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www.nlh.nl.ca

December 17, 2025

VIA EMAIL

Attention: [REDACTED]

Dear [REDACTED]

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act, 2015* (File #: PB/1306/2025)

On October 11, 2025, we received your request for access to the following records/information:

I heard part of your interview with Paddy Daley this morning. You referred to the rate differential between our province and Quebec on a system wide basis. You spoke about generation, transmission and distribution costs. Please disclose the unit costs (per KWh) incurred by Quebec and compare those with each of generation, transmission and distribution costs in this province.

Please provide the public with the unit cost of generation from the existing Churchill Falls plant in 2024, along with the unit distribution and transmission costs for energy purchased from CFLCo by Hydro Quebec. What is the average present value of these three unit costs over the period 2025- 2075 for energy purchased from CFLCo by Hydro Quebec?

Under ATIPPA, Hydro has 30 days or more to respond to an information request. In light of the fact that the MOU is an election issue for the provincial election in six days are you prepared to accept questions and answer them within a 24 hour timeframe, immediately posting all questions and answers so that the public is aware of concerns being expressed? If information is unavailable within that time frame please advise within 24 hours.

I have additional questions, as follows.

Do you and your colleagues at NL Hydro consider yourselves to be public servants, with a duty to speak truth to power?

Can you confirm that the testimony you gave to the House of Assembly was presented without oath or affirmation?

As a public servant presenting to the highest governmental body in the province is it not your duty to present not only the benefits of the MOU but also the risks and cost?

Do you believe that the unsworn evidence you presented to the House of Assembly gave a balanced perspective on benefits vs. risks?

How much additional revenue does the MOU supply to the province before September 1, 2041, over and above its entitlement under agreements prior to December 12, 2025?

Do the increased revenues prior to September 1, 2041, come at the cost of reduced revenues after that date?

The financial benefits table discloses \$36 billion in preferred dividends to NL Hydro.

Please disclose the common and preferred dividends paid by CFLCo to NL Hydro for each year from 2016 to 2024?

How is the value of future preferred dividends calculated?

Is it correct that the payment of preferred dividends was a decision of the province and that it was put in place in lieu of provincial corporate income tax?

Does that mean that as a shareholder the preferred dividends enable the province to increase its entitlement to a higher level than our equity share, namely 65.8%?

What is our appropriate share of net profits as a shareholder?

What is our appropriate share as resource owner?

The financial benefits table discloses \$36 billion in preferred dividends associated with the existing plant, but no preferred dividends for the New Developments. Does that mean that they will pay provincial corporate income tax?

If so, how much will they pay in CIT, compared with what they would have paid if they paid preferred dividends commensurate with their share of net revenues from the existing plant?

During your interview on VOCM Open Line with Paddy Daley on October 8, 2025, you said the present value of revenues to CFLCo from sale of power to Hydro Quebec from the existing plant would be, on average, 5.9 cents/kWh. Am I correct in understanding that the imagined, or counterfactual, revenue stream, which begins at 5.9 cents/kWh and escalates at 2%, also discounts at 5.822% for a present value of \$33.8 billion, prior to deduction for “operations, maintenance, interest etc.” and prior to distributions to shareholders?

The total energy sales associated with this value measure is 1,268 TWh (billions of kWh) over 51 years and, when divided into the \$33.8 billion shown in Schedule G, the average present value is 2.67 cents/kWh, which is identical to the present value of the factual revenue stream associated with Schedule G. Does this not prove that the present value of the annual revenue stream is indeed 2.67 cent/kWh and not 5.9 cents/kWh?

Please confirm that this proof is accurate.

What is the present value of average revenues to NL Hydro (removing HQ’s share) over the 51-year term of the MOU for each of: the existing plant, the upgrades, CF2 and Gull Island as well as the total? Please remove the revenues which would accrue under existing agreements (the renewal agreement up to August 31, 2041, as well as any operating expenses which need to be deducted to calculate net revenues and net profits.

We understand that Hydro Quebec has received 90% of the revenues from 1969 up to the present. What share of revenues will NL Hydro receive as calculated in 18 above? What share of market prices will NL Hydro receive based on those same calculations?

In calculating the NL Hydro share of net revenues as a share of market prices is it necessary to adjust market prices to reflect transmission costs and/or distribution cost incurred by Hydro Quebec?

