Newfoundland & Labrador

A New Chapter for Hydroelectric Generation in Labrador

Newfoundland and Labrador Hydro &
Hydro-Québec

Memorandum of Understanding

- Signed an important Memorandum of Understanding for hydroelectric generation in Labrador.
- This non-binding MOU sets framework for definitive agreements which will **bring an average of $1 billion a year to the Province between now and 2041 and escalating every year after.**
- Target date for completion of final agreements April 30, 2026.
- Proposed partnership will create:

significant and immediate increase in value for Newfoundland and Labrador
&
make a substantial contribution to Quebec's energy security.

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Indigenous Communities

- NL will honour its existing agreements with Indigenous peoples and seek new agreements as appropriate.
- Both Governments and utilities commit to meaningful engagement with Indigenous peoples as new projects are advanced.
- Newfoundland and Labrador Hydro and Hydro-Québec will work together to this end.

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New power contract and new developments

Total to NL $227B

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Terminate and Replace Power Purchase Contract for Churchill Falls

- An effective price of 5.9 cents/kWh which is **30 times higher** than current price.
- Includes mechanisms to escalate price over time which was missing from 1969 deal.
    - Use of various pricing indices to capture changes in market value and pricing fairness over the term of the agreement.
- Agreement starts now - effective Jan 1, 2025 to Dec 31, 2075.
- Unlocking the value of Churchill Falls 17 years early.
- **$17 billion increase** in value to NL between now and 2041.

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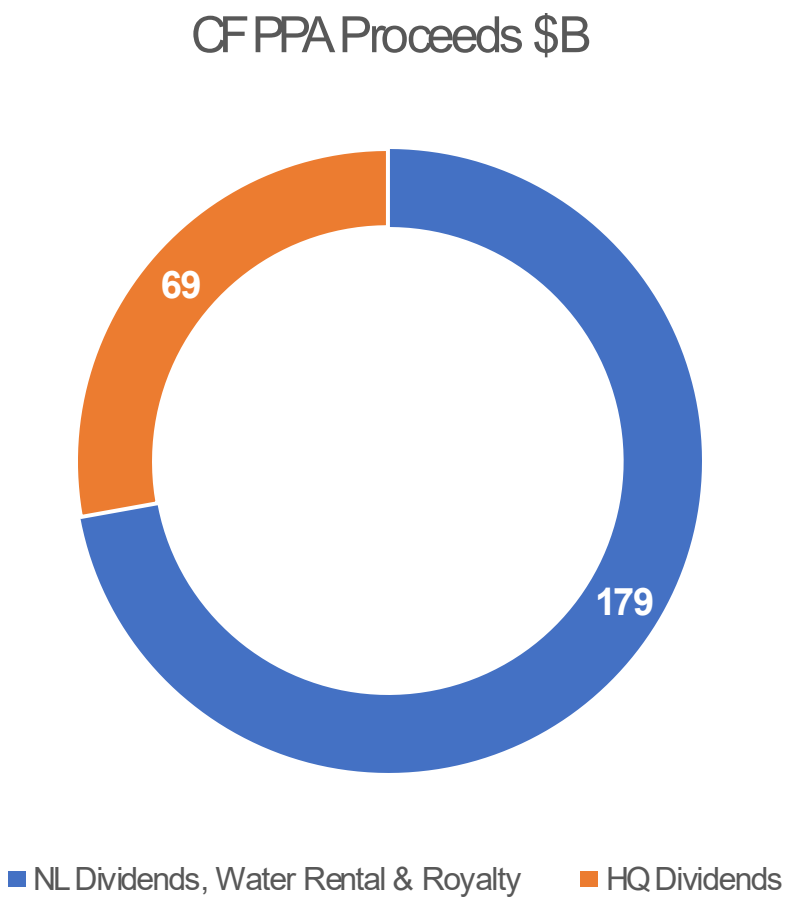
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Terminate and Replace Power Purchase Contract for Churchill Falls

- HQ payments to CF(L)Co: **$33.8 billion** in today's dollars.
- $180 billion in nominal dollars to NL over term of agreement.
  - Average of $1 billion a year between now and 2041.
  - Average of $2 billion a year in 2044.
  - Average of $4 billion a year in 2056 and continues to escalate.
- NL has access to up to 1,630 MW from CF by 2061.
- Available for use in-province or resold to HQ for prices reflective of value at the time.
- New deal pricing **not** conditional on new projects proceeding.

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- Shareholders' agreement to be modernized.
- Water management agreement to allow for river optimization.

