

Introduction

Mr. Chairman, Commissioners, Legal Counsel, Ladies and Gentlemen;

Thank you for the opportunity to present my views to you this morning. I am a former Member of the House of Assembly from Labrador and I also served as a Director of NL Hydro. The issue of the Upper Churchill power contract has always interested me, including my time at University in St. John's and Nova Scotia. I will always be a student of public policy and an advocate for change in the pursuit of good government in Newfoundland and Labrador. As many who have come before you has stated 'the Muskrat Falls project is the biggest public policy issue ever to have faced this province'.

One of the most important debates we had while I served in the House of Assembly was over the future energy requirements of the province and how we would go about meeting them. This debate was included in the passing of the Electrical Power Control Act, 1994 which amongst other things states the law of the province as:

SLIDE 1

' all sources and facilities for the production, transmission and distribution of power in the province should be managed and operated in a manner that would result in power being delivered to consumers in the province at the lowest possible cost consistent with reliable service'

While it may be debated if Nalcor really has the right to build the generation and transmission of power from Muskrat Falls to the Island, I submit that the PUB has the obligation to insist on lowest cost power options at all times.

SLIDE 2

As I said earlier, I have always been interested in the Upper Churchill power contract and today I can stand here and agree with former Premier Danny Williams when he stated:

' we have developed this Energy Plan with our eyes clearly on 2041, when the Upper Churchill contract expires and the province is in a position to receive the full benefits from this resource'

There is not a person in Newfoundland and Labrador who does not agree that Hydro Quebec has taken advantage of us for the past 36 years and will do so for the next 29 years. It is despicable that our neighbour would continue to reap 98 percent of the profits generated from the turbines in Labrador.

SLIDE 3

It is against this backdrop of public opinion and the policy as stated in The Energy Plan that Nalcor has taken the following position on access:

' there is inherent uncertainty around guaranteeing the availability of supply from Churchill Falls in 2041 because it is difficult to determine the environmental and policy frameworks that will be in place 30+ years out'

I recognize that they have also expressed other reasons why they ruled out accessing this power but their economic argument, like the one above, has little merit. This is not market cost power and the Isolated Island Option does not have to bear a \$600 million upgrade at Holyrood – two reasons that are being used to bias the CPW in favour of Muskrat Falls.

On February 5, 2012 (17 days ago) I asked the current Minister of Natural Resources, the question: Do you agree that we have the right to access the Upper Churchill power in 2041? I know he received that question but to date he has chosen not to answer.

Slide 4

Irrespective of his position, I have undertaken to consult with various legal and academic experts on The 1969 Upper Churchill Contract and the answer I have received from everyone is an unequivocal YES. All replies can be summed up as Mr. Vardy and Mr. Penney did yesterday:

'the least uncertain event for the energy of the province is that the Churchill Falls contract expires in 2041.' They go on to note that 'the Guaranteed Winter Availability contract also expires in 2041 as does the Shareholders Agreement between CFLCo and Hydro-Quebec.'

Slide 5

The mighty Churchill Falls is our power and in 2041 it will be ours to do as we please. Every person in this province will agree with the government in reclaiming this resource and giving us the ability to deliver the 5400 mws of power as follows:

- Retain what we need to serve the industrial needs of Labrador
- Keep what we need to feed the Island consumer with cheap green power forever
- Sell excess power to the marketplace and use the money to bring green energy to coastal Labrador and take them off dirty diesel forever.
- Give all the people the benefit of this zero cost power by reducing their electricity bills and firmly claim that our people will have the cheapest, greenest energy in the world.

However, while I am passionate in advocating the above, I have been in business for the past 16 years and I know it has to make financial sense to take this direction.

SLIDE 6

The MHI report was a good report. It was the first time that the project was properly defined for me and provided an easy read on the complexities involved. This report has provided me with the ability to see the financial implications of getting the access to 2041 power. In sections 10.5 and 10.6 one can see the cost involved in implementing the Isolated Island and Infeed Option Thermal Plans, respectively.

Island Isolated System

The total project budget for the Island Isolated System is pegged at \$ 8.8 Billion.

As you can see from this documentation, MHI notes that \$582 million is proposed to be spent in 2015, installing ESP and Scrubbers at Holyrood under the Isolated Island plan. Nalcor has confirmed that this cost is not necessary to meet provincial law. It should also be noted that it is not included at all in the Infeed Option.

