

Date : 6/4/2009 10:23:32 AM

From : "Bown, Charles W."

To : "Thompson, Robert"

Subject : RE:

Robert;

Attached is my suggested response to Brian's questions (in RED). We can discuss.

CwB

1. It is important that all parts of Nalcor are strong and financially sound to enable our energy corporation to meet its mandate, which includes new acquisitions and the development of the Lower Churchill project, as well as being a reliable supplier of least-cost electricity through its regulated line of business, Hydro.  
- new acquisitions and lower churchill have nothing to do with the rate application. That is the nonregulated arm of the business. This could give the impression that rate payers are paying for equity in other oil projects which is not the case.

This was not the intent of the statement, rather it was meant to convey that, in order for Nalcor to meet its mandate; all parts of the company must be strong, including Hydro. The referenced section of the Minister's statement referring to Lower Churchill should be removed. Statement should read as follows, "It is important that all parts of Nalcor are strong and financially sound to enable our energy corporation to meet its mandate, which includes being a reliable supplier of least-cost electricity through its regulated line of business, Hydro."

2. ROE will be comparable to nf power - they just filed for an increase to just shy of 12%. Is that what hydro is looking for?

Hydro will not file an application to PUB annually to have the ROE set. The intent is that Hydro will "piggy-back" the rate applied to NP by PUB; this would be an automatic adjustment. NR has discussed this issue with PUB and will provide more detailed guidance to PUB following consultation with NLH, PUB and NP.

3. Hydro won't file for an increase in 2010 - I don't suppose they will. Do we know what kind of an increase these changes will bring? Quite significant I'm sure. That being said, what if oil exceeds \$100/bbl. Won't they have to adjust for fuel costs? I think it is called the fuel rider.

The actions undertaken by government to improve the financial viability of Hydro will result in a 4% increase. This increase was to be mitigated by a deferral of the loan guarantee fee, however, this deferral will cease in 2010. Should Hydro file its next general rate application in 2010, the rate impact of the financial viability actions will be implemented in 2011.

Correct, if the price of fuel increases, then there will be an automatic adjustment of electricity rates on July 1, 2010. The profitability of the utilities is not affected as they draw funds from the Rate Stabilization Plan to offset increases in fuel prices. This allows rates to be adjusted only once annually rather than weekly or monthly. Hydro recently reduced its rate by 6% to reflect the decrease in fuel prices and to return a portion of the surplus that had accumulated in the fund.

Charles

-----Original Message-----

From: Barron, Tracy B.

Sent: Tuesday, June 02, 2009 9:27 AM

To: Bown, Charles W.; Williams, Tina

Cc: Thompson, Robert

Subject: Fw:

Tina and Charles: Can you work on addressing Brian's concerns regarding this release and answer his questions? Robert may need to send an explanatory note.

Tracy

-----Original Message-----

From: Elizabeth Matthews

To: Tracy Barron

To: Roger Scaplen

Sent: Jun 2, 2009 9:22 AM

Subject: Fw:

Tracy - see brian's comments below. These will need to be addressed. I'm leaving for labrador now and blackberry won't work, so talk to roger if any concerns. Tks

-----Original Message-----

From: Brian Crawley

To: Elizabeth Matthews

Sent: Jun 1, 2009 10:46 PM

Subject: Re:

My main concerns are:

1. It is important that all parts of Nalcor are strong and financially sound to enable our energy corporation to meet its mandate, which includes new acquisitions and the development of the Lower Churchill project, as well as being a reliable supplier of least-cost electricity through its regulated line of business, Hydro."  
- new acquisitions and lower churchill have nothing to do with the rate application. That is the nonregulated arm of the business. This could give the impression that rate payers are paying for equity in other oil projects which is not the case.

2. ROE will be comparable to nf power - they just filed for an increase to just shy of 12%. Is that what hydro is looking for?

3. Hydro won't file for an increase in 2010 - I don't suppose they will. Do we know what kind of an increase these changes will bring? Quite significant I'm sure. That being said, what if oil exceeds \$100/bbl. Won't they have to adjust for fuel costs? I think it is called the fuel rider.

-----Original Message-----

From: Elizabeth Matthews  
To: Roger Scaplen  
To: Brian Crawley  
Subject:  
Sent: Jun 1, 2009 9:57 PM

Hi Brian. I sent this to you earlier. Can you let Roger know tomorrow if it is ok to go? My blackberry won't work up there, but I wanted you to review this one before I approved it.

-----Original Message-----

From: News Releases  
To: Elizabeth Matthews  
To: Roger Scaplen  
Cc: Glenda Power  
Cc: Williams, Tina  
Cc: Josephine Cheeseman  
Cc: Lynn Salter  
Sent: Jun 1, 2009 4:55 PM  
Subject: FOR APPROVAL - Province Positions Hydro to Make Critical Investments in Infrastructure

For approval and to be issued June 2

NLIS

Natural Resources

June 2, 2009

Province Positions Hydro to Make Critical Investments in Infrastructure

The Provincial Government is implementing measures to improve Newfoundland and Labrador Hydro's (Hydro) financial position to bring it in line with other Canadian regulated utilities and enable it to make appropriate ongoing investments in infrastructure to ensure reliable service.

"These measures bring Hydro's return on equity and capital structure in line with that of Newfoundland Power and many other Canadian regulated utilities," said the Honourable Kathy Dunderdale, Minister of Natural Resources. "It is important that all parts of Nalcor are strong and financially sound to enable our energy corporation to meet its mandate, which includes new acquisitions and the development of the Lower Churchill project, as well as being a reliable supplier of least-cost electricity through its regulated line of business, Hydro."

To accomplish these objectives, the Public Utilities Board (PUB) is being directed to permit Hydro to earn a return on equity equal to that of Newfoundland Power. The Provincial Government has also agreed to waive its annual debt-guarantee fee (valued at approximately \$13 million a year) until 2010, at which point the full effect of these measures will be implemented. A \$100-million equity injection into Hydro's capital structure allocated in Budget 2008 is also assisting in

-----Original Message Truncated-----

Sent Via BlackBerry