



Newfoundland and Labrador Hydro
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October 11, 2024

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

Please find enclosed Newfoundland and Labrador Hydro's Inter-Affiliate Transactions Report for the year ended December 31, 2023, filed pursuant to correspondence from the Board of Commissioners of Public Utilities ("Board") on May 11, 2023,¹ and Board Order No. P.U. 49(2016).

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

Board of Commissioners of Public Utilities

Jacqui H. Glynn
Katie R. Philpott
Board General

Consumer Advocate

Dennis M. Browne, KC, Browne Fitzgerald Morgan & Avis
Stephen F. Fitzgerald, KC, Browne Fitzgerald Morgan & Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Bernice Bailey, Browne Fitzgerald Morgan & Avis

Linde Canada Inc.

Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.

Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Teck Resources Limited

Shawn Kinsella

Island Industrial Customer Group

Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

¹ "Newfoundland and Labrador Hydro - Streamlining of Quarterly Regulatory Report To Parties – Board's Decision on Reporting," Board of Commissioners of Public Utilities, May 11, 2023.

Inter-Affiliate Transactions Report

For the Year Ended December 31, 2023

October 11, 2024

A report to the Board of Commissioners of Public Utilities



**Newfoundland and Labrador Hydro
Intercompany Transactions Report
For the Year Ended December 31, 2023**

The Inter-Affiliate Transactions Report summarizes transactions by type between Regulated Newfoundland and Labrador Hydro ("Hydro") and affiliates on an annual basis. The report also documents any contracts, agreements or loans between Hydro and any related affiliate including the Government of Newfoundland and Labrador ("Government") that were signed in the year.

The report is divided into six sections as follows:

- 1)** Charges to each individual affiliate by charge type for the current year with comparable data for the prior year.
- 2)** Charges from each individual affiliate by charge type for the current year with comparable data for the prior year.
- 3)** Charges to (from) other related parties by charge type for the current year with comparable data for the prior year.
- 4)** Accounts receivable (payable) aging by affiliate as at December 31 with comparable data for the prior year.
- 5)** Listing of any contracts or agreements that were signed between Hydro and any affiliate as well as any loans with related entities. Loan information provided includes the amount of the loan, the date of the borrowing and date of repayment, the interest rate and the total interest paid.
- 6)** Documentation of methods used to determine cost allocations updated on an annual basis.

Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Activity Summary
For the Year Ended December 31, 2023
(\$000)¹**

	2023	2022
Operating		
Charges to Affiliates: Labour/Other	(3,644)	(3,388)
Charges to Affiliates: Other Revenue	(21,371)	(24,909)
Charges to Affiliates: Muskrat Falls PPA ² Monetization of Exports ³	(25,407)	-
Charges to Affiliates: Rate Mitigation ⁴	(144,700)	-
Charges to Affiliates: Transmission	(16,668)	(9,413)
Charges to Affiliates: Admin Fee	(2,964)	(2,972)
Subtotal	(214,754)	(40,682)
Charges from Affiliates: Labour/Other	2,956	1,482
Charges from Affiliates: Power Purchase	896,091	438,645
Charges from Affiliates: Transmission	-	-
Charges from Affiliates: Admin Fee	7,947	7,112
Subtotal	906,994	447,239
Board of Commissioners of Public Utilities Government ⁵	1,522 (156,671)	1,146 33,764
Subtotal	(155,149)	34,910
Total Operating	537,091	441,467
Capital		
Charges to Affiliates: Capital	(912)	(1,264)
Charges to Affiliates: CIAC ⁶	-	-
Subtotal	(912)	(1,264)
Charges from Affiliates: Capital	309	365
Charges from Affiliates: CIAC	(202)	(237)
Subtotal	107	128
Total Capital	(805)	(1,136)

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

² Power Purchase Agreement ("PPA").

³ Charges to Affiliates: Muskrat Falls PPA Monetization of Exports includes \$25.4 million related to the 2023 settlement of the Muskrat Falls PPA monetization of exports sales which occurred in 2022. An estimate of this export sales revenue is recorded in the Supply Cost Variance Deferral Account ("SCVDA") in 2022 and was adjusted to actuals upon settlement.

