



# COMMISSION OF INQUIRY RESPECTING THE MUSKRAT FALLS PROJECT

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Transcript | Phase 1

Volume 8

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*Commissioner: Honourable Justice Richard LeBlanc*

Monday

1 October 2018

**CLERK (Mulrooney):** All rise.

This Commission of Inquiry is now open. The Honourable Justice Richard LeBlanc presiding as Commissioner.

Please be seated.

**THE COMMISSIONER:** All right. Good morning.

Just before we begin, just want to say thank you to our Commission CAO and Neil Croke for their help, while we were in Labrador, getting the logistics here in St. John's set up.

As well, I just wanna mention and recognize the fact that the furniture – much of the desks and tables that we are using for this Commission, basically, were not purchased from commercial sources. Rather, we actually went to Her Majesty's Penitentiary and made a request that they built by the inmates, if there was a possibility to do that in the woodshop, and they did agree to do that, and we are very grateful to the inmates, and we do appreciate the efforts of those involved as well as the supervisory staff at Her Majesty's Penitentiary.

So having said that this morning, we'll begin. And Mr. Learmonth – first witness this morning?

**MR. LEARMONTH:** Before (inaudible) I would ask Madam Clerk to enter into evidence the following exhibits: P-00154 to P-00158. P-00166 to P-00243. 00265 and P-00273 to P-00296.

**THE COMMISSIONER:** Okay. And those have been shared with counsel as I understand it?

**MR. LEARMONTH:** They have been.

**THE COMMISSIONER:** Okay. All right.

And is there any objection to any of those being entered? If not, they'll be marked in as numbered.

**MR. LEARMONTH:** Okay.

**THE COMMISSIONER:** All right.

All right, Mr. Learmonth?

**MR. LEARMONTH:** Yes. The first witness today will be Mr. Danny Williams, who is in the witness box.

**THE COMMISSIONER:** All right, and Mr. – good morning. If you could stand, Sir, please?

**MR. D. WILLIAMS:** Yes.

**THE COMMISSIONER:** And do you wish sworn or affirmed?

**MR. D. WILLIAMS:** Sworn.

**THE COMMISSIONER:** Sworn? Okay.

**CLERK:** Do you swear – sorry – do you swear that the evidence you shall give to this Inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

**MR. D. WILLIAMS:** Truth, the whole truth and nothing but the truth, so help me God.

**CLERK:** Please state your full name for the record.

**MR. D. WILLIAMS:** Danny Williams.

**CLERK:** Thank you.

**THE COMMISSIONER:** Thank you.

Mr. Learmonth?

**MR. LEARMONTH:** Thank you.

Now, Mr. Williams, the procedure that we will be following is as follows – that I will ask you a series of questions that are largely based on the documents that your counsel has received, and that will be followed by questions by counsel for parties with standing. Then, if necessary, there'll be some redirect, and there will be possibly some questions from the Commissioner. That's the order.

**MR. D. WILLIAMS:** I'm a little bit deaf, Mr. Learmonth, so if I have to ask you to repeat something, it's simply because I'm going to have a little trouble –

**MR. LEARMONTH:** Okay. So you want me to talk louder?

**MR. D. WILLIAMS:** A little bit if you don't mind.

**MR. LEARMONTH:** A little louder? Okay. I'm not yelling at you if I raise it too high –

**MR. D. WILLIAMS:** No (inaudible) –

**MR. LEARMONTH:** As long as that's understood. Yeah? Okay.

State your full name, please.

**MR. D. WILLIAMS:** Daniel Edward Williams.

**MR. LEARMONTH:** Yes.

And, Mr. Williams, I understand that you were born in St. John's in 1949?

**MR. D. WILLIAMS:** That's right.

**MR. LEARMONTH:** And that you attended St. Bonaventure College – St. Bon's – for your early education?

**MR. D. WILLIAMS:** That's correct.

**MR. LEARMONTH:** And then Gonzaga High School, graduating in 1965?

**MR. D. WILLIAMS:** 1965.

**MR. LEARMONTH:** That's correct?

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Please provide us with a summary of your post-secondary education.

**MR. D. WILLIAMS:** Okay.

After Gonzaga, I went to Memorial for four years, and I did a Bachelor of Arts in – major in political science and a minor in economics, and then I left there and went to Oxford University for two years, where I did a BA in jurisprudence, which is basically an English law degree.

And then I came back from there, and I did a year at Dal, and there was a special course

offering then whereby, over the course of a year and a half, they would grant an LL.B – of course, obviously, if you passed your courses. They condensed that for me into one year, so I did all the courses in one year and obtained an LL.B from Dal. I think that was in '71 – '72?

**MR. LEARMONTH:** Yeah. And you're being slightly modest. You failed to mention that you are a Rhodes Scholar when you attended Oxford. Is that correct?

