The Churchill River MOU

Claudine Bouchard, CEO, Hydro-Québec, stated,
"This is a commercial agreement that we made, not a political agreement."
Remarks to reporters after a Chamber of Commerce event in Metropolitan Montreal held on November 19, 2025, as reported by CBC.

According to a Government of Newfoundland and Labrador publication released shortly after the December 2024 MOU, the proposed hydroelectric generation partnership with Quebec would create a "significant **increase in value** for Newfoundland and Labrador and make a substantial contribution to Quebec's **energy security**." However, the projected prices for existing power from Churchill Falls, as projected in the MOU, would likely unlock only a slight increase in the short- and medium-term economic value of this power for Newfoundland and Labrador. Still, these projected market prices are far below any potential market value. Hydro-Québec users would experience a slight decrease in monetary value under the proposed pricing scheme. Still, the price of electric power in Quebec would remain far below market value, and the MOU would extend this economic advantage to Quebec for another 34 years beyond the end of the current contract in 2041. As for the security of supply that Quebec seeks under the MOU, it is provided in the proposed extended contract for existing power, which would run from 2042 to 2075. Moreover, Quebec obtains additional supply generated by the new infrastructure projects at an unknown price and with an unknown contract period. The debt of a small, debt-challenged province, namely Newfoundland and Labrador, primarily finances these new projects.

For Quebec, the MOU is a commercial contract that serves a societal purpose and, by doing so, becomes an internal political agreement. For Newfoundland and Labrador, the MOU is a poorly formulated political agreement between provinces that may offer some short-term and medium-term economic value but may come at a longer-term cost.

Overview

Hydro-Québec and Newfoundland and Labrador Hydro are both public utilities whose primary purpose is to produce and distribute electricity, a necessity, to indigenous peoples, residents, businesses, non-profit organizations, and public entities in their respective provinces. Hydro-Québec and Newfoundland and Labrador Hydro should ultimately serve societal values and not commercial ones. In this sense, value is understood to encompass the concept that Prime Minister Mark Carney discusses in detail in his book, *Value(s)*. When the former Government of Newfoundland and Labrador stated that the MOU partnership "will create (a) significant and immediate increase in value for Newfoundland and Labrador,"[1] value should have been defined

[1] **A New Chapter for Hydroelectric Generation in Labrador,** Slide 2

in societal terms, not commercial terms. We can explain increases in value as meaning increases in well-being[2].

Increases in Prices for Existing Power in the MOU

The Existing Price Structure Under the 1969 Contract

The prices for existing power discussed in the MOU are for electricity exported by CF(L)Co to Hydro-Québec. Since CF(L)Co is 34.2% owned by Hydro-Québec, Hydro-Québec is, in a sense, paying itself. From an economic perspective, the price paid by Hydro-Québec to CF(L)Co is essentially a regulated transfer price rather than an open market price.

The current base price for electricity at Churchill Falls is $2 per megawatt-hour (0.2¢ per kilowatt-hour). This price is fixed and will remain in effect until the current contract ends in 2041. Inflation implies that the economic value of this exported power declines over time.

The price for guaranteed capacity available to Hydro-Québec during the winter months (November–March) is not set by the amount of electricity exported[3]. Revenues are reported separately in CF(L)Co's financial statements. The price paid per kilowatt-hour under this guaranteed availability contract in any year is not publicly available.

Projected Prices That Hydro-Québec Would Pay CF(L)Co under the MOU

Projected or forecast nominal prices for existing electricity from Churchill Falls were provided in information[4] from the Government of Newfoundland and Labrador in early 2025. The prices referred to are those paid by Hydro-Québec to CF(L)Co, as already noted, and not to Newfoundland and Labrador Hydro. The forecast prices range from 1.63¢ per kilowatt-hour in 2025 to 37.24¢ per kilowatt-hour in 2075. The effective price of 5.9¢ per kilowatt-hour is discussed in detail by Newfoundland and Labrador Hydro's Vice-President Walter Parsons. Parsons' effective price is the present value of the average price. We believe that what Parsons intended to calculate is the average of present-value prices. Dr. Wade Locke correctly estimates the average present value for the period 2025–2075 to be 2.64¢ per kilowatt-hour. The conclusion must be that the increase in value for existing Churchill Falls power as reported by the former Government of Newfoundland and Labrador is the result of a calculation error. We

[2] Well-Being is defined and measured for the various communities in Newfoundland and Labrador in the Government of Newfoundland and Labrador's Community Accounts. https://nl.communityaccounts.ca//Default.asp?

