energy just says whatever comes into his mind. I wanted to know why I didn't have the chart when I could ask the questions, and he said we asked for more time. His answer was no, you can't have more time. Once they're gone, we'll give you the chart.

Why is that the way this works in this House of Assembly?

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, let's get back to the actual agreement we're talking about here.

B. DAVIS: (Inaudible.)

SPEAKER: I ask the Member for Virginia Waters - Pleasantville to please refrain from speaking when other Members are speaking.

The hon. the Premier.

PREMIER WAKEHAM: I think that it's clearly obvious to anyone who goes and reads through this agreement that there is more value, that there is more transmission, and there is more power, and there is more opportunity and more optionality for the people of Newfoundland and Labrador now and into the future. That's what this new agreement has delivered; far more than what was in the previous MOU.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: So let's talk about more power, because we heard today if there are delays of any new mines in Labrador, Newfoundland and Labrador Hydro could be forced to sell our power at a discount to Quebec. The Premier is arguing he got more power but if it isn't used, Quebec gets to buy it back at a cheaper price.

Why did the Premier agree to sell any power to anyone, let alone Quebec, at a discounted rate?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

What he's failing to mention is that we actually have the opportunity to get more

money for it – 150 per cent more. We will manage our assets. We have a three-year window in which we have to do that.

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

L. PARROTT: Unlike the previous government, we know what a three-year window looks like. We will have projects planned, we will know when they're coming online and we will know the energy that's required.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Yeah, there's a three-year window all right.

We also heard today from the experts that while it may have been difficult to finalize a pricing formula based on market prices, it was possible. However, the Premier decided to walk away from a difficult task and agreed to a simple formula, the formula that Quebec wanted.

Why did the Premier sell out all the potential left side that Newfoundland and Labrador deserved?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, the facts speak for themselves: \$225 billion, the old MOU; \$273 billion in the new agreement that we have reached. That is not small change, that is more than a billion dollars a year for every year of the agreement, Speaker. That's what we're talking about – more value, more money and more power, exactly that.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: In a news release last week, the Premier said he wanted this debate not to be about sound bites. He said those three words over a dozen times in Question Period and he's using them again today. You want to talk about political sound bites.

Speaker, we heard Mr. Perry say today that if Hydro-Québec chooses not to build, Gull Island we get to keep the negotiated power from Churchill Falls, and I agree.

However, can the Premier confirm if Gull doesn't get built through some reason relating to our government, NL Hydro or anything beyond the control of Hydro-Québec, the Churchill Falls power that was negotiated would go from 1,630 megawatts to just 925 megawatts?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

Unlike the 2024 MOU, we have a federal loan guarantee from the federal government which will help ensure that Gull Island gets built.

Unlike the 2024 agreement, we have a powerline agreement which will help us ensure that the powerline goes from Churchill Falls over to Labrador West so the mines get developed.

Unlike the 2024 agreement, we actually had a sit-down with the federal government, a letter from the prime minister and a path forward.

Gull Island will be built and we will employ Newfoundlanders and Labradorians, we will have an agreement with the Indigenous people of Labrador and this will happen in our time.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Unlike in 2024, he actually disagreed that that was going to happen for sure. It's funny that his mind is changed since he has moved to the other side of the House.

The Premier has claimed we won the ability to transmit more power through Quebec to other markets, yet today we heard from J.P. Morgan what we have always been saying – and I quote from him – NLH will not, as I said earlier, will not directly contract with buyers of power in these external markets.

So should the public believe the Premier or should the public believe the financial experts from J.P. Morgan?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: I think the public should believe everyone who's come in this House and spoke.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: I'll give you a quote from Power Advisory: I believe the new agreement does have access to market pricing. There's optionality for Newfoundland and Labrador Hydro to elect a certain amount of megawatts and they would receive the same pricing as Hydro-Québec for New England and other options in New York. Another option is also called synthetic price.

We have a transmission portfolio where we can ship power outside of this province for the first time.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: So we don't need for them to admit they were wrong but they walked away clearly from incorrectly saying they can transmit through Quebec to external markets and are now using languages cleverly crafted saying their transmission portfolio – no longer through Quebec.

So will the Premier acknowledge that the initial words that he was using gave the public the wrong idea and that's why he had to change his tune?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

Every expert witness that has come in here today, whether it was NRCan, the federal government, their counterparts, whether it was Power Advisory, J.P. Morgan or the negotiating team have all clearly said we have the ability to sell power to other places outside of Newfoundland and Labrador besides Quebec – New England, Massachusetts, New York, Ontario. We have the ability to do that. It was clearly, clearly, clearly spoken and it was heard in this House loud and clear. Unfortunately, they still don't get it.

