

## Muskrat Falls Not Needed Not Affordable

The concept of Muskrat Falls is not new. In 1964 the Anglo-Saxon Route involved transmitting Churchill Falls power to the island using a submarine cable and a second submarine cable to carry the power to Nova Scotia to go over-land to markets. This failed when Hydro Quebec entered into discussions to develop Churchill Falls.

In 1974 construction began on the land sections of a proposed eleven mile tunnel beneath the Strait of Belle Isle to carry transmission from Labrador to the island. In 1976 this work stopped. In 1978 further work was commenced on a transmission link between Labrador and Newfoundland. By 1980 after expending 12 million dollars for the development this was abandoned.

All previous attempts with Muskrat Falls or the entire Lower Churchill “Muskrat Falls and Gull Island” were abandoned because the Province determined these were not financially feasible. NL Hydro has informed governments for over 30 years that it was uneconomic to bring Muskrat Falls power to the island. Therefore, Muskrat Falls is an old concept which has proven time and again to be unsound financially. It is not new; it is not visionary.

## Joint Review Panel

The August 2011 Joint Review Panel which was comprised of Federal and Provincial appointees filed a report following an exhaustive study which included 30 days of public hearings in nine locations throughout the Province. The Joint Review Panel heard from aboriginal communities, the proponents, and other interested parties. The Joint Review Panel was a **transparent process**. The Joint Panel found that Nalcor had no known markets for Muskrat Falls Power. The Joint Review Panel found that the need to bring Muskrat Falls power to the island had not been established and that there are alternate and economically viable and socially responsible ways to meet electricity demands on the Island.

The Nalcor/Navigant consultation which followed the Joint Review Panel **lacked the transparency** of the Joint Review Panel. Why government would endorse the non-transparent Nalcor consultation and discard the findings of the transparent Joint Review Panel is troubling. All of this should be of some concern to the people of the Province.

## Lowest Possible Cost Not Least Cost Option

The *Electrical Power Control Act, 1994* (the “Act”) regulates this province’s electrical resources. The Act requires that all sources and facilities for the production, transmission and distribution of the province’s power should be managed and operated in the manner that would result in reliable power being delivered to consumers in the province at the **lowest possible cost**. The Muskrat Falls proponents do not address “**the lowest possible cost**” but have adopted language not to be found in legislation “**the least cost option**”. The Act also requires that rates to be charged should be **reasonable**. Reasonable rates mean affordable electricity. After all, electricity is a necessity. Today we have some of the lowest rates in Eastern Canada.

Sample Rates		
	Basic Charge	Kilowatt/hour
<b>Nova Scotia</b>	\$10.83	12.085¢
<b>New Brunswick</b>	\$19.73	9.85¢
<b>P.E.I.</b>	\$26.92	12.05¢ for 2000 9.20¢ for remainder
<b>Newfoundland &amp; Labrador</b>	\$15.57	9.512¢ - July 2011 10.407¢ - August 2011
<b>Quebec</b>	Various Rates	6.21¢

Furthermore, our rates have been stable historically. Rates in 2007 and 2009 actually **decreased** calling into question government's assertion that rates increase annually from 4% to 7% on average. That is not correct. Any resident can check their electric bills to uncover the facts. Here is a residential rate sample based on monthly usage of 2000 kWh.

Date	Cost per kWh*	kWh Usage	Power Costs
August 2006	8.920 cents	2000 kWh	\$178.00
<b>August 2007</b>	<b>8.644 cents</b>	<b>2000 kWh</b>	<b>\$172.00</b>
August 2008	9.631 cents	2000 kWh	\$192.00
<b>August 2009</b>	<b>8.916 cents</b>	<b>2000 kWh</b>	<b>\$178.00</b>
August 2010	9.512 cents	2000 kWh	\$190.24
August 2011	10.407 cents	2000 kWh	\$208.14

Muskrat Falls will in fact destabilize our electricity rates by bringing these rates in excess of New York City prices of 19 cents/kWh. In the meantime the rest of Atlantic Canada will be paying less.

It is troubling that Government cannot provide an answer as to how much a kilowatt will cost after Muskrat Falls. On February 25, 2011, Premier Dunderdale stated: "The project is not advanced enough at this point to determine with what degree of accuracy you are going to pay per kilowatt hour in 2017." According to a CBC News article posted March 31, 2011: "New electricity from the planned Lower Churchill hydro development will come in at 14.3 ¢/kWh, the provincial government predicts". In a subsequent recent Telegram interview, Premier Dunderdale has now concluded that the kilowatt cost could be as much as 16.5 cents per kilowatt. The fact of the matter is that the Government does not know what a Muskrat Falls kilowatt will cost.

### Cost Overruns

Projects such as Muskrat Falls are known for cost overruns. The World Commission on Dams Report concludes that building dams have overruns on average of 56%. The proposed site C dam in northeastern British Columbia started at 3 billion cost estimate and on May 2011 the new price

tag was almost 8 billion. And historically there are cost overruns in projects built by both government and private industry. All cost overruns will be charged to your electricity bill because the government has stated that Muskrat Falls is to be paid for in the rates of Newfoundland Power's 243,000 customers. Pensioners and others on fixed incomes, municipalities, fish plants, churches, stadiums, the oil refinery will all be burdened. Here is a sample of residential monthly rates which could ensue following Muskrat Falls.

