Churchill Falls Agreement
The Facts on Pricing Escalation and Market Access

The 2026 Churchill Falls Agreement follows Independent Review Committee recommendations by establishing a simpler, more durable pricing structure with built-in escalation, inflation protection, premium pricing opportunities, and expanded market access.

FACT 1 - The Agreement Includes Price Escalation

Churchill Falls Power Price Escalation:

- 2027-2041 average annual increase - 14 per cent
- 2042-2077 average annual increase - 2.6 per cent

Inflation Protection: A separate Inflation Adjustment Mechanism increases pricing if inflation significantly exceeds expected levels.

Bottom Line: The agreement contains both built-in price escalation and additional inflation protection.

FACT 2 - The Agreement Follows Independent Review Committee (IRC) Recommendations

What the IRC Found:

The proposed block-pricing approach:

- Was highly complex
- Required substantial future negotiations
- Increased dispute risk
- Had no finalized pricing formula

The 2026 Agreement Delivers:

- ✓ Simplified pricing model
- ✓ Earlier value realization
- ✓ Built-in escalation
- ✓ Inflation adjustment mechanism
- ✓ Stronger financial certainty for Newfoundland and Labrador

FACT 3 - Premium Pricing Creates More Value

New in the 2026 Agreement:

Newfoundland and Labrador Hydro can sell Churchill Falls power to Hydro-Quebec at **150 per cent of contract price** (with three years' notice).

Compared to the 2024 MOU – surplus power sold at 100 per cent of contract price.

Result:

- ✓ 50 per cent higher value for surplus power
- ✓ Flexibility to sell power or recall it for Labrador development

FACT 4 - Market Access was Strengthened

The 2026 Agreement Secured:

985 Megawatt transmission portfolio:

- ✓ 720 Megawatt market pricing access through Quebec
  - Access to New York Market via the CHPE line
    - Receive the same market price as Hydro-Quebec
    - Access premium electricity market pricing
    - Higher-value pricing than average spot market sales
  - Access to the Boston Market via NECEC line
    - Receive the same market price as Hydro-Quebec
    - Access to a premium New England market pricing
    - Higher-value pricing than average spot market sales
  - Synthetic Transmission Pricing Arrangements
- ✓ 265 Megawatt Direct Transmission arrangements

Bottom Line:

The 2024 MOU contained a concept that still required negotiation.

The 2026 Agreement delivers actual negotiated market-access arrangements.

FACT 5 - This is Not the 1969 Contract

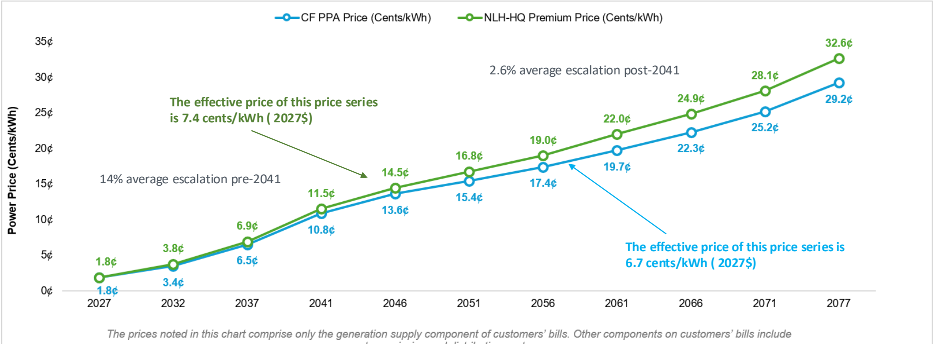
The 1969 Contract:

- Fixed-price structure
- Limited provincial access to power
- Restricted market access
- Governance concerns

The 2026 Agreement:

- ✓ Built-in price escalation
- ✓ Inflation protection
- ✓ Premium pricing option
- ✓ Expanded provincial access to power
- ✓ Enhanced export opportunities
- ✓ No automatic extension

Escalation in HQ pricing for CF power



The prices noted in this chart comprise only the generation supply component of customers' bills. Other components on customers' bills include transmission and distribution costs.

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Newfoundland & Labrador

newfoundland labrador hydro