

1 **Q. In the management discussion and analysis there is mention of Nalcor Energy’s**  
2 **investigation to moderate the impact of Muskrat Falls on electricity prices.**  
3 **However, there is no mention that these prices could “more than double” as there is**  
4 **on page 1-6 of its filing, which forms a substantive part of its business risk**  
5 **assessment. Since securities law requires the disclosure of all material facts, why is**  
6 **there no disclosure of this in NP’s annual report’s discussion of its business risk?**

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8 A. National Instrument 51-102F1 – Management Discussion & Analysis (“NI 51-102F1”)  
9 outlines the continuous disclosure obligations of reporting issuers.<sup>1</sup> The general  
10 provisions of NI 51-102F1 requires that a company’s management discussion & analysis  
11 (“MD&A”) discuss risk and uncertainties that might reasonably affect the future  
12 performance of the company.<sup>2</sup>

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14 Future electricity prices associated with Nalcor’s Muskrat Falls project are uncertain.  
15 The Company has no control over the costs of the project and how the costs will  
16 ultimately be recovered. Recovery of costs associated with the project through electricity  
17 rates could affect the Company’s sales, earnings and cash flows.

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19 Newfoundland Power has disclosed this business risk in its 2017 annual MD&A in  
20 accordance with NI 51-102F1.<sup>3</sup> The disclosure provides:

- 21  
22 (i) increases in electricity rates can cause changes in customer electricity  
23 consumption, which could negatively impact the Company’s sales and  
24 therefore, earnings and cash flows;  
25 (ii) a significant portion of customer electricity rates is dependent on  
26 purchased power costs, which are outside of Newfoundland Power’s  
27 control;  
28 (iii) future changes in supply costs associated with Nalcor Energy’s Muskrat  
29 Falls project may affect electricity prices in a manner that affects the  
30 Company’s sales; and  
31 (iv) the cost of the project is projected to reach \$12.7 billion, and Nalcor  
32 Energy is investigating options available to moderate the impact of higher  
33 project costs on electricity prices.

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<sup>1</sup> Newfoundland Power is a venture issuer. A venture issuer is defined under NI 51-102 as “a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America...”

<sup>2</sup> Form 51-102, Part 2 – Content of MD&A, Section 1.4 – Discussion of Operations requires that a company’s management discussion & analysis (“MD&A”): “discuss your analysis of your company’s operations for the most recently completed financial year, including... (g) commitments, events, risks or uncertainties that you reasonably believe will affect your company’s future performance including total revenue and profit or loss from continuing operations attributable to owners of the parent”.

<sup>3</sup> Newfoundland Power’s 2017 annual Management Discussion & Analysis, Business Risk Section, page 8.