If so, what is the appropriate estimate of Hydro Quebec’s transmission and/or distribution costs attributable to the existing Churchill Falls plant?

Cost recovery for the Muskrat Falls project takes place under two models. The Labrador Island Link (LIL) is governed by a traditional cost of service model where ROE is recovered when costs are incurred each year. The costs of the generation component (the Muskrat Falls site and the TL from Muskrat Falls to Churchill Falls) are recovered through another system, known as “escalating supply prices” and ROE recovery is back end loaded. The

costs of Gull Island, along with the upgrades and the expansion, will be recovered using a “cost-plus pricing terms projected to deliver a 2% per annum escalation of revenues over the term” of the power purchase agreements. Is the cost recovery model for development projects under the MOU the same as it is for the generation costs of Muskrat Falls and will repayment of NL Hydro’s ROE be similarly deferred?

If so, will this deferral delay payment of revenues to NL Hydro as a shareholder in CFLCo and the GIJV?

Will deferred ROE payments be carried beyond the term of the power purchase agreements?

Would there be an advantage to the province if we increased our water rentals and royalties?

When was the province’s water rental and royalty regime last revised? How does it compare with other provinces?

What is the best balance between dividends and royalties in optimizing the province’s fiscal regime?

How do our water royalties and rentals compare with those levied in the province of Quebec?

If we charged the same rates in this province as in Quebec what would be the impact upon the \$16 billion shown in the benefits table?

As in my previous email I point out that the public needs more information before they are make a decision on how they would like to see the province deal with the issues arising from the Churchill Falls MOU. I request that Hydro respond accordingly to my questions and those of other concerned citizens on a timely basis so voters will be better informed before they cast their ballot at the provincial election of Members of the House of Assembly next week.

On November 7, 2025, you were notified about a time extension approved by the Office of the Information and Privacy Commissioner for 20 days.

On December 8, 2025, you were notified about an additional time extension approved by the Office of the Information and Privacy Commissioner for 5 days.

Please be advised that access to the records responsive to your request have been granted, in part, in accordance with the following exceptions to disclosure, as specified in the **Access to Information and Protection of Privacy Act (the ATIPPA)**:

Section 29(1)(a): The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

Section 35(1)(d): The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

Section 35(1)(f): The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on behalf of the government of the province or a public body, or considerations which relate to those negotiations;

Section 35(1)(g): The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to prejudice the financial or economic interest of the government of the province or a public body;

Section 39(2): The head of a public body shall refuse to disclose to an applicant information that was obtained on a tax return, gathered for the purpose of determining tax liability or collecting a tax, or royalty information submitted on royalty returns, except where that information is non-identifying aggregate royalty information.

Please note the specific sections (listed above):

Question 6- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 13- Section 39(2)
Question 14- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 18- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 22- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 23- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 24- Section 29(1)(a), 35(1)(d),(f), and (g)
Question 29- Section 29(1)(a), 35(1)(d),(f), and (g)

In keeping with our standard practice, it is our intention to post this letter on the Newfoundland and Labrador Hydro website.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the **Access to Information and Protection of Privacy Act, 2015** (the Act) (a copy of this section has been enclosed for your reference). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The appeal may be addressed to the Information and Privacy Commissioner as follows:

Office of the Information and Privacy Commissioner
 2 Canada Drive
 P. O. Box 13004, Stn. A
 St. John's, NL A1B 3V8

Telephone: (709) 729-6309

Toll-Free: 1-877-729-6309
Email: commissioner@oipc.nl.ca

You may also appeal directly to the Supreme Court within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act (a copy of this section has been enclosed for your reference).

If you have any further questions, please contact me by telephone at (709) 733-5346 or by email at CassandraHearn@nlh.nl.ca.