**MR. D. WILLIAMS:** That's correct. Yeah. In 1969.

**MR. LEARMONTH:** Okay.

Did you become admitted to the Newfoundland bar in or about 1973?

**MR. D. WILLIAMS:** That's right. That's correct.

**MR. LEARMONTH:** And what did you do, career-wise, between 1973 and April 7, 2001, when you became leader of the Progressive Conservative Party of Newfoundland and Labrador. What were your activities?

**MR. D. WILLIAMS:** Do you want everything (inaudible) –

**MR. LEARMONTH:** Not everything. But you know, professionally and business and –

**MR. D. WILLIAMS:** Yeah. Okay.

**MR. LEARMONTH:** – other community activities and so on.

**MR. D. WILLIAMS:** Well, I proudly practised law during that period of time. I guess it was probably 30 – nearly a 30-year period. And it was a broad practice of law. I basically did everything from family law – I specialized in taxation at Dalhousie, but it was mainly family law, litigation law, criminal law, general – typical St. John's, Newfoundland and Labrador, general practice.

I was also involved in business. We built some golf courses. I was involved in the Wilds, which was a tourism business. An offshore business as well – an offshore oil business. Just trying to

think of what else. Oh, I'm sorry, Cable Atlantic – the cable television business. That was – in 1975, we obtained the cable television license. So it was in that business for in excess of 25 years.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** I think that's the gist of it.

**MR. LEARMONTH:** Yeah.

And when you decided to enter politics, did you step back or retire from the practice of law or did you keep your practice going –

**MR. D. WILLIAMS:** No, when I first went in, I went in as leader of the Opposition, so I basically eased out for a two-year period. You know, quite a bit at the beginning, and then just weaned off completely by the time we went to an election in 2003.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Mr. Commissioner, should I be giving my answers to Mr. Learmonth or to you?

**THE COMMISSIONER:** That's fine, you can go ahead.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Okay. All right.

I've already mentioned that I understand that you became leader of the Progressive Conservative Party in April 7, 2001, is that –?

**MR. D. WILLIAMS:** That is correct.

**MR. LEARMONTH:** That is correct, yeah.

What motivated you to leave your law practice and businesses and enter politics?

**MR. D. WILLIAMS:** Well, there was several things. I mean, I had been involved politically through my family. My mom and dad were active in the Progressive Conservative Party right back into the Smallwood-Diefenbaker era. So as a very young man, or a young boy, I was

involved in those days. And it was kind of in my blood, but I actually never really had intended to actively run for political office.

And then in that particular year, I think it was 2001, Ed Byrne indicated he was stepping down as leader of the PC Party. And the party approached me, as they had approached me before during the Peckford era, to run. And I kinda said, well, you know, this time I've got to at least consider it.

But at that time, I still owned – I still had the law practice; I still owned the cable company. I said look, you know, I can't even consider this until I dispose of my financial interests in the cable company. And I knew I could wind down my practice at that point in time. But times before, when I was asked to go into politics, I had some jury trials on – some that were pressing, and I couldn't – the timing just wasn't right. And at that point, family was young. I just really didn't want to. It wasn't the right time to do it, if at all.

So anyway, I went through a process, then, of disposing of the cable company. So by December of that year the company was sold. Then I said okay, fine – you know, my practice is in a good position; I'm independent, from a financial perspective, and if I'm ever gonna consider this, now is the time to do it. And you know, I'm 50 something, just 50 – and you know, I've gotten a lot out of this province. The province has been very good to me. I've worked hard for it, but the province has been good to me. And the family is older, so you know, now I gotta give some serious thought.

And the question is: Is it time now to give something back to the province? And so I – “agonize” wouldn't be the term – I deliberated on that for a long period of time. I didn't take a walk to the mountain or up in the woods or anything, like others have done. But I gave it a lot of thought and I said: No, look, you know, I hope I can make a difference here. Given the fact that I've had the benefit of the business, and the law, and the communications and tourism side of it, you know, different things in my background. I said: Look, maybe I can make a difference. So I finally decided, with the approval of my family, that I was gonna step up.

**MR. LEARMONTH:** All right.

And you became leader on April 7, 2001, and I understand that you were elected as a Member of the House of Assembly on June 19, 2000, election – in a by-election –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – in Humber West.

**MR. D. WILLIAMS:** In Humber West, yup.

**MR. LEARMONTH:** And then on August 2, 2001, you were sworn in as leader of the Official Opposition.

**MR. D. WILLIAMS:** I wasn't – I don't remember that date, but that sounds right, yeah.

**MR. LEARMONTH:** Sounds right.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Okay.

All right, assuming I'm correct in that, you served as leader of the Official Opposition from August 2, 2001, until you became premier on November 6, 2003.

What did you do during this period to familiarize yourself with the workings of the House of Assembly, government and on public policy issues, generally?

