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To: GBennett@nalcenergy.com; [Stanley, Todd](#); [Quinton, Diana](#)
Subject: HQ Key messages
Date: Tuesday, July 23, 2013 8:38:38 AM
Attachments: [Hydro Quebec Case.doc](#)

Gilbert, Todd and Diana

Attached are key messages developed overnight for the Premier. She is going to do a scrum just after 10 am.

Todd – Could you review and make sure that they are fine from a legal perspective?

Gilbert – Could you ensure that they are reviewed by your legal team?

Diana – Could you work with Karen to finalise?

We have until about 9:30 to turn this around. Thanks for your help.

Tracy

Hydro Quebec Case Key Messages

- This case is calculated to create uncertainty about Nalcor's management of hydro projects. It is ill-founded and represents aggression rather than sound legal analysis.
- The timing of this move by Hydro Quebec is not a coincidence. The Nova Scotia UARB announced on last Friday that it was making its announcement today and it has been widely known for many months that the UARB was going to issue its report at the end of July. The Quebec case is timed to detract from the positive news about Nova Scotia approval of the project.
- The case also seems tactically timed on the eve of the Council of the Federation meeting at which Premiers are working diligently to build a national energy strategy. As a co-lead of the national energy strategy, we have been working to address issues of national importance, including open and non-discriminatory access for the transmission of electricity within Canada. Though Quebec attends COF, it has chosen not to participate in the energy strategy work. Quebec seems intent on stirring up resentment regarding Churchill Falls to justify its non-participation in the energy strategy.
- We can have confidence in Nalcor's legal team and the legal underpinnings of the water management regime of the province. Water management rules are governed by the law of Newfoundland and Labrador, not Quebec. And the rules approved for the Churchill River accommodate all the requirements of the Upper Churchill contract, while also supporting the business assumptions for Muskrat Falls.
- We do not agree with their interpretation of the Renewal contract and that we believe that it is quite clear that we are required to only provide a fixed monthly amount.
- In 2007, this government announced its intention to coordinate water management on rivers in the province. Amendments to the Electrical Power Control Act were passed and Regulations were established. In November 2009, Nalcor applied to the PUB to establish an agreement for water management on the Churchill River after Hydro Quebec refused to allow CFLCO to conclude an agreement with Nalcor voluntarily. PUB approved the water management agreement though, interestingly, when presented with an opportunity to participate in the PUB process, Hydro Quebec sent a letter to PUB in Dec 2009, stating that it did not wish to intervene in the process. So why is it being so aggressive now?
- This is an attempt by Hydro Quebec to undermine a project when they have long coveted the Lower Churchill as one they would prefer to develop with Nalcor on their own terms.
- We have successfully broken the geographic stranglehold that Quebec has long held against developing the lower Churchill River. Quebec's action is more spite than substance. A consultant for the UARB put it this way: "Nalcor, which again is contributing the most and taking the most risk, is gaining a very significant strategic benefit with respect to its future dealings with Quebec on transmission-related issues, and it receives an immediate alternate route to the limited transmission capacity it currently enjoys."

- It is also important to remember that Nalcor is seeking a ruling in Quebec Superior Court against the Regie d'energie's decisions that restrict Nalcor's ability to access transmission in Quebec for the Gull Island Project. Also, CFLCo has brought an action against HQ in Quebec Superior Court alleging that Hydro Quebec has not acted in "good faith" with respect to the 1969 Power Contract. Quebec's action yesterday may possibly be Hydro Quebec pursuing a legal strategy in relation to those cases.
- Hydro Quebec's actions yesterday, in the context of their long desire to control power development in Labrador and in light of court actions being brought against them by Nalcor and CFLCo, are not surprising. This is a desperate act by a company used to getting its own way.
- We are interested in an open transmission grid where all Canadians have the opportunity to benefit from renewable hydroelectric power. Nova Scotia, Emera, and the Government of Canada share this vision. That's why we are moving ahead with this project. We are interested in nation building, not dividing a country.