Sincerely,

Cassandra Hearn

Cassandra Hearn
Access and Privacy Officer

Access or correction complaint

42. (1) A person who makes a request under this Act for access to a record or for correction of personal information may file a complaint with the commissioner respecting a decision, act or failure to act of the head of the public body that relates to the request.
- (2) A complaint under subsection (1) shall be filed in writing not later than 15 business days
- (a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or
 - (b) after the date the head of the public body is considered to have refused the request under subsection 16(2).
- (3) A third party informed under section 19 of a decision of the head of a public body to grant access to a record or part of a record in response to a request may file a complaint with the commissioner respecting that decision.
- (4) A complaint under subsection (3) shall be filed in writing not later than 15 business days after the third party is informed of the decision of the head of the public body.
- (5) The commissioner may allow a longer time period for the filing of a complaint under this section.
- (6) A person or third party who has appealed directly to the Trial Division under subsection 52(1) or 53(1) shall not file a complaint with the commissioner.
- (7) The commissioner shall refuse to investigate a complaint where an appeal has been commenced in the Trial Division.
- (8) A complaint shall not be filed under this section with respect to
- (a) a request that is disregarded under section 21;
 - (b) a decision respecting an extension of time under section 23;
 - (c) a variation of a procedure under section 24; or
 - (d) an estimate of costs or a decision not to waive a cost under section 26.
- (9) The commissioner shall provide a copy of the complaint to the head of the public body concerned.

Direct appeal to Trial Division by an applicant

52. (1) Where an applicant has made a request to a public body for access to a record or correction of personal information and has not filed a complaint with the commissioner under section 42, the applicant may appeal the decision, act or failure to act of the head of the public body that relates to the request directly to the Trial Division.
- (2) An appeal shall be commenced under subsection (1) not later than 15 business days
- (a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or
 - (b) after the date the head of the public body is considered to have refused the request under subsection 16(2).
- (3) Where an applicant has filed a complaint with the commissioner under section 42 and the commissioner has refused to investigate the complaint, the applicant may commence an appeal in the Trial Division of the decision, act or failure to act of the head of the public body that relates to the request for access to a record or for correction of personal information.
- (4) An appeal shall be commenced under subsection (3) not later than 15 business days after the applicant is notified of the commissioner's refusal under subsection 45(2).

Appendix A

A) Please disclose the unit costs (per KWh) incurred by Quebec and compare those with each of generation, transmission and distribution costs in this province.

B) Please provide the public with the unit cost of generation from the existing Churchill Falls plant in 2024, along with the unit distribution and transmission costs for energy purchased from CFLCo by Hydro Quebec.

C) Please provide the public with the unit cost of generation from the existing Churchill Falls plant in 2024, along with the unit distribution and transmission costs for energy purchased from CFLCo by Hydro Quebec.

D) What is the average present value of these three-unit costs over the period 2025-2075 for energy purchased from CFLCo by Hydro Quebec?

It is important to clarify that Hydro-Québec's costs and rates are regulated by the Régie de l'énergie in Québec. In 2024, publicly available information for Hydro-Québec's average retail rates, were approximately 8.05¢/kWh for residential customers, the lowest in North America. Those rates reflect the combined effect of generation, transmission, and distribution costs within Québec's system.

In Newfoundland and Labrador, our cost structure is vastly different due to generation, transmission and distribution costs. This reflects the realities of serving a smaller, more geographically dispersed population, versus Quebec's costs benefit from economies of scale due to larger population.

In the existing Memorandum of Understanding, the actual nominal price paid for the existing Churchill Falls power is forecast to increase over the life of the Power Purchase Agreement (PPA), starting at 1.63 cents per kilowatt hour retroactive to January 1, 2025, and increasing year over year. The effective average price is 5.9 cents/kWh, which is 30 times higher than current price and the price will escalate over time, tied to market prices, elements which were missing from the 1969 deal. realities of serving a smaller, more geographically dispersed population, while Québec's costs benefit from economies of scale in a much larger system.

Our overall rates are available in aggregate form through the following documents:

- [Our Electricity System – Newfoundland & Labrador Hydro](#)
- [Annual Report 2024 – Newfoundland & Labrador Hydro](#)
- [Schedule-of-Rates-Rules-and-Regulations_Aug-2024.pdf](#)

1. Do you and your colleagues at NL Hydro consider yourselves to be public servants, with a duty to speak truth to power?

Newfoundland and Labrador Hydro is a Crown utility. Our employees are public servants, and we take that responsibility seriously.

2. Can you confirm that the testimony you gave to the House of Assembly was presented without oath or affirmation?

It is confirmed that all comments made by NL Hydro employees were accurate.

3. As a public servant presenting to the highest governmental body in the province is it not your duty to present not only the benefits of the MOU but also the risks and cost?