**MR. D. WILLIAMS:** Well, you know, I was fortunate that – I was actually thinking that there was gonna be a quick call to an election, which at that time would've been my preference because, you know, you basically just wanna get into it.

Fortunately, for two years there was no election, and it gave me a real good chance to – for want of a better term – learn the ropes. And, you know, I spent a lot of time reading, a lot of time studying, a lot of time learning government. You know, government, and running a government and being involved in a government is a very complex process, because you're responsible for endless numbers of departments at the end of the day.

I read – yeah, I – my estimate from the beginning was that in order to prepare for the

provincial platform I must have read half a million to a million pages of – not to a million – half a million pages of documentation – reports, things that were prepared in the past – to give myself some background into, you know, what the province was all about, what I was in for, things I didn't know about, the mechanics of running a province, you know, how Treasury Board and Cabinet Secretariat and everything else worked.

So I – you know, I spent a lot of time at that, and then in preparation for the election I – we had did a draft in consultation with the advisors at the time, which were people like Lorne Wheeler, Bruce Peckford, Doug House, Rollie Martin was involved. There's lots of people that were involved in preparation of the Blue Book; we must have done some 45 or 50 drafts. So that was a 65 to a 70-page document that was well prepared, well thought through, well researched by a whole body of people. And, of course, not also counting all the wonderful people that were in the party from a member perspective, and, you know, for – and Cabinet to be at that time afterwards.

So a lot of – the point being, a lot of work went into this and that was the blueprint – that was what we laid out to the people of the province. And I'm willing to bet that it was as well prepared a document as ever been to be put to the electorate of Newfoundland and Labrador. I don't say that braggingly. I'm basically just saying – 'cause I know the work that went into it.

I had a back surgery come upon me in 2003, just prior to the election – actually it was in May. So I had to get that out of the way and got it done, and then I was laid up for six weeks. Which, again, was a blessing 'cause it enabled me to focus and get ready for the election that took place in the fall of 2003.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** I hope I'm not being too long. But I – you wanted some background. I just –

**MR. LEARMONTH:** Yeah, that's fine.

And I understand there were at least 45 drafts prepared of this Blue Book?

**MR. D. WILLIAMS:** That's correct, at least 45 and they were substantive revisions that were thought through, and debated and consulted – there was a lot of consultation went into it as well.

**MR. LEARMONTH:** Yeah.

And for the record, the Blue Book, which is actually officially named *Our Blueprint for the Future*, that 65-page document, has been filed as Exhibit P-00277, should anyone want to have a look at it.

Mr. Williams, what was the purpose of preparing the Blue Book?

**MR. D. WILLIAMS:** You know, this – it was a big step for me to go into government. You know, I've – I'd basically stepped aside from a life that I loved and enjoyed. You know, I loved the practice of law, I loved the fact that I was involved in business. But I said, if I'm going in at this I wanna do this right, and I wanna have a very comprehensive plan for this province.

You know, a Royal Commission had just been completed that had basically concluded that it was time – and the quote was: Say no to the status quo. And I figured we had to have a real brand new look at our province and where we were going. And that blueprint was based on no more giveaways. I'd, you know, been a student of the '60s and the '70s when they – I saw the massive giveaway that we'd (inaudible) to be done on the Upper Churchill.

And I wanna make a point here, too. You know, never ever when I was in politics have I ever criticized Premier Smallwood for that decision. You know, you do what you do at the time with the facts you've got and with the information that you have. That was a combined effort by, you know, the business people who were involved in that, the senior financial people that were involved, the Government of Quebec and the Government of Canada, that kind of basically positioned him in a – to a point where – you know, very close to the closing or the opening of that particular project – they damned

him. And he was jammed royally, and they added on an extra 25 years to that project.

So, you know, the giveaway piece was part of, you know, why I got involved. I wanted to make sure that on a go-forward basis we didn't do any more giveaways; that we, you know, we did what was in the best interest of the people of the province and that the ultimate benefit and the resources – the benefits of those resources, came back to the people of Newfoundland and Labrador.

**MR. LEARMONTH:** Thank you.

Madam Clerk, would you please bring up Exhibit P-00155, that's at tab 2 of your binder, Mr. Williams.

**MR. D. WILLIAMS:** What is the exhibit, Mr. Learmonth? If I don't need it I won't go to it, but if I do need it –

**MR. LEARMONTH:** Well, I want to ask you some question (inaudible).

**MR. D. WILLIAMS:** Oh, okay. Okay, fine. Yeah, that's fine.

**MR. LEARMONTH:** This is a document entitled – an article: Newfoundlanders and Labradorians do not support Grimes' Lower Churchill Agreement.