[3] The details are contained in the Guaranteed Winter Availability Contract of 1998.

[4] See OurChapter.ca, Walter Parsons**, How Does forecasting Average Pricing Work**

should also note that the effective price of this power to Hydro-Québec is reduced by 34.2% due to its significant ownership of CF(L)Co.

Forecasting electricity prices beyond five years is highly uncertain. Even in the short term, expected dynamic changes in demand driven by technological advances make forecasting difficult. It should also be noted that electricity prices are usually not set annually, that is, for a constant price throughout the year, in Canada or the northern United States, as they vary by season and are affected by climate change. The forecast prices in the MOU are based on a lower bound, as prices under the MOU may increase depending on replacement rates and future electricity prices experienced by Hydro-Québec. Details of an adjustment or escalation process are not available and can therefore be ignored in this analysis. Moreover, neither the MOU, Hydro-Québec, nor Newfoundland and Labrador Hydro provide any information on how the initial prices, or any others, were determined. In calculating the present values, a nominal discount rate[5] of 5.822%[6] was used. How this value was determined is not explained.

It is also important to note that the proposed pricing structure for existing power under the MOU replaces the current price that Hydro-Québec pays (0.2¢ per kilowatt-hour) and the revenue that Hydro-Québec pays under the Guaranteed Winter Availability Contract for power during the winter months.

The price that CF(L)Co receives from Hydro-Québec is effectively a transfer price set under the 1969 agreement between Hydro-Québec and BRINCO, with some adjustments in 1998 upon the signing of the Guaranteed Winter Availability Contract between Hydro-Québec and Newfoundland and Labrador Hydro. Hydro-Québec is the primary recipient of the electricity generated by Churchill Falls. There is no wholesale market price for electricity in Quebec. There is a regulated transfer price between Hydro-Québec Production and Hydro-Québec Distribution. Once again, Hydro-Québec is a public utility whose primary purpose is to supply electricity to its customers at the lowest possible cost. It has a dual purpose: a direct social purpose and another as part of its industrial strategy.

Projected Revenues That Hydro-Québec Would Pay CF(L)Co under the MOU

Newfoundland and Labrador Hydro and Hydro-Québec used the forecast prices discussed above to forecast nominal and present-value revenues. Wade Locke, in his *Assessment*[7], presents the forecasted revenue that Hydro-Québec will pay CF(L)Co over the proposed contract period (2025–2075). One assumes that Newfoundland and Labrador Hydro and Hydro-Québec forecast these revenues using prices and the amounts of power purchased by Hydro-Québec. It would have been helpful if the monthly electricity purchase amounts for Hydro-Québec had been made available. Forecasted monthly values would also be beneficial. Basic hydraulic turbine electric

[5] It does not matter whether one consistently uses nominal values or real values in calculating present values if the discount rate used is adjusted for the assumed rate of inflation. The present value is the present value.
[6] A real discount rate of 3.822% was also used by assuming a forecasted annual rate of inflation of 2%. The current annual rate of inflation in 2025 is 2.6%. This illustrates the difficulty of forecasting even in the present.
[7] Locke op cit. Table 6.

production data from both Hydro-Québec and Newfoundland and Labrador Hydro attest to the wide monthly variation in production, which usually peaks in January, the coldest month and therefore the one with the highest demand. The reduction in Quebec's electricity production by Hydro-Québec from its hydroelectric plants since 2022 due to drought is well known. Less well known is the reduction in electricity production from hydroelectric plants in Newfoundland and Labrador in 2025. It is not clear which generating stations are affected. The key point to stress is that the forecasted revenues under the MOU are subject to uncertainty regarding future prices and production. From Locke's annual revenue estimates, an increase occurs in 2036[8]. It is not clear why this happens. The associated yearly present-value revenue figures are shown in Locke's Figure 5. Once again, one can question where the discount rate used to calculate present values in the MOU came from.

Projected Revenues and Profits That Newfoundland and Labrador Hydro Might Receive from CF(L)Co under the MOU

Locke estimates[9] that Newfoundland and Labrador Hydro would receive $13.1 billion in revenue from 2025 through the end of 2041, or an annual average of $768 million. We note a substantial increase in revenue around 2036.