⁴ In 2022, as part of the Government's rate mitigation plan, Hydro, the Government, and the Government of Canada signed term sheets enabling access, upon commissioning of the Labrador-Island Link ("LIL"), to a \$1.0 billion investment by the Government of Canada in the LIL in the form of a convertible debenture. On August 15, 2023, the first drawing on the convertible debenture of \$144.7 million was received by LIL (2021) Limited Partnership, and on August 28, 2023, the funds were transferred to Hydro for the purpose of rate mitigation, reducing the balance in the SCVDA.

⁵ Balance includes rate mitigation funding of \$190.4 million from the Government reducing the balance in the SCVDA.

⁶ Contribution in aid of construction ("CIAC").

Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

Newfoundland and Labrador Hydro
Intercompany Transactions Report
Charges to Affiliates: Operating
For the Year Ended December 31, 2023
(\$'000)¹

	2023										2022 ²									
	Nalcor	Churchill Falls	Exploits/ Menehik/ Non-Regulated	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total	Nalcor	Churchill Falls	Exploits/ Menehik/ Non-Regulated	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total				
Labour	(1,057)	(228)	(1,286)	(472)	(75)	-	(3,123)	(957)	(222)	(1,524)	(219)	(40)	-	-	(2,962)					
Other	(121)	(46)	(273)	(71)	(9)	(1)	(521)	(113)	(41)	(235)	(33)	(4)	-	-	(426)					
Other Revenue ³	(8,218)	-	-	(2,245)	(10,908)	-	(21,371)	(5,893)	-	-	(1,056)	(17,960)	-	-	(24,909)					
Muskkrat Falls PPA Monetization of Exports ⁴	-	-	-	(25,407)	-	-	(25,407)	-	-	-	-	-	-	-	-					
Rate Mitigation Funding ⁵	(144,700)	-	-	-	-	-	(144,700)	-	-	-	-	-	-	-	-					
Transmission	-	-	-	-	(16,668)	-	(16,668)	-	-	-	-	(9,413)	-	-	(9,413)					
Subtotal	(154,096)	(274)	(1,559)	(28,195)	(27,660)	(1)	(211,790)	(6,963)	(263)	(1,759)	(1,308)	(27,417)	-	-	(37,710)					
Administration Fees																				
Information Systems Charges	(42)	(46)	(14)	(8)	(4)	-	(114)	(48)	(50)	(19)	(13)	(4)	-	-	(134)					
Telephone/Local Area Network	(143)	(156)	(51)	(27)	(15)	-	(392)	(158)	(164)	(62)	(45)	(15)	-	-	(444)					
Space Rental Fees	(1,545)	-	(90)	(4)	(147)	-	(1,786)	(1,424)	-	(100)	(18)	(148)	-	-	(1,690)					
Procurement	(35)	(409)	(124)	(101)	(3)	-	(672)	(30)	(353)	(221)	(96)	(4)	-	-	(704)					
Total Administration Fees	(1,765)	(611)	(279)	(140)	(169)	-	(2,964)	(1,660)	(567)	(402)	(172)	(171)	-	-	(2,972)					
Total Charges to Affiliates: Operating	(155,861)	(885)	(1,838)	(28,335)	(27,829)	(1)	(214,754)	(8,623)	(830)	(2,161)	(1,480)	(27,588)	-	-	(40,682)					

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

² Comparative figures have been reclassified to conform to the current year's presentation. The 2022 comparative figure has been restated to include interest of \$0.8 million that was excluded from the 2022 Inter-Affiliate Transactions report in error.

³ Other revenue includes reimbursement from Nalcor Energy ("Nalcor") related to the Nova Scotia Block Indemnity (refer to Agreements with Affiliated Entities section), energy sales to Lower Churchill, export sales revenue that is included in the SCVDA (refer to Agreements with Affiliated Entities section) and interest from Lower Churchill related to the Muskkrat Falls PPA.