This is something that, I'm sure you recall, came up when you were the leader of the Opposition –

**MR. D. WILLIAMS:** Yes, yeah.

**MR. LEARMONTH:** – and there was a – here I'm being very general – there was a deal proposed between Newfoundland and Quebec for the development of the Lower Churchill and you took a strong position against it as –

**MR. D. WILLIAMS:** That's correct.

**MR. LEARMONTH:** – leader of the Opposition.

I just want to refer to this document, and there's a quote from you in paragraph three – if we could have paragraph three. I'll just read this. This, by the way, is dated November 22, 2002.

That's when the controversy over this proposed deal was being debated in the House of Assembly and in the media.

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** Anyway, the quote is as follows: "Williams strongly advised the Premier and the Liberal caucus to reconsider the deal now before them." And this is a quote: "Our position is that any Lower Churchill development deal with Québec must address the inequities of the Upper Churchill contract, the most lopsided deal ever negotiated in North America. ...." That's (inaudible).

So was part of your opposition based on – opposition to the – we'll call it the Grimes arrangement, that it did not deal with redress for the inequities of the Upper Churchill?

**MR. D. WILLIAMS:** Yeah, there were several things.

As we know, Premier Grimes came in after Premier Tobin, he was unelected. So he didn't have a mandate from the people to pursue this type of a project. This, I think, also refers to a survey that was done, where I think two-thirds of the people in the province were against this.

At the time, I also remember – and I don't know if it was in November, it was around that time – that the chair of Hydro, Dean MacDonald, that Mark Dobbin as well who was on the board, I think a Mr. Kelly from Labrador, was opposed to it, even former ministers of the government – Chuck Furey was out against it. So there was a lot of opposition. And the way that this deal was done, it was very, very lopsided; it was very, very structured to support Quebec.

I mean, Quebec was going to be the marketer, the builder, the financier, the supplier of equipment. In the event of overruns as financier, if I remember correctly, I think if there was 10 per cent overruns, they could get the ownership of the project.

So it was really an Upper Churchill revisited. The power was not coming to the province; the power was going out, so it's the same thing. We were basically just gonna to give it away to Quebec and at the end of the day they were

gonna run it and own it and, you know, the other very important part is that we wouldn't get the benefits for Newfoundlanders and Labradorians. We'd get some of it, but we wouldn't have control of it.

So this was a completely Quebec project so, you know, I analyzed it and – very thoroughly – and was not happy that the province would go in this direction.

**MR. LEARMONTH:** Well, I take it that this proposal fell well short of your expectations for such an agreement. It wasn't just something that could be tweaked or, you know, modified in a minor way?

**MR. D. WILLIAMS:** No, it was another Quebec deal. Like I said, it was very –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – very similar to, you know, what happened on the Upper Churchill.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** I just thought we'd be – you know, if that had gone through we'd be the laughingstock of the nation one more time.

**MR. LEARMONTH:** You felt that strongly about it?

**MR. D. WILLIAMS:** Absolutely, and there was no redress. I mean, you know, redress is – it's so important to Newfoundlanders and Labradorians. That Upper Churchill deal, when it gets to 2041, will give Quebec, probably as much as \$50 billion, but from \$40 to \$50 billion. We'll get \$2 billion out of that – over the life of that Upper Churchill deal.

That would have made us have province a long time ago. It would have put a lot of industry into this province. We'd be in a completely different position with about – with regard to our oil development, we would have had cash available for all of that. So, you know, that's just a huge injustice that's been done to Newfoundland and Labrador. And to go down that path again with this kind of a deal is – I – just wasn't on for me.

**MR. LEARMONTH:** Right. And eventually the proposal collapsed, it didn't get any traction at all, at some point, is that right?

**MR. D. WILLIAMS:** That's correct.

**MR. LEARMONTH:** Yeah.

Madam Clerk, would you please bring up exhibit P-00243. And Mr. Williams, that's tab 87 in your documents. And this is a selected extract from the June 30, 2003, report of the Royal Commission on Renewing and Strengthening our Place in Canada.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** I'll ask you, Madam Clerk, to turn to page 29 and, later, 30 of this report.

**MR. D. WILLIAMS:** So that's in which binder?

**THE COMMISSIONER:** Binder number 2 –

**MR. LEARMONTH:** Binder 2.

**THE COMMISSIONER:** – but you can also see it on your screen there as well.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** But it's tab – yeah. Tab 87 in your binder.

**MR. D. WILLIAMS:** And the page again, I just want to make sure I've got the context.

**MR. LEARMONTH:** Yeah, it's the top right-hand-numbered page 29. The red numbering –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – in the top right-hand side.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Are you with me?

**MR. D. WILLIAMS:** I – yep.

**MR. LEARMONTH:** Okay.

Now there's a reference in the third to last paragraph of that page 29, to the 2002 proposed deal that the Grimes government had promoted. And it – the concluding sentence from – in that paragraph, it's: "In view of the Commission, proceeding in this manner in the future would be a recipe for failure."