SOME HON. MEMBERS: Hear, hear!

The hon. the Leader of the Official Opposition.

J. HOGAN: We get it. I guess he didn't listen to the quote that I read.

It's not just the Premier who's saying different things than the experts because today Mr. Brady Yauch from J. P. Morgan said, and I quote: In the previous MOU, you had access to the 265 megawatts that NL Hydro has today. So it was there in 2024.

However on September 2, the Energy Minister said in a call to *Open Line*: The reality is, in the previous MOU, the previous government gave up all the rights to put electricity through – 265 megawatts – and they gave it up and it was zero.

So I ask the Premier: Who was right, Mr. Yauch, the energy expert, or his Energy Minister?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Mr. Speaker, I can tell you what wasn't in the previous MOU, not one word about the ability to transport the 265 megawatts through Quebec into the markets, not once was it mentioned in their MOU. It was not there.

So perhaps I said that, I stand by it, but I can tell you right now, we have 965 megawatts right now – 965 megawatts. More transmission, more power and more value, something that they failed to deliver on.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Thank you, Speaker.

I ask the Attorney General: If an agreement is silent on something, does that mean it has been taken away or it's still in there?

SOME HON. MEMBERS: Oh, oh!

AN HON. MEMBER: No one is going to answer?

J. HOGAN: I'll give the answer.

If a document is silent on something (inaudible).

SPEAKER: Order, please!

The hon. the Leader of the Official –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Nobody answered.

The hon. the Leader of the Official Opposition.

SOME HON. MEMBERS: Oh, oh!

J. HOGAN: I'll give them another opportunity.

I ask the Attorney General: If any contractual agreement is silent on something, would that mean that a previous thing, such as 265 megawatts, was taken away or it would still be there?

SPEAKER: The hon. the Minister of Justice and Public Safety, and Attorney General.

SOME HON. MEMBERS: Hear, hear!

H. CONWAY OTTENHEIMER: If an agreement is silent on a particular provision, that means that it is silent. In essence, there is no comment on it, there is no provision in the contract and, therefore, it doesn't reflect on anything in the previous agreement or a contract.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Thank you, Speaker.

We heard today from the federal government representatives that the investment tax credit would apply across the country. They also confirmed there were ongoing conversations in probably every provincial and territorial government in Canada about the implementation of these tax credits. They would have applied to the

2024 MOU; they would apply to any future deal, hopefully if we get an improved one.

Is the Premier aware Newfoundland and Labrador received the same opportunity available to every province and territory or does he think he is the only one who secured this?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, what I am assured of and what I am confident in is that there was no federal government involvement in the 2024 MOU that was debated in this House of Assembly back in January of 2025.

What we have now is a letter from the prime minister who outlines everything that the federal government is prepared to do to help Newfoundland and Labrador develop its own resources. I don't recall ever seeing a letter from the prime minister to the previous government.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: We heard today that Quebec has secured \$6.5 billion in funding while Newfoundland and Labrador gets \$3.5 billion in funding.

I ask the Premier: Why didn't he ensure that the letter from the prime minister gave Newfoundland and Labrador as much money as Quebec?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, firstly, let me turn around and thank Prime Minister Carney and his Liberal government for investing on a per capita basis almost 10

times as much in Newfoundland and Labrador as he had in Quebec.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, it's good to see that there are at least some Liberals in the country who are prepared to deliver for this province.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: It's clear from the evidence today the prime minister's job was to grow the size of the pie, and he did that and I thank him for that. But it was the Premier's job to ensure Newfoundland and Labrador gets the biggest piece of the pie and the Premier failed to do that.

How can the Premier defend a deal where Quebec gets over 82 per cent of the new power, double the federal investment and a better overall price for our power?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, all I can say is that while the Opposition Leader wants to talk about sound bites, let me tell you what we have achieved. What we have achieved – and I'm going to talk about it again – more power, more transmission and more value than the previous MOU. He wanted the people of the province to vote –

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

PREMIER WAKEHAM: He wanted the people of the province to vote for less power, less transmission and less value.

SOME HON. MEMBERS: Oh, oh!

SPEAKER: Order, please!

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Speaker, we heard Mr. Perry say tonight it was the line in the sand when Quebec asked for a 65-year contract. He said the deal almost broke down over this issue.