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New development projects in Labrador

- HQ will pay NL **$3.5 billion net present value for the right to co-develop new projects**.
- New projects:
  - **Gull Island:** 2,250 MW;
  - **Churchill Falls Expansion:** 1,100 MW with second powerhouse at CF;
  - **Churchill Falls Upgrades:** 550 MW with upgrades to existing units;
  - plus enabling transmission.
- Combined ownership of all new developments approximately 65% NL Hydro/35% HQ
- 1,990 MW – NL Hydro (nearly 4x current allocation); 7,200 MW - HQ.

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Gull Island: 2,250 MW

- Environmental Assessment (EA) in 2012 following extensive and rigorous environmental review.
- Innu Nation Impacts and Benefits Agreement in place.
- New entity owned 60% by NL Hydro and 40% by HQ.
- Return on equity range between 8.0-9.0%,
  - set every 5 years on Government of Canada 10-year bond yields plus 500 basis points.
- $24.9 billion including financing, target commissioning in 2035.
- Cost plus return 50-year PPA, escalating price projected at 2%.

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Gull Island: 2,250 MW

- No automatic renewal rights.
- HQ managing construction and completion, and accepting cost overruns which will be included in PPA.
- Lower Churchill Construction Strategy Benefits Agreement part of EA release. Details the requirements for jobs and benefits such as:
    - The hiring protocol – all must be qualified (in order - Innu Nation, residents of Labrador, residents of the province, rest of Canada)
    - Construction for the Projects will occur in the province:
        - Gull Island Hydroelectric Development: 13 Million Person Hours construction jobs (EA requirements); and,
        - other project activities are additive.

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Gull Island: 2,250 MW

- Contractors, service providers, consultants, and suppliers within the province will be provided with full and fair opportunity to participate, on a competitive basis, in the supply of goods and services. For Muskrat Falls, over $3.6 billion in expenditures to NL based companies.
- Additional power from new projects will provide electricity to allow for expansion and economic development in Labrador.
- NL Hydro will operate the facility. NL Hydro has access to 225 MW.

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Churchill Falls Expansion: 1,100 MW

- Second underground powerhouse near existing plant using existing reservoir.
- Environmental Assessment to be undertaken.
- Owned by CF(L)Co (65.8% by NL Hydro and 34.2% by HQ).
- Cost plus return 50-year PPA with escalating price projected at 2%.
- Return on equity range between 8.0-9.0%,
    - set every 5 years on Government of Canada 10-year bond yields plus 500 basis points.
- $4.6 billion including financing.
- HQ managing construction and completion, and accepting cost overruns which will be included in PPA.

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Churchill Falls Expansion: 1,100 MW

- NL Hydro will operate the facility.
- No automatic renewal rights.
- NL Hydro has access to 135 MW (combined from upgrades).

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Churchill Falls Upgrades: 550 MW

- CF(L)Co will upgrade the existing units at Churchill Falls.
- Owned by CF(L)Co (65.8% by NL Hydro and 34.2% by HQ).
- $1.9B including financing.
- NL Hydro responsible for construction and completion, cost overruns to be borne by Shareholders of CF(L)Co.
- Cost plus PPA escalating at 2% annually.
- Same term as CF PPA (2075), no automatic renewal rights.
- NL Hydro has access to 135 MW (combined with CF2).

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NL Transmission

NL Hydro will construct transmission in NL to enable the New Developments.

- HQ to construct corresponding transmission within Québec.

Project Details:

- 100% by NL Hydro within NL;
- $3.6B including financing;
- NL Hydro will be responsible for construction and completion;
- Actual costs will be paid by the off-takers; and,
- Regulated rate of return on equity.

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Employment Impacts in NL

The four projects together are expected to generate at least:

- An average annual 3000 direct jobs during construction
- A peak of 5000 direct jobs

When including indirect and induced employment, the projects are expected to generate at least:

- An average of 5000 jobs during construction
- A peak of 9500 jobs

These Labrador-based projects will require a diverse set of skills including equipment operators, carpenters, electricians, crane operators, line workers, office workers, accommodations workers, etc.

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Other Principles

- Neutral jurisdiction for governing law (Ontario).
- 15 years of exclusivity with HQ beginning at target date to develop Gull Island.
- Labrador rates:
  - There will be no rate change arising from this agreement for residential and general service customers; and,
  - There is no immediate impact on industrial rates and Government will assess industrial rates policy in the coming years.