This increase in revenue would likely increase the potential profits of Newfoundland and Labrador Hydro's stake in CF(L)Co. As Locke shows in his Table 10, CF(L)Co has made a profit in each of the years he examined from 2014 to 2023. It has done so even though the current price that Hydro-Québec pays CF(L)Co for electricity is well below its opportunity cost on open markets. Churchill Falls is what the industry knows as a "legacy" project. Its capital costs were repaid some time ago, and its primary energy source, water, is essentially free. A simple calculation of expenses relative to revenues shows that the cost-to-revenue ratio has fallen over the period Locke examined. Hydroelectric generation stations have a very long expected life. Eventually, they do have to be replaced, and that can be a costly process. The Churchill Falls generation station's expected lifetime would typically be around 2075, the end year of the proposed contract. Whether the suggested end date for proposed prices for existing power as outlined in the MOU was chosen because of the station's expected lifetime is a matter of speculation.

Timelines and Projected Prices and Revenues Beyond 2041

An important consideration is the timelines involved in the MOU and the 1969 contract. Essentially, Newfoundland and Labrador Hydro, as well as the Government of Newfoundland and Labrador, is bound by the terms of the 1969 contract and any subsequent agreements with

[8] Locke, op cit. Figure 5
[9] Locke, op cit. Footnote 4

Hydro-Québec or the Government of Quebec. The MOU proposes to amend the terms of the above contracts to increase benefits to Newfoundland and Labrador Hydro and the Government of Newfoundland and Labrador from 2025 to 2041, the expiry date of the 1969 contract. The benefit to Newfoundland and Labrador Hydro and the Government of Newfoundland and Labrador is an increase in the annual price of electricity generated by Churchill Falls during this period, and therefore potentially the associated revenue. In exchange, the Government of Newfoundland and Labrador would agree to extend the set payments for existing power until 2075. While Newfoundland and Labrador Hydro will have access to more power for its own use, this is conditional upon Newfoundland and Labrador needing the power. If it does not require the power, then Hydro-Québec has the right of first refusal.

The proposed price scheme includes an upgrade to replace the existing turbines at Churchill Falls.

The proposed prices in the MOU for existing power from Churchill Falls come with a “hidden cost.” Economists would label this as an opportunity cost, that is, the loss of a potential gain in value if the MOU is accepted for the period from 2042 to 2075. The cost would equal the value of the electricity sold during that period in the best alternative. For the sake of argument, we know that Newfoundland and Labrador power is sold into the New England market, and Hydro-Québec selects that market as the primary one to explain the value of its export sales. The average export price of Newfoundland and Labrador power in this market from January to October was 7.86¢ per kilowatt-hour. This average is not the relevant one for our opportunity-cost calculation. Guidance comes from discussions with Angus Bruneau, the founding Dean of Engineering at Memorial University. Bruneau argued that the Smallwood Reservoir was a large storage battery and should be used to generate power, thereby maximizing revenue from exports. Electricity demand varies daily and seasonally. This is the same principle that Hydro-Québec uses for export sales to New England and New York. It is likely to be the one also used with respect to any power surplus to Quebec's needs from the proposed infrastructure projects. The concept of opportunity cost is not foreign to electricity management, which would use terms such as “dynamic pricing” and “prudent management.” Optimally, power would be exported at certain hours during the day, that is during breakfast and supper time when household demand is highest, and in both winter and summer. In this context, the relevant summer price was about 8.98¢ per kilowatt-hour, and the winter price was about 18.56¢ per kilowatt-hour. These are 2025 prices and are likely to be higher in 2026, even after accounting for inflation, given rising electricity demand from factors such as new data centres. The counterargument is that a price escalation process has been suggested without specifics. Any calculation of opportunity cost would not include Hydro-Québec’s regulated wholesale “market” prices, which, as we have stressed, are internal transfer prices.

Section Summary

The prices proposed under the MOU will increase Newfoundland and Labrador Hydro's profits at Churchill Falls. Any estimate of the increase in value becomes more uncertain the further one goes into the future. It must also be remembered that the prices refer to those received by

CF(L)Co and not by the Newfoundland and Labrador Treasury. Moreover, the projected revenue depends on the projected electricity output from Churchill Falls, which may be affected by climate change. There are significant hidden opportunity costs or opportunities lost beyond 2041. Finally, there is the issue of whether the expected life of the Churchill Falls generating station is around 100 years. This period occurs at the end of the MOU's proposed contract for existing prices in 2075. If the answer is yes, are there decommissioning costs that would occur? These costs could be quite substantial.