From 2041 to 2067, Nalcor is proposing to build 1320 mws of new thermal generation at a cost of \$5.0 Billion. This would be done using 11 different units all around the Island and burning dirty oil.

By accessing 2041 power, none of the above would be necessary so this would eliminate \$ 5.7 Billion from the cost of this option and its cost up to this time would be **\$ 3.2 billion**.

Muskrat Falls System

The total project budget for the Infeed Option which includes Muskrat Falls is pegged at \$ 6.6 billion. It must be pointed out that while this option means closing down Holyrood, it also means building 520 mws of thermal generation. It would mean 8 different units would be built around the Island but still using dirty oil. It will mean that in 50 years from first power, this Island will actually have **more** dirty oil generation than we have today.

As I pointed out above, the ESP and Scrubbers are not necessary in 2015 under the Infeed Option, even though Holyrood decommissioning will not be complete until **2029**, 12 years later. No cost savings with this item.

The addition of 300 mws of dirty oil generation after 2041 will mean a cost of \$ 1.0 billion will be incurred and to keep comparing apples to apples, we can deduct this from the total project cost leaving this option with a net cost of **\$ 5.6 billion**.

Result

The comparison between the two options by accessing the 2041 Upper Churchill power results in a **\$2.4 billion** advantage, in favour of the Isolated Island System. This is enough savings to pay 100% of the cost of bringing a new transmission line from Churchill Falls to Soldier's Pond!

Slide 7

It is also necessary to note that the remaining cost of \$3.2 billion to the Isolated Island system includes the expenditure of \$ 800 million in 2033 (replacing Units 1 & 2 at Holyrood) and \$ 500 million in 2036 (replacing Unit 3 of Holyrood).

These expenditures of \$1.3 billion are planned to be incurred a few years before the return of the Upper Churchill power. The future sales of available power at the Upper Churchill would be in the discussion stages by this time and it would be crazy not to foresee a deal to access our required energy to take us over the last few years, even with Hydro Quebec.

There are also legal scholars who believe we can negotiate more recall power from the existing contract by using section 92A of the Constitution of Canada.

Benefits

Slide 8

It is hard to imagine but we can certainly realize our day in the green, someday the sun will shine and blackouts will be no more! After 2041, we will be able to boast from the tallest points in this great province:

- We have the lowest and greenest electricity in all of North America, if not the world, and it will stay that way forever.

FURTHERMORE,

- It will give us the next 20 years to know the following:
 - The future of Corner Brook pulp and paper
 - The viability of a natural gas industry
 - The impact of shale oil and gas on oil prices
 - The ability to store wind power
 - The actual load growth on the island
 - The real industrial demands for power in Labrador

Slide 9

Finally, it will allow us to be wise spenders of public money; the hard earned taxpayers dollars. Over the next 20 years there will not be any blackouts and we will not saddle our children with at least \$5.6 billion of new debt.

Our infamous economist, Dr. Wade Locke, warned us last year that this province, without Muskrat Falls, was on the way to financial disaster. Our spending, according to former AG Noseworthy, is out of control and we cannot keep up the pace.

In her first speech to the people this year, Premier Dunderdale told the Unions to prepare for lean times ahead.

Just last week, Finance Minister Marshall told us that our province will be \$1 billion short in this coming year.

These are not times to ignore what has happened to Iceland, indeed to the greatest economy on earth, the USA, and we cannot escape the looming crisis in Greece, Spain and Portugal.

Table 10

Conclusion

Over the past 15 months I have read the Term Sheet on Muskrat Falls and thousands of pages of commentary, reviews and analysis. I have attended as much of the PUB hearings as possible and listened intently to the questions and answers.

Today, I am concluding that I have heard and read enough. The Muskrat Falls project was conceived as a political project in 2010. It was created to serve the political agenda of a Premier who was driven to spite Quebec. This political direction was handed off to the current administration and the past 15 months has been filled with political fraud of the highest order.

Muskrat Falls is a spiteful, political project and not a well planned energy development aimed at delivering the lowest cost power to the people of this province, as required by law. The sanctioning of this project will be a happy day for the millionaires and shareholders of Emera but a sad day for the ordinary ratepayer and taxpayers of this province.

Nalcor is embarking on a dangerous road, consciously avoiding the PUB and taking a 'damn the torpedo's approach building a project without acknowledging that we have the greatest source of clean, renewable energy waiting to serve this province forever- the might Churchill Falls.

Mr. Chairman, I thank you and your colleagues once again for granting me this time today and I would welcome any questions.