<b>Power Costs After Muskrat Falls Based On 2000 kWh Monthly Usage</b>			
August 2017	16.5 cents	2000 kWh	\$330.00 + basic charge + taxes
August 2017	19.0 cents	2000 kWh	\$380.00 + basic charge + taxes
August 2017	21.0 cents	2000 kWh	\$420.00 + basic charge + taxes
August 2017	24.0 cents	2000 kWh	\$480.00 + basic charge + taxes

All this comes at a time in which our population growth is declining and aging. The burden of Muskrat Falls will be heavy on our taxpayers as well as our ratepayers. Here are some population figures.

<b>Year</b>	<b>No Growth Population Figures</b>
1989	576,000
1992	580,000
2000	527,000
2004	517,000
2015	520,000
2019	514,000
2025	513,000

### **Nalcor Has No Known Export Markets For Muskrat Falls Power**

The Joint Review Panel Report found that there were no known export markets for Muskrat Falls power. This is not surprising. Muskrat Falls power is far too expensive for any Province or State to purchase. The Governor of Vermont in a recent Radio Noon CBC interview advised that there is no corridor in the United States for the transmission of power from Muskrat Falls and there is no infrastructure to accept Muskrat power into the American market. The Governor also stated that the price had to be right and was concerned that building would be taking place before these details were worked out. Quebec has sold power to Vermont for 40 years. Quebec just recently concluded a contract with Vermont to sell electricity to that state for approximately 5.8 cents per kWh for the years 2012-2038? Muskrat Falls prices cannot compete with that.

One financial analyst has stated:

The investment case for selling that power to New England is actually not looking very good, partly because they have more than enough natural gas – cheap natural gas – to meet their own electricity needs for the next decade, at least.

And the final report of the New Brunswick Energy Commission 2010-2011 has proposed natural gas as a viable option to meet the energy needs of the people of New Brunswick.

Private industry would never develop Muskrat Falls without having established markets prior to development. The Upper Churchill was built by private industry. If private industry will not build Muskrat Falls why would government risk our taxes on such a venture?

### Holyrood Generating Station

And here are some other facts. In this Province since 2006 over 85% of our electricity has been produced by Hydro and less than 13% by the Holyrood generated station; approximately 2% is now wind generated. The Holyrood oil consumption was 3,678,183 BBLs in 2002. Today, in 2010 this had decreased to 1,362,373 BBLs. The Holyrood generating station has been completely paid for. Furthermore, the Holyrood generating station will be needed even with Muskrat Falls because it is our only backup generating system on the Avalon Peninsula.

As Nalcor has stated in a recent capital plan:

“It is important to consider that whichever expansion scenario occurs, an isolated island electrical system or interconnected to the Lower Churchill via HVDC link, Holyrood will be an integral and vital component of the electrical system for decades to come.”

Since 2004 electricity demand is down 15% on the island. There has been negative electricity growth of -2% over the last 6 years. Further, there is the whole issue of conservation. The State of Connecticut and the Province of New Brunswick found that an aggressive approach to funding energy efficiency and conservation programs can achieve significant reductions in total energy use and peak demand. We have never undertaken an aggressive approach to conservation in this Province. We have not adopted the **Smart grid** system which allows consumers greater information and options and improves existing electricity efficiencies. Given a choice between adopting conservation measures or increasing electricity rates consumers will no doubt opt for conservation.

The government’s focus seems to be on building for the unknown requirements of future generations – those who may or may not be living here after 2041 and beyond. However, our aging population is living here now. We have had low and stable electricity rates in this Province for decades. This should continue. The people of our province are entitled to the lowest possible cost electricity rates. There are other economically viable options available should there be a need established for further electricity development on the Island as noted by the Joint Federal

Provincial Review Panel. The Panel concluded that Island demand did not warrant the development of Muskrat Falls.

### The Primary Beneficiaries

And finally, who will be the primary beneficiaries of Muskrat Falls? While ratepayers in this province will have their electricity rates doubled, Nova Scotia customers will pay considerably less for electricity rates. Emera gets free power for 35 years. Emera will have 100% ownership of the Maritime link for 35 years. Emera will have ownership of 29% of the Labrador/Island link for up to 50 years. **The Government of Nova Scotia will not pay one cent for Muskrat Falls.** It is the ratepayers of this province and our own taxpayers who will be subsidizing the rates for Nova Scotia's electricity users. The residents of this Province have no obligation to pay our tax money to produce cheaper electricity for the people of Nova Scotia.

Nalcor has failed to establish the need to develop Muskrat Falls. Nalcor has not identified one market in the United States which would be interested in purchasing Muskrat Falls Power. In 2041 this Province has available 5425 megawatts which provides some 30 billion kilowatt hours annually at a price of 1/5 of a cent per kilowatt. This will be the cheapest electricity in the world. There are reasonable and affordable alternatives to Muskrat Falls which will get us to 2041. The choice should be obvious.

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