

February 6, 2020

The Honourable Bill Morneau, P.C., M.P.  
Minister of Finance  
House of Commons  
Ottawa, ON  
K1A 0A6

Dear Minister Morneau:

I appreciate your support during the recent state of emergency. As I have conveyed to the Prime Minister, we appreciate the Federal Government's support during the difficult storm as well as on other issues important to the people of Newfoundland and Labrador.

Thank you for your letter addressing the Muskrat Falls Project (MF Project) and the requirement to achieve rate mitigation. The MF Project, sanctioned in 2012 by the previous administration, has created an urgent issue facing the Province today. If left unaddressed this would have a devastating impact on Newfoundlanders and Labradorians, who would face unprecedented electricity rate increases and economic hardship. In April 2019, we jointly began a process to prevent this from happening and conducted an extensive analysis of the MF Project's true financial structure. This process has identified short and long-term measures that will ensure a permanent solution to protect ratepayers of this province.

We agree that the options identified in your letter represent a sustainable, long-term solution to protect ratepayers from the negative impacts of the MF Project today and into the future. At the core of our agreement is the requirement to transition the Muskrat Falls/Labrador Transmission Assets revenue model to a Cost of Service model, which will ensure that equity returns are redirected from Nalcor to ratepayers. With your involvement, the monetization of suitable MF Project assets, such as the dividends from the Labrador-Island Link, is also required to ensure a sustainable long-term solution.

The Province accepts the Government of Canada's offer to defer the Sinking Fund and Cost Overrun Escrow Account payments if required.

The hard work done to date, including agreement on the path forward identified above, will ease the burden of the MF Project on Newfoundlanders and Labradorians. The right approach is now being taken to protect the interests of the ratepayers in this province.

I want to thank you and your officials for working with us to address the financial structure of the MF Project. As originally designed, it would have had a devastating impact on the people of Newfoundland and Labrador. Through the hard work of both orders of government, this is no longer the case.

We concur that to implement the results of our negotiations, substantial financial and legal analysis is required. Your commitment to instruct officials to engage immediately with provincial officials to make this happen is very welcomed and I look forward to weekly updates starting next week.

I will also advise my officials to work with yours to prepare a joint news release summarizing this agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dwight Ball", with a long horizontal flourish underneath.

**DWIGHT BALL**  
Premier