So I take it that would be in accord with your observations on the –

**MR. D. WILLIAMS:** Definitely.

**MR. LEARMONTH:** – on the deal?

**MR. D. WILLIAMS:** Definitely.

**MR. LEARMONTH:** Now, in the bottom of – the last paragraph of page 29 and carrying through to page 30 of the same exhibit – I'm just gonna read this.

"In the view of the Commission, issues related to the Churchill Falls development should not be directly linked with negotiations to develop the Gull Island site. However, in moving forward with the Gull Island development, the provincial government must ensure that it takes no action that could prejudice its future ability to regulate the Churchill Falls resource more effectively for the benefit of the people of Newfoundland and Labrador."

And then, the final paragraph under Conclusions says "A new approach to the Churchill River be adopted," – it's a recommendation – "that looks to the future rather than the past."

So in this report, the Royal Commission is saying, quite plainly, that – as I understand it, anyway – that the – that in future discussions, negotiations for the Lower Churchill, that the Upper Churchill contract should be put in the past and the focus should be on the future and – doesn't say forget about the past, but in terms of coming to an agreement, or discussing an agreement with Quebec, we should not be concerned at this stage about the Upper Churchill contract.

Now, that's different from the point of view that you expressed when you were attacking Roger



Grimes's deal. Did this recommendation cause you to change your thinking on this point?

**MR. D. WILLIAMS:** No, I certainly considered this recommendation, 'cause I did review the report, and you know, ironically, you know, at the end of the day here, the Muskrat Falls Project does not deal with redress because it doesn't have to. Because Quebec aren't involved, and therefore, by eliminating the Quebec factor from the equation, then there was no opportunity or need to have redress considered.

So yeah, I took notice of it, yes, and the fact – but it's – you know, with all due respect to the author, it's very easy to make a statement that you, you know – in future dealings with Quebec on the Lower Churchill, that you ignore redress.

But in the minds and hearts and souls of every Newfoundland and Labradorian in this province, they feel they were hard done by, and they feel that there was a serious injustice, and that injustice adds up to \$50 billion. So you know, I would find it very difficult to ignore redress.

I do take the point, you know, under notice, but by the same token that's in the craw of all of us, I think. And I, you know, I can't speak for everybody in the room but I think I speak for most Newfoundlander and Labradorians. And interestingly, you know, even the survey that was done on this project, there was 67 per cent, I think, that were against this particular project.

The interesting thing here I notice in the conclusions of this particular report – there were three conclusions. The first one: "The provincial government works constantly to ensure the greatest possible returns from resource development." and it mentions that we look at section 92A. That was an argument that was raised by solicitors in Labrador – the late Mr. Ed Hearn I think was – raised that, as well as being raised by others as a matter to try and – another way of trying to find some redress on the Churchill, and it involved recall of a significant block and it involved taxation – possible taxation by Newfoundland and Labrador. So, that was that first recommendation.

In conjunction with my Minister of Justice at the time, Jerome Kennedy, we basically retained the

best legal advice that we could find and I think it would – Mr. Commissioner, it was Mr. Justice La Forest at the time, formerly of the Supreme Court. And my Minister of Justice, Minister Kennedy, in conjunction with Madame Justice Paquette, who was working with the Department of Justice at the time, and Mr. Justice Burrage, I think, who attended with Mr. Kennedy to meet with Mr. Justice La Forest, very thoroughly investigated and reviewed section 92A to see if that was an alternative.

Because if we were successful on that, we wouldn't have to build the Lower Churchill; we would have got enough back, either through taxation or through significant recall on the Upper Churchill, that we wouldn't have. So that was one alternative that we explored and I think there's significant legal opinions that are in the Justice Department, that show how thoroughly we researched that and other issues.

Just quickly – and I won't hold you up any longer, but the second item – the second bullet: "The federal and provincial governments enter into immediate discussions to revise the Atlantic Accord to ensure that the spirit and intent of the Accord," – we'd be the principle beneficiary; "That the province must capture significantly greater net benefits...."

Well, that was another exercise we went on; that can bring you back to the encounters with Prime Minister Martin. And Prime Minister Martin agreed to take care of that for us; there was a period where he hesitated, and then he finally came through and that's when we received \$2 billion for the province.

So, recommendation A was followed, recommendation B was followed and recommendation C as well. We ended up at the end of the day not dealing with redress on Quebec because Quebec weren't involved in the Muskrat Falls project as we structured it.

**MR. LEARMONTH:** So the 92A approach was not followed –?

**MR. D. WILLIAMS:** No. We did everything we could; we never – we never – you know, on this whole Muskrat Falls Project we never left a stone unturned. If there was anything that came up we did everything we could to try and find

out what the answers were, find out if it was viable, find out if we can deal with Quebec and go through Quebec, find out if there's any legal recourse.

And that's been – in all fairness, that's been done by other premiers. It was done by Premier Peckford. And others have challenged the law in order to see if there's a way around this very unconscionable contract, and we were no different.