⁴ Muskkrat Falls PPA Monetization of Exports includes \$25.4 million related to the 2023 settlement of Muskkrat Falls PPA monetization of exports sales which occurred in 2022. An estimate of this export sales revenue is recorded in the SCVDA in 2022 and is adjusted to actuals upon settlement.

⁵ Rate Mitigation Funding includes the August 2023 first drawing on the Government of Canada convertible debenture of \$144.7 million received by LIL (2021) Limited Partnership, and transferred to Hydro for the purpose of rate mitigation by Nalcor, reducing the balance in the SCVDA. Please refer to Agreements with Affiliated Entities section of this report.

Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Charges from Affiliates: Operating
For the Year Ended December 31, 2023**

(\$'000)¹

	2023										2022 ²																		
	Churchill Falls		Exploits/ Menehik/ Non-Regulated		Lower Churchill		Energy Marketing		Bull Arm		Oil & Gas		Total		Churchill Falls		Exploits/ Menehik/ Non-Regulated		Lower Churchill		Energy Marketing		Bull Arm		Oil & Gas		Total		
	Nalcor	Falls	Menehik/ Non-Regulated	Exploits/ Non-Regulated	Churchill	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total	Nalcor	Falls	Menehik/ Non-Regulated	Exploits/ Non-Regulated	Churchill	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total	Nalcor	Falls	Menehik/ Non-Regulated	Exploits/ Non-Regulated	Churchill	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas
Labour	1,514	434	1,372	-	-	-	-	-	3,320	-	892	501	1,023	-	-	-	-	-	-	2,416	-	-	-	-	-	-	-	-	2,416
Other	(403)	36	3	-	-	-	-	-	(364)	-	(983)	45	4	-	-	-	-	-	-	(934)	-	-	-	-	-	-	-	-	
Power Purchase ^{3,4,5,6}	-	1,549	29,773	864,769	-	-	-	-	896,091	-	-	1,853	28,672	408,120	-	-	-	-	-	438,645	-	-	-	-	-	-	-	-	
Subtotal	1,111	2,019	31,148	864,769	-	-	-	-	899,047	(91)	2,399	29,699	408,120	-	-	-	-	-	-	440,127	-	-	-	-	-	-	-	-	
Administration Fees	5,184	-	-	-	-	-	-	-	5,184	4,749	-	-	-	-	-	-	-	-	-	4,749	-	-	-	-	-	-	-	-	
Information Systems Charges	698	-	-	-	-	-	-	-	698	578	-	-	-	-	-	-	-	-	-	578	-	-	-	-	-	-	-	-	
Human Resources Charges	395	-	-	-	-	-	-	-	395	383	-	-	-	-	-	-	-	-	-	383	-	-	-	-	-	-	-	-	
Safety and Health Charges	43	-	-	-	-	-	-	-	43	44	-	-	-	-	-	-	-	-	-	44	-	-	-	-	-	-	-	-	
Environment Charges	1,627	-	-	-	-	-	-	-	1,627	1,358	-	-	-	-	-	-	-	-	-	1,358	-	-	-	-	-	-	-	-	
Business System Admin Fee	7,947	-	-	-	-	-	-	-	7,947	7,112	-	-	-	-	-	-	-	-	-	7,112	-	-	-	-	-	-	-	-	
Total Administration Fees	9,058	2,019	31,148	864,769	-	-	-	-	906,994	7,021	2,399	29,699	408,120	-	-	-	-	-	-	447,239	-	-	-	-	-	-	-	-	

Total Charges from Affiliates: Operating

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

² Comparative figures have been reclassified to conform to the current year's presentation.

³ Power Purchase excludes ponding energy or import energy purchases through Energy Marketing as a result of commercial sensitivities.