My question is, why was that such a big issue in negotiations when just last year the Liberals were able to secure a 50-year contract?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: I'm glad to hear the Member opposite referring to it as a contract now. Last year he didn't know if it was an MOU or some kind of other agreement.

All that aside, I can tell you why it was a big deal. It was a big deal because this government secured more power, more transmission and more value. At the end of the day, we brought back a deal that was much better for Newfoundlanders and Labradorians. Now they're upset with it. They're upset that they couldn't deliver and they're in here talking about this deal as if it's not nearly as good as what they brought forward. It's unbelievable where they've gone with this.

M. KING: (Inaudible.)

SPEAKER: Order, please!

L. PARROTT: Fifty-year deal –

SPEAKER: I ask the Member for Burgeo - La Poile for your co-operation. Do not speak unless it's your turn to speak.

The hon. the Minister of Energy and Mines.

L. PARROTT: It was a new negotiation. We got a 50-year deal that is much better for the men and women in this province.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: I suggest the Energy Minister take a beat before he stands up and starts shouting back answers, because it is a 50-year contract which is different than the MOU. We're talking about different things here.

The Premier's former leader, former PC Leader Ches Crosbie, posted yesterday that "Unlike in the 2024 MOU, there is no reopener and no offramp."

How can the Premier defend a deal that his own former leader confirms has no ability for Newfoundland and Labrador to renegotiate any prices if markets change?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

Let's talk about former leaders and let's talk about the interference from the former leader on this government. J.P. Morgan said today: "I would say that our preference, our advice, for something other than a 2 per cent escalator with the capital structure that had been negotiated, it was clear to the government of the day what our position was. I can't say they ignored our advice exactly, but our advice and perspectives on this issue, obviously, were not followed, were not adhered to."

He wants to talk about former leaders, he should probably have a look at himself and he should go talk to Mr. Furey.

SOME HON. MEMBERS: Hear, hear!

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

J. HOGAN: Premier, is there any magic in the fact that the 720 megawatts for the transmission portfolio is the same amount of power that is available for Gull Island, 432 megawatts and 288 megawatts from the Churchill Falls upgrades?

SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER WAKEHAM: Speaker, let's talk what we actually have been able to achieve here. The fact that we have more power available for the people of Newfoundland and Labrador and the optionality that's involved with that; the ability that we've heard today from the experts with J.P. Morgan and others and we heard from the negotiating team; the significant value of the up-sale of power, the 150 per cent that we will get for that power, if we chose or choose to sell it into Quebec.

But we don't have to choose that route. We can take that power because we now have the ability with enough power to be able to start to develop our own industries in our own province to create jobs for our own people.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Member for St. John's East - Quidi Vidi.

S. O'LEARY: Speaker, in this deal, there is no requirement to do an environmental assessment, as there was an assessment of Gull Island bundled with Muskrat Falls done back in 2012, 14 years ago. We know that since 2012, the climate has vastly changed, especially in Labrador. We currently have a government that does not believe in emission caps and who has not released a climate action plan.

I ask the Minister of Climate Change does she find this acceptable?

SPEAKER: The hon. the Minister of Labrador Affairs.

SOME HON. MEMBERS: Hear, hear!

L. EVANS: I thank the Member for the question because, in actual fact, it was dismaying for a lot of people in Labrador that the environmental assessment for Muskrat Falls also included Gull Island. We do recognize that there is climate change and there are impacts. The people of Labrador are concerned about that, especially the people of Lake Melville. But there will be other assessments and permitting requirements and we will actually look at that, to answer the Member's question.

SPEAKER: The hon. the Member for St. John's East - Quidi Vidi.

S. O'LEARY: Well, Speaker, the minister is confident that environmental findings from 14 years ago are acceptable, yet over that time we've seen melting sea ice in Labrador impacting livelihood, drought, wildfires – which almost took out the Churchill Falls plant in 2024 – and extreme weather patterns becoming normal.

I ask the Minister of Climate Change: Seeing as she thinks this is acceptable, is her department prepared to handle the possible environmental impacts from building Gull Island, and what preparations are the department taking to mitigate these possible impacts?

SPEAKER: The hon. the Minister of Labrador Affairs.

SOME HON. MEMBERS: Hear, hear!

L. EVANS: Speaker, I will rise every time to address the preamble where actually I'm misquoted. I did not say that we were not concerned about the change, and in actual

fact we recognize climate change impact as a government. Nowhere more is the impact of change felt than in Labrador, Speaker, in my District of Torngat Mountains.