**MR. LEARMONTH:** There are certain exhibits that I'm going to refer to, but not bring up on the screen there. P-00273, P-00074, P-00075 and P-00076.

Now, based on these documents, it appears to be clear that during the period of 2006 and 2012, and beyond then, the Province of Quebec has had a policy of promoting the sale and export of electricity into wholesale markets in adjoining northeastern states and other jurisdictions. For example, in 2010, I believe it was, there was an agreement made with the State of Vermont to sell – for Hydro-Québec to sell 225 megawatts. So Quebec was in the business of seeking markets.

Now, I'm not going to bring up all these exhibits, but I would ask Madam Clerk to bring up Exhibit P-00274 just to illustrate what I'm saying. P-00274.

Mr. Williams, while you were premier, did your government ever consider or enter into discussions with Hydro-Québec on the feasibility of importing electricity from Hydro-Québec? Because, as I said before, the documentation that I've referred to certainly establishes that Quebec was in the business of seeking customers to sell electricity to.

I mean this would, of course, require the construction of a transmission line from Churchill Falls to the Island, I realize that. But was any initiative taken by your government, while you were premier, to explore the possibility of, you know, instead of building Muskrat Falls or developing Lower Churchill, instead building a transmission line from Churchill Falls to the Island and then entering into a power purchase contract with Hydro-

Québec? Was any consideration ever given to that possibility?

**MR. D. WILLIAMS:** Well, the – first of all, as you've stated, the – you'd need a line in from Quebec and or Churchill Falls, wherever it came from, in order to get the power to the province. That cost now, I think, is about \$3.7 billion is the cost that – the original estimates were 2.1 but that cost about 3.7. So that's a significant expense.

I started exploring that with Quebec when I was actually Leader of the Opposition. Premier Charest at the time asked to come in and meet with me. I remember he came to town with about a dozen security guards. I was kind of blown away at the security that was required for the premier of Quebec at the time.

But he came in and we had a lengthy chat, and I knew him. I knew him when he was a Conservative. And so we talked just generally about Newfoundland and Labrador and Quebec relations. We talked about the whole possibility of, you know, doing something jointly with Quebec.

We talked about, actually, a link as well. I was, you know, interested at the time in a transportation link as well as a power link, but I quickly realized in the discussions that the Quebec North Shore Highway – and I can't remember the route number; I used to remember it – was not built properly. It was just a dirt road or it was a rough road, for want of a better term. So we couldn't do that transportation loop which would've involved a link to the province. That would've also, of course, obviously facilitated a hydro loop as well.

So we initially just generally talked about – so that would be the first, I think, formal – formal, informal – discussion that took place, but I was the Leader of the Opposition at the time. But then, you know, as we progressed – and there's a long litany of, you know, what Quebec did in order to thwart us and foil us and block us and everything else, that it became quite apparent that, you know, something – an arrangement like that wasn't gonna happen.

I do think there was a point even where the head of Nalcor, Mr. Martin, actually I think, at least

wrote Hydro-Québec and basically indicating if they were open to discussing any kind of an arrangement. I know back in the past, one of the Quebec ministers back in the '80s had even acknowledged that this was an unjust contract and it should be looked at. So there was an attempt to, you know, talk about – to try and deal with Quebec but, you know, it really – it became very obvious to me that it didn't happen.

So, you know, the Vermont exercise, the announcement on the Romaine rivers; I mean, once we started to step up our game and we indicated that we were going to, you know, go it ourselves with, you know, in conjunction with partners like Emera eventually on the Lower Churchill, that's where Quebec really then – it did what they always do. You know, if they – they block you at the Labrador border, and then if you happen to get through the Quebec border, which you never could because they wouldn't allow you through, then they tie up the markets on the other end. So there was always a filibuster everywhere we turned.

There's an interesting statement from Jean Lesage in May of 1965. Liberal Quebec Premier Jean Lesage in 1965, regarding the Upper Churchill, quote: The first and absolute condition is that all electrical energy that enters Quebec becomes the property of Hydro-Québec, so that our Churchill Falls, our Churchill River, our Churchill power becomes the property of Quebec.

He goes on to say: We will never permit, under any condition, others to construct a transmission line on Quebec territory – that's proven to be true to this day, this was 1965 – or let others transport energy produced at Churchill Falls, whatever the destination of that energy, United States or the other provinces. So that's in 1965, Quebec was thinking that way.

Everything that I have seen while I was in government, and I have observed – and as we look through Mr. Churchill's presentations of this Inquiry – is that they'll do whatever they can to cut us out. And it's shocking. You know, the biggest – a big shock for me was that, here they are, like, you know, they've gotten their massive pound of flesh on the Upper Churchill, we're just trying to do this little Lower Churchill, Muskrat Falls, 800 megawatt project.