⁴ Power Purchase from Lower Churchill includes costs associated with the Muskrat Falls PPA in the amount of \$533.5 million (2022: \$386.3 million). These costs are deferred in 1) the Power Purchase Expense Recognition Deferral - \$287.1 million (2022: \$148.2 million); 2) the Energy Supply Cost Variance Deferral - \$242.0 million (2022: \$237.6 million); and 3) Sustaining Capital Deferral - \$4.4 million (2022: \$0.5 million) resulting in no impact on net income.

⁵ Power Purchase from Lower Churchill includes costs associated with the Transmission Funding Agreement ("TFA") in the amount of \$322.9 million in 2023 (2022: \$nil). These costs are deferred in 1) the Power Purchase Expense Recognition Deferral Receivable - \$12.5 million (2022: \$nil); and 2) the Energy Supply Cost Variance Deferral - \$335.6 million (2022: \$nil) resulting in no impact on net income. The LIL was commissioned on April 14, 2023, and Hydro began making payments under the TFA. Please refer to "Agreements with Affiliated Entities."

⁶ Power Purchase includes Muskrat Falls Residual Block energy purchased to service Labrador customers that are included in the SCVDA in the amount of \$8.3 million in 2023 (2022: \$21.8 million). The 2022 reported balance excluded \$1.0 million of export power purchase costs in error resulting in a restated comparative figure for 2022. Additional information on the Muskrat Falls Residual Block Energy used in Labrador is shown in the Agreements with Affiliated Entities section of this report.

Newfoundland and Labrador Hydro
 Intercompany Transactions Report
 Charges to Affiliates: Capital
 For the Year Ended December 31, 2023
 (\$000)¹

	2023							2022								
	Nalcor	Churchill Falls	Exploits/Menehik/Non-Regulated	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total	Nalcor	Churchill Falls	Exploits/Menehik/Non-Regulated	Lower Churchill	Energy Marketing	Bull Arm	Oil & Gas	Total
Labour	(45)	(113)	(682)	(30)	-	-	-	(870)	(3)	(158)	(997)	(25)	-	-	-	(1,183)
Other	(9)	(13)	(17)	(3)	-	-	(42)	(11)	(15)	(28)	(27)	-	-	-	-	(81)
Total Charges to Affiliates: Capital	(54)	(126)	(699)	(33)	-	-	(912)	(14)	(173)	(1,025)	(52)	-	-	-	-	(1,264)

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Payments to (Receipts from) Other Related Parties¹
For the Year Ended December 31, 2023
(\$000)²**

	2023	2022
Board of Commissioners of Public Utilities Costs	1,522	1,146
Government		
Debt Guarantee Fee	8,796	8,704
Interest on Long-Term Debt	27,452	27,475
Northern Strategic Plan	(2,515)	(2,415)
Rate Mitigation ³	(190,404)	-
Total Government	(156,671)	33,764
Total Other Related Parties	(155,149)	34,910

¹ On an accrual basis.

² Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

³ In March 2023, the Government provided \$190.4 million for the purpose of rate mitigation, reducing the net supply costs balance in the SCVDA. Please refer to Agreements with Affiliated Entities section of this report.

Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Accounts Receivable (Payable)
As at December 31, 2023
(\$000)¹**

	2023						2022 ²				
	Current	31-60	61-90	> 90	Total		Current	31-60	61-90	> 90	Total
Churchill Falls	136	-	-	-	136	Churchill Falls	(12)	-	-	-	(12)
Oil & Gas	2	-	-	-	2	Oil & Gas	1	-	-	-	1
Bull Arm	-	-	-	3	3	Bull Arm	-	-	-	3	3
Energy Marketing	367	-	-	-	367	Energy Marketing	2,562	-	-	-	2,562
Lower Churchill ¹	24,469	(1,005)	(294)	(27,330)	(4,160)	Lower Churchill	(3,654)	(1,465)	(1,350)	(15,345)	(21,813)
Nalcor	4,864	-	-	-	4,864	Nalcor	3,911	-	-	-	3,911
Other	384	-	-	28	412	Other	342	-	4	21	367
Total	30,222	(1,005)	(294)	(27,300)	1,623	Total	3,150	(1,465)	(1,346)	(15,321)	(14,981)

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

² Comparative figures have been reclassified to conform to the current year's presentation.