Cost-Benefit Analyses, Capital Budgeting Analysis, and General Well-being

Capital Budgeting Analysis uses net present value, internal rate of return analysis, or payback periods to determine the profitability of an investment. It analyses proposed projects from a business perspective, with the organization's goal being profit maximization. As discussed elsewhere, net present value analysis considers longer-term projects in which costs and revenues occur over several years and often in different years. The analytical framework converts these future costs and revenues to a specific point in time, that is, the present. It does this by discounting future values back to the present. The justification is that investors might forego present consumption in exchange for a future reward, such as higher consumption possibilities. The term "net" recognizes that revenues minus costs equal profits. Some energy economists argue that net present value should not be used alone to evaluate hydroelectric projects. I tend to agree. When considering hydroelectric generation, it is not clear how long one could forgo water consumption from the reservoir. You can do this for a few months, but for years? This is unlikely.

Another shortcoming of using net present value alone is that it ignores debt obligations that might occur at specific times. In this case, a public utility or government guarantor must have access to cash at a reasonable rate of interest to meet any future expenditure obligations. Some other objections to using net present value analysis include the exceptionally long life of hydro projects, in which higher discount rates can reduce the present value of benefits to almost zero. The issue is to what extent the benefits of a natural resource should extend to future generations. Capital budgeting analysis focuses on the contribution of a proposed project to the economic well-being of investors who are deciding now on their own economic well-being and not on the general well-being of future generations. With respect to the Churchill River projects, many impacts are not easily monetized, such as those on indigenous well-being and culture, environmental issues such as drought, and impacts on wildlife and energy security.

We have also argued that, given existing prices, the contract's time frame is so long that future uncertainty renders it virtually impossible to assign quantitative values to critical variables. Assigning credible, specific values to revenues 15 to 50 years into the future is misleading, as is the vague promise of some non-specific evaluation adjustment mechanisms. It should also be recalled that 2075 is close to the end of the generating station's expected life. Decommissioning costs should be considered in any analysis.

Cost-benefit analysis takes a societal perspective. It is attractive because it seeks to estimate the costs and benefits for various groups in society. For hydro projects, especially those using a public natural resource for electricity generation by a government-owned company, a social discount rate would be more appropriate, since greater weight[10] could be given to future generations or to the value the current generation places on future events in its lifetime. Both approaches are necessary but insufficient for evaluation, since economic well-being is only one domain of overall societal well-being. It is this more general well-being perspective that has been adopted for Newfoundland and Labrador's System of Community Accounts.

The Impact of Projected Prices and Revenues in the MOU on Societal Well-being for NL

At first cut, the impact on societal well-being outlined in the MOU is relatively straightforward since it is so narrowly focused. These impacts are targeted at increasing the revenue of the provincial Government. Some commentators in Quebec argue that this proposed increase in economic value to the Government of Newfoundland and Labrador, as outlined in the MOU, is critical for a government that is burdened by a large debt. It should be noted that Newfoundland and Labrador Hydro has significant debt associated with its activities, and many smaller communities have large municipal debts alongside a declining older population. The warnings made previously now apply. Those warnings relate to uncertainty about the benefits as the time horizon is expanded. Estimates about the cumulative present value of revenues flowing to the provincial Government are ignored.

Concerning the benefits of the MOU at a societal level to the people of Newfoundland and Labrador, the MOU is silent. The focus is on the provincial government and its debt-strapped position. Nothing is said in the MOU about the direct, indirect, or induced impacts on other groups in Newfoundland and Labrador's society, such as households and any inequalities of income. The Quebec Government, through its Crown Corporation, focuses on providing Quebec households with the cheapest electricity in North America. Quebec uses cheap hydroelectricity to attract businesses and jobs. Affordability of a necessity to Newfoundland and Labrador households is not mentioned in the MOU, while Quebec focuses on security of supply to their households at continuing low rates using hydroelectric-generated power from the Lower Churchill River.

This potential, uncertain impact says nothing about a potential BATNA (**B**est **A**lternative **T**o a **N**egotiated **A**greement), where the negotiated agreement is the MOU.

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[10] It could do this by reducing the discount rate. This process increases the value of future revenues and costs in terms of the present. The more you care about future generations the more you are willing to lower the discount rate.