Back off and just give us a break here; co-operate with us, work with us. We'll even go – we'll even transport some of this power through your province, and we'll pay you – we'll pay you the cost of carrying it. But: no, Sir, no way.

**MR. LEARMONTH:** So Jean Lesage's comments in 1965, from your point of view, carried through as the policy of the Province of Quebec, right to the end of your –

**MR. D. WILLIAMS:** That's the philosophy.

**MR. LEARMONTH:** – premiership?

**MR. D. WILLIAMS:** I mean – yeah, that is. And, you know, it's sad because, you know, all of us I think have been on national boards and, you know, Quebecers are good people. They're wonderful people. They're people like us. They're proud of their province. They're proud of their culture; but, the leadership has a different view. And, you know, they've dug in on us and they basically tried to cut us off every step of the way.

And, you know, I can go through a long litany for you of things, but, I mean – for example, the map, and perhaps at some point we can show the map of Quebec. On the Quebec website, right now, if you go there today, shows a fuzzy boundary for the Labrador boundary. It's a grey, broken boundary that basically says this boundary is not determined. That's the French translation.

I would go to meetings of the New England Governors in Maine or Vermont or Connecticut – where it happened to be – they would display a map of Newfoundland, the Island, and Quebec, including Labrador. So I would object to it, right out of the gate.

I know that Premier Wells, if I remember correctly, was asked to put a pin on that display, Labrador as part of Quebec, and refused to do it. Premier Peckford at one point refused to go into a room. This has been the behaviour. You know, Quebec feels that they did not get Labrador in the Privy Council decision of 1927.

**MR. T. WILLIAMS:** Mr. Learmonth, that's an exhibit, I think, if you're looking – your

reference to look for the number. The exhibit is 287 – 00287.

**MR. D. WILLIAMS:** It's the –

**MR. T. WILLIAMS:** The map.

**MR. D. WILLIAMS:** That's the map.

**MR. LEARMONTH:** What was the exhibit number?

**MR. COLLINS:** 00287.

**MR. T. WILLIAMS:** The exhibit number is –

**MR. LEARMONTH:** 00287. Okay. Well, we can –

**MR. T. WILLIAMS:** – 00287.

**MR. LEARMONTH:** Would you like to refer to that map, Mr. Williams?

**MR. D. WILLIAMS:** I'm sorry?

**MR. LEARMONTH:** Would you like that map brought –

**MR. D. WILLIAMS:** Sure, page 2, if you could, yeah.

**MR. LEARMONTH:** 00287, thank you.

**MR. D. WILLIAMS:** So that very clearly shows the grey boundary that is not, to this day, formally acknowledged by the Government of Quebec. So you know, as far as the Churchill goes, as far as Labrador goes, you know, they own it, no different than what Premier Lesage said. They own it, and you're not going to be able to move any power through Quebec, and you're not going to be able to sell it off, because this is really ours. And we lost in the Privy Council decision, but it's still ours.

So you know, that is the attitude, and that's a big problem. And when you go to an international conference and they're showing your territory as their territory – because, you know, where the grey is now the words "Quebec" were right over it. So you know, I, as a Newfoundland and Labrador, found that very hard to stomach and

very hard to swallow and wasn't prepared to do it so ...

But you know, still – still – you know, I need to point out that we still tried. We still talked about it, and we still talked about trying to do a deal with them, because it's in our best interests that we work together. You know, we share a boundary; we – you know, we share resources. For example, the headwaters of the Romaine are in Labrador, but when Quebec went to the environmental assessment panel, I think in 2008, they had a map showing that they weren't – those were in Quebec. And, therefore, as a result, that particular assessment panel wouldn't even include us in the discussions about the Romaine.

So that's the kind of games they play and, you know, you've – you know, you – I suppose you respect them for, you know, protecting their province. And you know, I wish some of the people in our province protected us as much as Quebec – as the Province of Quebec protects their province.

**MR. LEARMONTH:** Okay, thank you.

Madam Clerk, would you please bring up Exhibit P-00157. And that's in tab 4 of volume 1 of your documents, Mr. Williams.

Yeah, this is a directive dated – of Cabinet dated December 10, 2004, and I'll just read from some of it: The following direction was provided: "The Minister of Natural Resources is authorized to proceed with the development of a comprehensive Provincial Energy Plan, in the manner proposed by the Minister's" – submissions – "on file with the Clerk of the Executive Council, for future review and approval by the Executive Council" and so on.

So this is the first document we found where the ball begins to roll on the development of a provincial Energy Plan. This initiative was – or Cabinet submission was filed by the Minister of Natural Resources. I think it was Ed Byrne at the time.

**MR. D. WILLIAMS:** That's correct. Yeah.

**MR. LEARMONTH:** Was this an initiative of the Department of Natural Resources as opposed

to something that you participated in? Or were you involved in this?