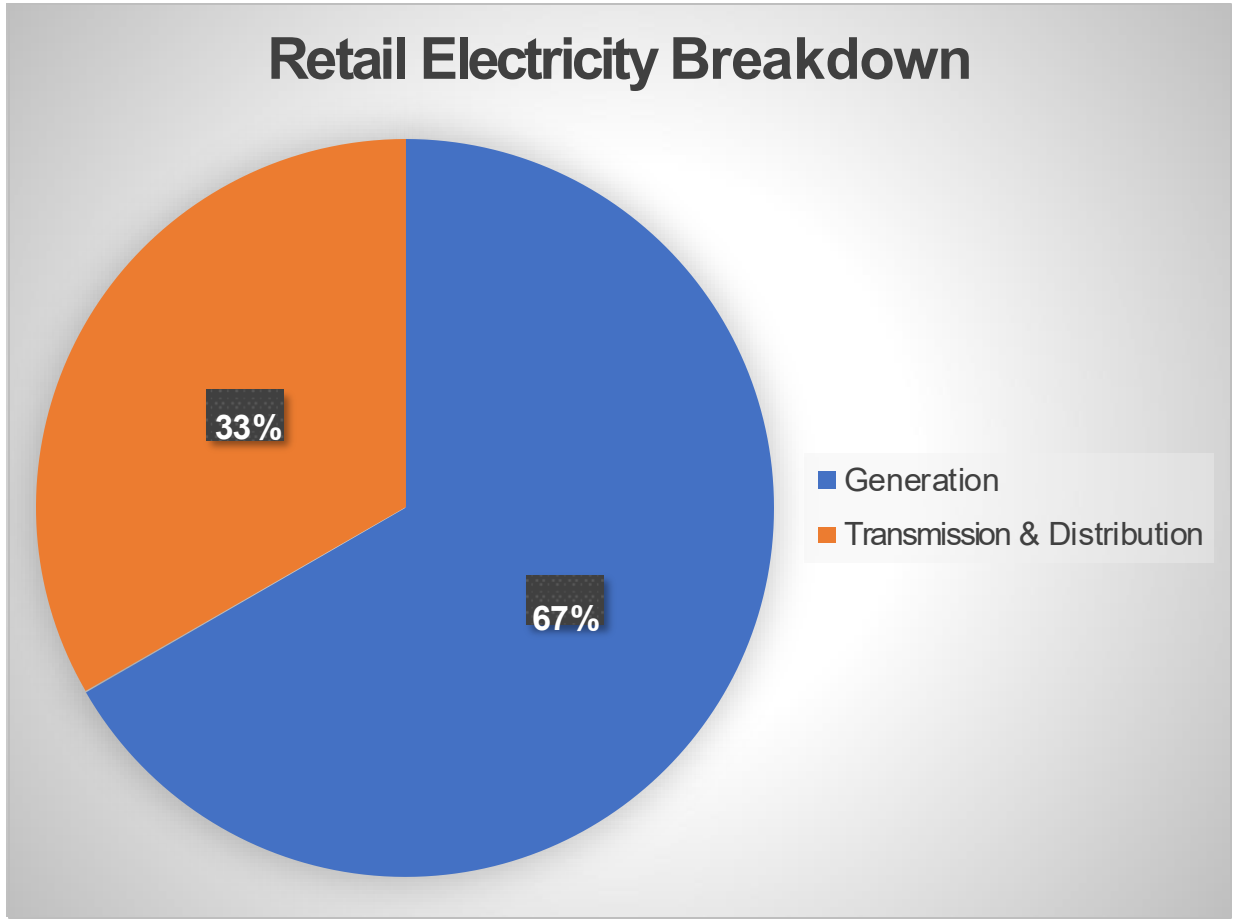
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New Developments Production Summary

Plant / Project	Capacity	Average Energy
Gull Island Project	2,250 MW	12.0 TWh
CF Expansion Project	1,100 MW	0.4 TWh
CF Upgrade Project	550 MW	1.0 TWh
Total	3,900 MW	13.4 TWh

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Further Information



- Retail electricity rates include the cost of Generation, Transmission, & Distribution systems
- Approximately 66% of Island domestic electricity rates recover the cost of generation.

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Further Information

Reference	Price
New York ISO YTD	4.3¢ per kWh
ISO New England YTD	5.3¢ per kWh
New CF PPA	5.9¢ per kWh
HQ Long-Term Contracts (NECEC and CHPE)	6.5¢ per kWh

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Questions

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