

From: [Mundon, Tansy](#)
To: [Myrden, Paul](#); [Brewer, Donna](#); [Jones, Sharlene](#); [Au, Peter](#)
Subject: RE: Mid Year Update Qs and As.docx
Date: Monday, November 25, 2013 4:20:23 PM

Here are comments re: MF from Moody's report:

Moody's, July 22, 2013

Page 3 – "To fund the construction of Muskrat Falls hydroelectric project, Newfoundland and Labrador Hydro's parent company will be issuing a substantial amount of debt through special project financing vehicles. However, the province has passed legislation to ensure that user rates could be increased sufficiently to pay for debt service. Therefore, we view debt related to the Muskrat Falls project to be self-supporting and expect the province's net debt as a percentage of revenue to remain relatively stable. We will continue to monitor developments with the project to ensure that our view of the self-supporting status of the project's debt remains appropriate."

From: Myrden, Paul
Sent: Monday, November 25, 2013 3:44 PM
To: Mundon, Tansy; Brewer, Donna; Jones, Sharlene; Au, Peter
Subject: RE: Mid Year Update Qs and As.docx

A few responses on individual items:

1st bullet – there will be no change in KMs or our communication strategy around MF between now and Dec 2.

3rd bullet – I'm not a fan of cherry picking good (or bad) comments from rating agency reports and attributing them as we are, in fact, prohibited from doing so without the prior written consent of the agency. If you wish to include some general comments, I'd strongly suggest they not be attributed. Tansy has the DBRS report and I'll provide her with Moody's final for this year. She could possibly paraphrase commentary and develop messaging around fiscal responsibility and awareness of the need to protect the provincial credit rating / reputation. Nothing in the way of a draft report from S&P yet – I suspect they may have already decided to wait for the mid-year as they were enquiring.

3rd last – CRF cash as of this morning is approximately \$900 mil. No information on entities. I'm not sure how this will be used but I'd advise caution in raising it publicly.

2nd last – We have been funding MF equity requirements to date entirely from cash. Future equity requirements could potentially be funded through debt but such borrowing would be folded into overall cash requirements and be a part of the provincial borrowing plan. Therefore, the extent to which our MF requirement will need to be funded by debt will be determined by our relative success in generating cash in other areas.

From: Mundon, Tansy
Sent: Monday, November 25, 2013 3:24 PM

To: Brewer, Donna; Jones, Sharlene; Au, Peter; Hollett, Alton; Myrden, Paul; Williams, Geoff
Subject: RE: Mid Year Update Qs and As.docx

From: Brewer, Donna
Sent: Monday, November 25, 2013 3:20 PM
To: Mundon, Tansy; Jones, Sharlene; Au, Peter; Hollett, Alton; Myrden, Paul; Williams, Geoff
Subject: RE: Mid Year Update Qs and As.docx

Tansy we will need Geoff's assistance on some of the questions.

Please see comments below.

Sincerely,

Donna Brewer, CA
Deputy Minister
Department of Finance

From: Mundon, Tansy
Sent: Monday, November 25, 2013 10:14 AM
To: Brewer, Donna; Jones, Sharlene; Au, Peter; Hollett, Alton
Subject: RE: Mid Year Update Qs and As.docx

Please see my suggested edits to Q&As attached.

I think we need to add some additional questions as well:

- Section on Nalcor/Muskrat Falls financing – while not directly related to mid-year, will be questions raised. TANSY can you send me KM for HOA re MF Financing – we cannot say anymore than that right now, but will ask Paul to let us know if things changed before December 2nd.
- Questions around pension reform – current status – From what perspective – TANSY can you send me KM for HOA and I can incorporate same – other than saying more meetings happened and Jan ones scheduled – not much more can be said on that one.
- Questions around province's credit rating – any concerns related to MF financing We can pull out wording from DBRS and not attribute same to them if they have not released prior to Dec 2nd – Paul did Moody's or anyone release this year or prior year – can you send me some of their quotes re our credit rating and what they have said re MF.
- Questions around Budget 2014 – will there be layoffs, significant reductions in spending, etc – Message will be that we are in the process of reviewing departmental and entities budget submissions for 2014/15. Details will be released budget day. However, while an organization the size of the public sector will always have organizational / human resource changes, we do not anticipate having to consider significant layoffs.
- Still on track for surplus in 2015? Update will be provided when government tables 2014/15 budget – but we are still planning to return to surplus in 2015/16.

- What is status of province's goal of reducing net debt? Peter / Chris – any suggestions here. We can talk about how much net debt has decreased from a high of x when? To projected.
- What is current number of staff within govt. Have you maintained your staff reductions as announced in budget? Tansy – believe HRS had KM re this can you send them to me.
- What is status of Sustainability Plan, particularly goals for this year? Updates will be provided when we deliver Budget 2014/15. Minister of HCS had a news conference recently providing updates on RHA efficiency initiatives. As indicated publicly we have begun consultations with unions/stakeholders on pension reform (Not sure what we can say publicly on [REDACTED])
- What price of oil are you projecting for the rest of this year? How about next year? Believe this is already in his qs and as for 2013/14 - \$105 for nov to mar. We will be reviewing oil price assumptions as part of 2014/15 and will announce our assumptions on budget day.
- What is the province's current cash position? How much cash left on hand? Believe the cash balance is listed on slide 8.
- Will province use cash to fund its equity portion for Muskrat Falls? To date we have funded equity contributions through cash on hand. We do not anticipate any new borrowings until 2014/15.
- Status of negotiations with nurses, teachers and doctors. Have you built in any increases in budget projections? [REDACTED]

From: Brewer, Donna
Sent: Sunday, November 24, 2013 4:48 PM
To: Jones, Sharlene; Au, Peter; Hollett, Alton; Mundon, Tansy
Subject: Mid Year Update Qs and As.docx

Please see Qs and As prepared for Minister. I have some comments for follow up by Alton and Peter.

Also I have tightened up the notes in the presentation for the Minister to use in Cabinet on Wednesday morning.

We should be on stand by in case he needs us.