Yes. Our team at Newfoundland and Labrador Hydro presented the benefits of this MOU, along with the risks and costs, and were open to questions, concerns and public scrutiny. We have an obligation to communicate with residents of the province to explain what this historic MOU means for people with incredibly varied backgrounds, interests and communication preferences. With that in mind, Hydro has endeavored to communicate as much as possible since December 2024. Hydro has been available to the public in many formats including, but not limited to, the following:

- Hydro's executive and experts appeared for four days in the House of Assembly to answer questions;**
- Answered questions for attendees during four public webinars;**
- Completed countless media interviews and written responses to media;**
- Posted hundreds of pages of documents on a publicly available information portal;**
- Appeared in numerous public speaking engagements; Held briefings for interested parties; and**
- Shared public information videos on the various aspects of the MOU**

4. Do you believe that the unsworn evidence you presented to the House of Assembly gave a balanced perspective on benefits vs. risks? As stated in Question 3, Hydro's executive and experts appeared for four days in the House of Assembly to answer questions.

During that time, they provided in-depth perspectives about the agreement, openly sharing extensive information related to the merits of the deal, understood benefits to the Province and residents, and acknowledged the risks resulting from a commercially negotiated agreement such as this.

5. How much additional revenue does the MOU supply to the province before September 1, 2041, over and above its entitlement under agreements prior to December 12, 2025?

Table 1: Total forecasted cash flow to the Province (\$M) (2025-2041)¹

	CF PPA	New developments	Total
Per the existing entitlements	139	-	139
Per MOU entitlements ^{2,3}	16,747	1,190	17,937
Delta - increase (decrease)	16,609	1,190	17,798

[1] - As at January 2025. <https://www.ourchapter.ca/resources/#documents>

[2] - The forecasted revenues can change based on various economic conditions as illustrated in Schedule F of the MOU. The total revenues to the Province can also be impacted by changes in the plant O&M and maintenance capex requirements.

[3] - The forecasted values based on the preliminary NLH assumptions of project costs. This is subject to change.

6. Do the increased revenues prior to September 1, 2041, come at the cost of reduced revenues after that date?

We're unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

7. Please disclose the common and preferred dividends paid by CFLCo to NL Hydro for each year from 2016 to 2024?

Please refer to CF(L)Co financial statements available on the Newfoundland and Labrador Hydro website, available here: <https://nlhydro.com/about-us/publications/>

8. How is the value of future preferred dividends calculated?

The Class A Cumulative Preferred Shareholder is entitled to preferred dividend payments calculated as the amount equal to the income taxes which would have been received by the Province had Churchill Falls continued to be a taxable corporation.

9. Is it correct that the payment of preferred dividends was a decision of the province and that it was put in place in lieu of provincial corporate income tax?

Please contact the Government of Newfoundland and Labrador for information about decisions made related to provincial corporate income tax.

10. Does that mean that as a shareholder the preferred dividends enable the province to increase its entitlement to a higher level than our equity share, namely 65.8%?

Yes.

11. What is our appropriate share of net profits as a shareholder?

Please response with clarification as we were unable to respond otherwise.

12. What is our appropriate share as resource owner?

Please response with clarification as we were unable to respond otherwise.

13. The financial benefits table discloses \$36 billion in preferred dividends associated with the existing plant, but no preferred dividends for the New Developments. Does that mean that they will pay provincial corporate income tax?

We're unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

14. If so, how much will they pay in CIT, compared with what they would have paid if they paid preferred dividends commensurate with their share of net revenues from the existing plant?

We're unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

15. During your interview on VOCM Open Line with Paddy Daley on October 8, 2025, you said the present value of revenues to CFLCo from sale of power to Hydro Quebec from the existing plant would be, on average, 5.9 cents/kWh. Am I correct in understanding that the imagined, or counterfactual, revenue stream, which begins at 5.9 cents/kWh and escalates at 2%, also discounts at 5.822% for a present value of \$33.8 billion, prior to deduction for "operations, maintenance, interest etc., " and prior to distributions to shareholders?

The calculation of the average effective price of 5.9 cents/KWh is consistent with the typical industry practice. Practically that means that the entire agreed escalating revenue stream that makes up the \$33.8B NPV can be represented as an equivalent contract (which also equates to \$33.8B on an NPV basis) that began in 2025 at 5.9 cents/KWh and then escalates 2% p.a.; All of those numbers are prior to deductions for operating costs, financing costs, or shareholder distributions.