In actual fact, Speaker, we are going to look at what the change means and what it means for Gull Island, what it mean for the overall project. We are responsible. The Member of the NDP will be pleased that she will witness a government in action as opposed to 10 years of Liberal inaction.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Member for St. John's East - Quidi Vidi.

S. O'LEARY: Speaker, what we haven't talked about this week is ratepayers. People in this province are already struggling with the rising cost of living, and now as we brace for higher prices and greater uncertainty from the trade war, families are more anxious than ever about how they're going to make ends meet. Energy costs are a major part of that pressure.

So I ask the Premier: Beyond the 15 per cent rebate – which you were once opposed to – what is your actual plan to make all forms of energy more affordable for people in this province?

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

SOME HON. MEMBERS: Hear, hear!

C. PARDY: Thank you, Mr. Speaker.

At one point in time in the House we referenced *Ted Lasso*. I'd like to reference now *Jerry Maguire*, when he states in the 1996 movie, show me the money.

This deal will bring us the money when it's signed and I would think, as I stated last night, that \$1.2 million will pay every residential electrical bill in Newfoundland and Labrador, we just need the income.

We're starting with 15 per cent, but when the deal is brought home, then we can envision that we can do more to help out with the residential strain that they have on their electrical bills.

Thank you, Speaker.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Leader of the Third Party.

J. DINN: Thank you, Speaker.

Speaker, we learned today that one of the government's independent financial experts, J.P. Morgan, had concerns with the 2 per cent escalator clause in the 2024 MOU, that it was not their preferred choice, but at no time did they mention this during the 2025 debate.

So I ask the Premier: Why should I trust J.P. Morgan that they are telling everything now and that there was no government interference in the process?

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

SOME HON. MEMBERS: Hear, hear!

C. PARDY: I think the Leader of the Third Party asked a good question, one that warrants to be repeated probably for the fifth or sixth time in this Chamber.

The 2 per cent escalator was a faulty mechanism and it wasn't recommended by J.P. Morgan. It was going to lead to, as the Premier stated, a balloon debt at the end of the Muskrat Falls when it was passed over to the province.

AN HON. MEMBER: Gull Island.

C. PARDY: Gull Island, sorry.

What we're seeing now is that J.P. Morgan's preferred industry standard model

is being used now and not the 2 per cent escalator. We are doing what the industry standard is doing now, and that was really a grave mistake in 2024.

SPEAKER: Order, please!

The minister's time has expired.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: Mr. Speaker, on many times my good friend from Lab West always talked about the potential in Lab West and he always mentioned to me about what the potential is in Lab West.

So I'll just ask the question to whoever wants to answer it, the minister or the Premier: What potentials are there for Lab West here in GDP for the Province of Newfoundland and Labrador?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

Thank you to the Member for Labrador West for being such a strong advocate for Labrador West.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Kami represents about 976 million tons of iron ore; Iron Bear, 2.15 billion tons of iron ore; Julianne Lake, 867 million tons of iron ore. That doesn't include IOC at 1.14 billion; Tacora at 479 million; Tata at 85 million. Just in construction alone: GDP \$19 billion.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The hon. the Member for Humber - Bay of Islands.

E. JOYCE: Mr. Speaker, I'm going to carry on with the NDP who is very vocal on this.

Can you inform this House and inform the public when negotiations or discussions with the Aboriginal groups in Labrador are going to start? How are we going to do it to ensure that they're kept in the whole loop of this whole negotiation so that we can ensure that their rights are well protected and they have a say in how their land is going to be protected?

SPEAKER: The hon. the Minister of Energy and Mines.

SOME HON. MEMBERS: Hear, hear!

L. PARROTT: Thank you, Mr. Speaker.

We have heard everyone from the negotiating team to the federal government, they've all come in here and said that they've carried out conversations with Indigenous and so has this government. Negotiations with the Innu of Labrador are ongoing and we do intend on brokering a deal with them that gets this deal over the line.

They are an important part of what we do and who we are as a province. They are Labrador. So this Premier will ensure that there is a deal done with the Innu of Labrador.

SOME HON. MEMBERS: Hear, hear!

SPEAKER: The time for Question Period has now expired.

Given the hour of the evening, this House do now stand adjourned until 10 o'clock tomorrow morning.

On motion, the House at its rising adjourned until tomorrow, Wednesday, at 10 a.m.