Inter-Affiliate Transactions Report for the Year Ended December 31, 2023

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Other Receivables (Payables)
As at December 31, 2023
(\$000)¹**

	Year-to-Date	
	2023	2022
Energy Marketing		
Transmission Services Deposit Payable ²	(2,204)	(1,349)
Lower Churchill		
Related Party Loan Receivable ³	-	29,664
TFA Contract Receivable ⁴	12,550	-
Muskrat Falls PPA Contract Payable ⁵	(451,296)	(165,466)
Total Lower Churchill	(438,746)	(135,802)
Total Other Receivables (Payables)	(440,950)	(137,151)

¹ Small differences from balances in prior periods not specifically noted are immaterial and in most cases are the result of rounding differences.

² Energy Marketing provides Hydro a cash deposit in advance of being provided transmission services by the Newfoundland and Labrador System Operator ("NLSO").

³ The balance of Hydro's related party loan receivable from Muskrat Falls includes interest charged on the balance outstanding as required under the PPA at a rate of 5.43%.

⁴ The contract receivable balance represents the timing difference between the value of the energy and capacity delivered to Hydro and the contractual payments made under the TFA in the reporting period.

⁵ The contract payable balance represents the timing difference between the value of the energy and capacity delivered to Hydro and the contractual payments made under the Muskrat Falls PPA in the reporting period.

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Agreements with Affiliated Entities
For the Year Ended December 31, 2023**

Listing of any contracts or agreements that were signed between Hydro and any affiliate as well as any loans with related entities. Loan information provided includes the amount of the loan, the date of the borrowing, the date of repayment, the interest rate, and the total interest paid.

- In March 2023, the Government provided \$190.4 million for the purpose of rate mitigation, reducing the net supply costs balance in the SCVDA.
- In 2022, as part of the Government's rate mitigation plan, Hydro, Government, and the Government of Canada signed term sheets enabling access, upon commissioning of the LIL, to a \$1.0 billion investment by the Government of Canada in the LIL in the form of a convertible debenture. On August 15, 2023, the first drawing on the convertible debenture of \$144.7 million was received by LIL (2021) Limited Partnership, and on August 28, 2023, the funds were transferred to Hydro for the purpose of rate mitigation, reducing the balance in the SCVDA.
- Labrador-Island Link Operating Corporation ("LIL Opco") issued official notice to Hydro that as of April 14, 2023, commissioning pursuant to the TFA has been achieved. As a result, the LIL Opco can commence invoicing Hydro for services under the TFA.
- Agreement for Assignment of Transmission Reservation Rights between Hydro and Nalcor Energy Marketing Corporation ("NEM") dated June 1, 2023. Under this agreement Hydro has assigned its rights to 500 MWs of Reserved Capacity for Conditional Firm Point-to-Point Transmission Service under the Amended & Restated Transmission Service Agreement between Hydro and the NLSO dated January 25, 2021, to NEM for the NL-BBK transmission path for a term ending May 1, 2033.
- In 2021, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited LIL capacity, meant Hydro could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Station as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link.
- In February 2022, Hydro Regulated began using Muskrat Falls energy to service customers in Labrador, maximizing the available Recapture energy exported and sold in the North American markets. A portion of the profit from these additional recaptures sales is being returned to Hydro Regulated's customers. Transactions associated with this are inter-affiliate and are presented in this report as power purchases from Muskrat Falls and Sale or Revenue from Energy Marketing.

**Newfoundland and Labrador Hydro
Intercompany Transactions Report
Methods Used to Determine Costs
For the Year Ended December 31, 2023**

Labor Charges

Cost-based rates billed in accordance with Nalcor's Intercompany Transaction costing guidelines.

Power Purchases/Other

In accordance with contract rates or Board of Commissioners of Public Utilities-approved rates, as applicable.

Admin Fees

Common costs allocated among lines of business based on applicable allocators.