Allocation of Electricity Under Existing Churchill Falls Capacity

As part of the MOU, the amount of electricity made available to Newfoundland and Labrador from existing Churchill Falls-generated power will increase starting around 2030, rising from 4.0 terawatt-hours per year to 10 terawatt-hours in 2061. Correspondingly, the amount of electricity available to Quebec will fall. We can assume that roughly 34 terawatt-hours are generated annually but recognize that there are year-to-year variations. I have noticed that hydroelectric generation in Newfoundland and Labrador in 2025 has declined from 2024 levels, but I do not know which generating stations accounted for this decline. In any event, there is potential gain for Newfoundland and Labrador from this arrangement, depending on the specifics of the contract and the impact of climate change on Churchill Falls electricity production. As an aside, an Environmental Assessment was conducted in 2012; however, the experience of hydro production in Quebec since 2023 and Newfoundland and Labrador Hydro's experience this year should call for a review of that Assessment.

A warning is that should Newfoundland and Labrador not need its allocation outlined above; Hydro-Québec would have the right of first refusal. Given this right, it is essential for analysis purposes to obtain data on the amount of electricity generated each month by Churchill Falls, the amount exported to Hydro-Québec, and the price per megawatt-hour.

Capital Budgeting Analyses, Cost-Benefit Analysis and Impacts on General Well-being Associated with the Proposed Projects for NL

The MOU covers four proposed new infrastructure projects. A review of these projects was discussed in a previous video. Wade Locke also covers these projects in more detail in his *Assessment*[11]. The financing of the four projects will be 25% equity and 75% debt. The transmission line project is 100% the responsibility of Newfoundland and Labrador Hydro; 65.8% for the upgrade and expansion at Churchill Falls, and 60% at Gull Island. Newfoundland and Labrador Hydro is responsible for any cost overruns associated with the transmission line and 65.8% of the cost overruns associated with the upgrade. As Locke points out, Quebec will conditionally assist with equity obligations for projects in which it is not 100% responsible, amounting to $4.8 billion over time. The debt obligations for Newfoundland and Labrador Hydro would exceed $17 billion, assuming no cost overruns, which is a very substantial amount for a small province facing current debt management challenges.

Wade Locke focuses on the Gull Island project. He notes that to evaluate this project using net present value analysis, “One would need the time profile of the capital costs, the time profile of

[11] Locke, op. cit., discussions begin on page 17 of his **Assessment**.

operations and maintenance costs, the transmission costs, the production profile for electricity, and the time profile price expected for the electricity flowing from Gull Island to Hydro-Québec (equal to 84% of the output in the MOU) and Newfoundland and Labrador Hydro (16% of the output in the MOU)."[12] These data are not available in the MOU.

It should also be noted that Newfoundland and Labrador Hydro has informed me that water rents will be modernized. Presumably, these would apply to the Gull Island project, but would they also apply to other projects? We do not know, nor do we know the value of such rents. Such rents are critical to calculating the costs associated with hydroelectric projects, since the very low competitive costs stem from the historical fact that water was supplied, essentially for free. Another factor explaining the low cost is that capital costs are spread over the very long life of dams, which may be up to 100 years. For Churchill Falls, this would be 2075, the end date of the MOU for existing power from Churchill Falls.

The earlier warnings about the limitations of capital budgeting analysis, which calculates the net present value of a hydroelectric investment project, should be heeded here.

With respect to Gull Island and the other proposed infrastructure projects, Hydro-Québec likely views them as a means of securing additional supply for an extended period at very low cost. According to the Government of Newfoundland and Labrador document, Gull Island, along with the other proposed projects and the extension of the Churchill Falls agreement, "makes a substantial contribution to Quebec's energy security."[13] Locke points out that 10% of the power from Gull Island flows to Newfoundland and Labrador Hydro. From a cost-benefit perspective, these projects increase the economic well-being of Quebecers. General well-being may also be improved, knowing that this is a "green" source[14] of energy in production. As argued in other videos, Hydro-Québec is behaving like a cost-minimizer, passing on savings to households and businesses as part of its industrial strategy. Hydro-Québec's behaviour is consistent with societal values and political values.

Newfoundland and Labrador Hydro's behaviour regarding the projects is much harder to understand. If its behaviour mimics Hydro-Québec's in its export markets with New Brunswick and the northeastern states, then Newfoundland and Labrador Hydro would behave like a profit-maximizer in a commercial agreement, using the profits to lower electricity costs for Newfoundland and Labrador households and as part of an industrial strategy. It does not do so.

The major unknown is the value of water rents or royalties. Given the current information, we assume that these are basically zero. Forgetting about the potential environmental externalities, then why would you give away such a resource? The Government of Newfoundland and Labrador does not give away its oil resources, so why water?

