

Date : 10/27/2009 1:04:47 PM
From : "Dunderdale, Kathy"
To : "Thompson, Robert"
Subject : Re:

Ok Robert

Sent Via BlackBerry

From: Thompson, Robert
To: Dunderdale, Kathy
Cc: Jacobs, Debbie A.; Byrne, Mary
Sent: Tue Oct 27 13:01:05 2009
Subject:

Minister: here is a summary of the new info on HQ and NB. Would appreciate your sign-off so we can send to Cab Sec and into PO. Thks

RT

Information Note
Department of Natural Resources

Title: Sale of New Brunswick Power to Hydro Quebec

Issue: Updated Information on Scope of Arrangements

Background and Current Status:

- 1 On June 23, 2009, Premiers Graham and Charest announced that they were entering into discussions with a view to developing partnerships in the energy sector.
- 2 The Premiers directed their energy officials, as well as representatives of NB Power and Hydro-Québec, to explore opportunities for co-operation, particularly in the areas of accessibility, supply, transmission, market opportunities and reducing greenhouse gas emissions.
- 3 Sources within New Brunswick have been providing updated information on the scope of the arrangements, however, until the full details of the deal are announced, **the information is best characterized as rumor.**
- 4 Information obtained this morning would see the deal as follows:
 1. The sale of generation, distribution and transmission assets,
 - Generation assets sold would include Point Lepreau (nuclear – 635MW); hydro (895 MW); thermal (584 MW); Point Lepreau would be purchased after completion of the ongoing refurbishment at an agreed price
 - HQ will NOT purchase certain of the thermal assets likely to be the Bellefleur (coal – 458MW), Coleson Cove (heavy fuel oil – 978MW) and Dalhousie (heavy fuel oil – 300MW); a side deal to sell these assets to EMERA is also rumored
 - HQ will operate the distribution system and provide all electricity to NB customers
 - HQ will own the transmission system and operate according to FERC market rules; no information is available on the future status of NBSO
 - Residential electricity rates would be reduced in the order of 20-40% but remain higher than residential rates in QC
 - Industrial rates would be reduced 15% and be equal to the HQ industrial rate
 - All future electricity rate changes would be accomplished through the NB Energy and Utilities Board
 - HQ would assume \$4.7 billion in NB Power debt but would not include \$600m - \$1.3 billion in debt attributed to the unfunded pension liability, NB Power line of credit, or amounts owing to the NB Hydroelectric Finance Corporation
 2. The value of the deal to New Brunswick is rumored to be \$10 billion with value being calculated as savings resulting from the reduction in debt, interest savings and differential in electricity rates over a 5 year period. The deal itself is a “debt for assets” swap.
 3. An announcement could occur as early as this Friday (October 30) with Premiers Charest and Graham revealing the details of the deal jointly at press conferences in Saint John and Quebec City.
 4. The deal is set to close in March 2010, however, before there is any sale of assets or industry restructuring, the NB government must first make legislative and regulatory changes. The Electricity Act is a comprehensive piece of legislation that covers the corporate organization of NB Power and the NBSO and establishes the market rules for electricity trade.
 5. The NB government is expected to bring down their budget in early December and a significant deficit is anticipated (\$400-500 M)

Action Being Taken:

- 1 Discussions with contacts in New Brunswick are ongoing to uncover more information about the deal and timing of an announcement.

Prepared by: Charles W. Bown
Approved by: Robert Thompson

October 27, 2009

Robert Thompson
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