16. The total energy sales associated with this value measure is 1,268 TWh (billions of kWh) over 51 years and, when divided into the \$33.8 billion shown in Schedule G, the average present value is 2.67 cents/kWh, which is identical to the present value of the factual revenue stream associated with Schedule G. Does this not prove that the present value of the annual revenue stream is indeed 2.67 cent/kWh and not 5.9 cents/kWh?

It is incorrect to divide a present valued value with a nominal value.

17. Please confirm that this proof is accurate.

Your proof is incorrect. Please see response to #16

18. What is the present value of average revenues to NL Hydro (removing HQ's share) over the 51-year term of the MOU for each of: the existing plant, the upgrades, CF2 and Gull Island as well as the total? Please remove the revenues which would accrue under existing agreements (the renewal agreement up to August 31, 2041, as well as any operating expenses which need to be deducted to calculate net revenues and net profits.

We're unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

19. We understand that Hydro Quebec has received 90% of the revenues from 1969 up to the present. What share of revenues will NL Hydro receive as calculated in 18 above? What share of market prices will NL Hydro receive based on those same calculations?

Please response with clarification as we were unable to respond otherwise.

20. In calculating the NL Hydro share of net revenues as a share of market prices is it necessary to adjust market prices to reflect transmission costs and/or distribution cost incurred by Hydro Quebec?

Could you please clarify if you are referring to the energy wheeling toll through Quebec?

21. If so, what is the appropriate estimate of Hydro Quebec's transmission and/or distribution costs attributable to the existing Churchill Falls plant?

This information is not known to Newfoundland and Labrador Hydro.

22. Cost recovery for the Muskrat Falls project takes place under two models. The Labrador Island Link (LIL) is governed by a traditional cost of service model where ROE is recovered when costs are incurred each year. The costs of the generation component (the Muskrat Falls site and

the TL from Muskrat Falls to Churchill Falls) are recovered through another system, known as “escalating supply prices” and ROE recovery is back end loaded. The costs of Gull Island, along with the upgrades and the expansion, will be recovered using a “cost-plus pricing terms projected to deliver a 2% per annum escalation of revenues over the term” of the power purchase agreements. Is the cost recovery model for development projects under the MOU the same as it is for the generation costs of Muskrat Falls and will repayment of NL Hydro’s ROE be similarly deferred?

We’re unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

23. If so, will this deferral delay payment of revenues to NL Hydro as a shareholder in CFLCo and the GIJV?

We’re unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

24. Will deferred ROE payments be carried beyond the term of the power purchase agreements?

We’re unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.

25. Would there be an advantage to the province if we increased our water rentals and royalties?

For Churchill Falls, the water rental and royalty regime is different than other generation facilities in Hydro’s system. The *Churchill Falls (Labrador) Corporation Limited (Lease) Act* (“the Act”) originally established water rental and royalty rates, and authorized execution of a 99-year lease with CF(L)Co on the Churchill River watershed. CF(L)Co has the option to renew under the same terms in 2060, for an additional 99 years. It allows the Government of Newfoundland and Labrador to set a royalty rate from CF(L)Co of up to \$0.08 per MWh. Additionally, CF(L)Co pays a water rental rate to the Province that is equal to 8% of its net profits. Therefore, for CF (L) Co there are advantages to increase the water rental and royalty rates because 100% of the increase is accrued to the Province.

26. When was the province's water rental and royalty regime last revised? How does it compare with other provinces?

Newfoundland and Labrador's water rental regime was last amended in 2016 (available [Here](#)). Please contact a representative from the Government for more information on the regime and how it compares to other provinces.

27. What is the best balance between dividends and royalties in optimizing the province's fiscal regime?

Please contact the Government of Newfoundland and Labrador for questions relating to the province's fiscal regime.

28. How do our water royalties and rentals compare with those levied in the province of Quebec?

In Newfoundland and Labrador, water rental and royalty framework is governed by the Water Resources Act, where fixed rates are tied to long-term contracts and royalties vary by project. For Quebec, their water rental and royalty framework is governed by regulations under the Watercourses Act and managed by the provincial government.

29. If we charged the same rates in this province as in Quebec what would be the impact upon the \$16 billion shown in the benefits table?

We're unable to respond to this question as this information is considered commercially sensitive and could harm the negotiating position of Newfoundland and Labrador Hydro. Please see the specific sections of the Act noted in the final response letter.