

1 Q. Further to the response to PUB-Nalcor-008, page 3 of 12, lines 1-10, please explain
2 in detail how the creation of Nalcor Energy Marketing Activities: 1) shields Nalcor
3 Energy from the risk of becoming a taxable entity in the US and 2) assists in
4 protecting commercially sensitive information.

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7 A. 1) A significant portion of Nalcor's extra-provincial electricity trade business
8 will involve participation in US electricity markets. Nalcor sought expert
9 external advice to assess the potential implications of such activity. That
10 expert advice identified a risk that Nalcor's activities in the US electricity
11 markets may make Nalcor subject to US tax filings. The creation of Nalcor
12 Energy Marketing (NEM) as the entity participating in the US markets
13 effectively insulates Nalcor and its other affiliates from US tax exposure and
14 US tax filings since, if the risk materialized, the exposure would be limited to
15 the NEM entity.

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17 2) By its nature, the electricity trade business is highly competitive and often
18 involves the sharing of commercially sensitive information between
19 counterparties. Consolidating Nalcor's external electricity market activities
20 in a non-regulated entity such as NEM provides an additional layer of
21 comfort and security to NEM's counterparties that the counterparties'
22 commercially sensitive and confidential information will be shielded from
23 public disclosure.