The size of the debt, its cost, and the timing of debt payments must be significant concerns for the Government of Newfoundland and Labrador and the province's residents, given the current

[12] Locke, op. cit., page 20

[13] GNL, **A New Chapter for Hydroelectric Generation in Labrador,** Slide 2**,** 2024

[14] The construction phase is not green.

debt. Necessary expenditures on health or education could be crowded out by interest payments, especially in the early years.

A target rate of return on equity between 8% and 9% would indicate that the price received for the power is a controlled price rather than a market price. How was this return calculated?

Under the MOU, Locke notes that additional power would be made available to Newfoundland and Labrador Hydro over the contract period, from about 167 terawatt-hours to 474 terawatt-hours. This increase is substantial. As Wade states, it "should facilitate industrial development." [15] Whether it will and to what extent is unknown. Since Hydro-Québec has the right of first refusal, one could expect that it is in Quebec's interests to compete for such development.

An additional benefit for Newfoundland and Labrador is supposedly the 3,000 direct annual jobs while the projects are being developed over the expected 5 to 11 years. We are told that priority will be given to Newfoundlanders and Labradorians and to indigenous residents. My attempt to estimate the labour impacts for Exxon Mobil's initial Hibernia development was a complex task that required detailed knowledge of provincial occupational supply and engineering demand over time. Making casual statements such as those made by the previous Government of Newfoundland and Labrador is misleading. Construction trades are likely to face a tight supply due to numerous projects nationwide and possibly in the province.

While there is a general focus on labour impacts of these development projects, one should also consider the business impacts by province, as well as some indirect and induced effects, often referred to as the "multiplier" effects.

Conclusions

Our initial review suggested the MOU could be transformative, but a closer look reveals a significant information gap that hinders a thorough evaluation of its proposals. The limited analyses we conducted raised concerns, especially when applied to a public project that should prioritize broader societal values over narrow commercial interests.

A genuine concern is the extremely low current valuation of the Churchill River water, which is the primary energy source for the Churchill Falls generating station. These factors account for the very low costs of the produced electricity. CF(L)Co can make a profit even while continuing to sell most of that electricity to HQ year after year at declining real (inflation-adjusted) prices. This is a significant reason why Quebec households have access to the lowest cost of electricity in North America. It is unclear why NLH would want to extend some of the major underpinnings of the current rate structure under the MOU beyond the current contract, which ends in 2041, for another 34 years to 2075. Does the MOU result in an increase in the value that NL receives for existing electricity production up to 2041? The answer would be yes. However, it is difficult to determine

[15] Locke, op. cit. page 20.

if this is significant, as the proposed prices for existing power could be adjusted as conditions change, but there are no specifics. It should also be noted that Quebec wholesale prices are not market prices but transfer prices. Do the proposed prices for existing power up to 2041 unlock potential value[16]? There is a very high probability that they do not, as the prices are set annually and do not conform to existing open market conditions for electricity. As for the period beyond 2041 until 2075, it is impossible to know what the value during that period will be. The answer to securing a fair potential value lies in the specifics of the mechanism used to determine value.

The MOU likely contributes to Quebec's security of supply, not only through the proposed new infrastructure projects but also by extending the contract for existing Churchill Falls power by thirty-four years. HQ, a rational and experienced producer, is well-suited to this role. It's important to recognize the unique contribution of hydroelectric power, which relies on the reservoir's ability to act as a large storage battery. This stored energy can be released when needed most, typically during the winter months in our climate. In this way, hydroelectric power complements other sources like wind and solar energy.

Regarding the proposed infrastructure in the Memorandum of Understanding, the Government of Newfoundland and Labrador should clearly explain to voters why the province would take such a significant equity stake in projects that align more closely with Quebec's values than Newfoundland and Labrador's. This is especially important given the province's substantial debt and financial responsibility for decommissioning natural resource projects. Newfoundland and Labrador Hydro and the government must re-evaluate the corporation's commercial values to better serve Newfoundland and Labrador's societal values.

Finally, the Government must produce a Best Alternative to a Negotiated Agreement (BATNA) for the Memorandum of Understanding (MOU). This alternative should not extend the agreement for existing power beyond 2041. It must provide specifics on how to relate the export of power to competitive markets rather than to regulated cost-minimizing transfer prices. Like Hydro-Québec, any profits should be used to support societal values as defined by the Government. The BATNA might also provide a strategy whereby any new agreement could result in direct benefits to households within the province, through electricity prices that are closer to those in Quebec that are served by Churchill River power.

[16] It should be remembered that reaching the potential is the outcome of a bilateral bargaining process. If the process is "fair" then neither party can secure all the rents.