**MR. D. WILLIAMS:** Well, you know, it – with our government it was a team effort.

You know, I think, you know, people would think that while I was in government, oh, it was the – for want of a better term – the Danny show; nothing is further than the truth. We had a great team – we had a great Cabinet; we had a great caucus; we had a tremendous civil service, basically, who gave us huge support.

And so what we did is we collectively drew on the best brains and best minds that we could pull together in order to get the best outcomes, and this was something that went right back to the blueprint, back in, you know, when we were preparing it in 2002 and 2003. And as I said before, in those days, not only were the current PC members involved in helping me do that, but, you know, there were knowledgeable people like Doug House and Lorne Wheeler and Bruce Peckford – Brian's brother – and others involved.

So we felt that it was really important that – in the blueprint for the province that we also had a very comprehensive plan. And, I mean – when I say comprehensive, I mean comprehensive. This was, you know, as – even more detailed research, because we had the resources of government at that time to put it together.

And you know, there was the – when this was originally conceived, the purpose was, again, to frame out what – first of all, to find out, what have we got in the province – what is – what do we have in actual resources, what is our potential, how does it all fit together, and then how does it take it to 2041 and beyond? You know, how do we make all this work in sync so that we can maximize the benefits for the people of the province?

And that's why this was put together. My recollection this is a 90- to 100-page document. I was delighted when Mr. Churchill gave evidence before the Commission, and I think if – I don't wanna put words in his mouth, but I think he complimented the document, because it was a good piece of work, and it was trying to put together – look at the – you know, what

happened in the past and the assets, and how we could go forward in the future. And with the view to kind of bringing this all together.

Because – as well as have these huge – obviously, I don't wanna state the obvious and bore people, you know – we got these huge resources. Oil and gas resources, you know, off the shores of this province. I mean, the latest assessment that was done as a result of the exploration that we initiated back in the early – in the late 2007, '08, '09, '10 – has shown that there's 49 potential billion barrels of oil in 7 per cent of our offshore.

Now, if you do the math on that – you know, that potential assessment is 700 billion barrels plus of oil, if you extrapolate it. Now, that's not fair because it's not all recoverable and you might get 50 per cent of it – but let's go back to 300 billion barrels of oil. You know, we've got a mecca out there of very valuable resources, so it's important and incumbent upon us as a government to try and assess where this is going. Granted, we didn't know that at this time, but we knew that the potential out there was huge.

So you know, we're the Kuwait of Canada. We're the Kuwait of North America. This province has got such bountiful resources. They need to be managed right, and we need to – you know, we'd be able then – and then ultimately we wanted to use the non-renewable resources of oil and gas, which at some point will run out now – based on 300 billion barrels it may never run out. We wanted to use that money to get a renewable future and that's what the Lower Churchill and the mid-Churchill – which is – what I call the mid-Churchill, which is Gull – are all about.

So it was intent, Mr. Commissioner – to try and package all of this – we looked at wind. We looked at gas. We looked at small hydro. We looked at absolutely everything. And so, as I said, this was a well-thought-through, well-planned piece of work.

**MR. LEARMONTH:** Yes. And I understand there were public consultations – 11 public consultations throughout the province including Labrador.

**MR. D. WILLIAMS:** Yeah. There was actually – I think there was 80, kind of, individual groups that actually had input into this. I remember reading it over the last couple of days. And, as well, there were extensive public consultations throughout Newfoundland and throughout Labrador with Labradorians and with the Aboriginal communities in Labrador and indeed in the province.

So there was huge outreach, and Ed Byrne, at the time, conducted a lot of that, and then, of course, was subsequently – would have been picked up by Minister Dunderdale when she assumed that particular role. But, you know, it was – it was a couple of years in the making. I think, from the time we actually talked about it until the time we actually brought it home, it was a couple of years, because we realized the importance of it, and I mean I read that document as recently as yesterday afternoon and like, I just – my chest fills with pride when I read it because, I say, like this is a good piece of work.

And it's a combination of the hard work of a whole lot of people and it was stakeholders that had input into that. It was not only the government. It was not only Nalcor officials. There were experts in the field around the world and as I said, there were also, you know, the various people in the province. But there's a chart in that Energy Plan that shows a group of 10 spheres of influence – people who actually had input into that document.

**MR. LEARMONTH:** And that document – the Energy Plan is Exhibit 00029, and it's also – for your reference, Mr. Williams, it's also tab 29 in volume 1 of your documents. I'd like to look at page 40; we're using the numbering in the top right-hand corner. By the way, just for the record, this Energy Plan was, I think, approved by the Cabinet on September 7, 2007 and released to the public on or about September 11, 2007.

But anyway, if you turn to page 40 of the Energy Plan at Exhibit 00029 please?

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** Now, there's reference here to the Lower Churchill Project and I just

want to read into the record: "The Lower Churchill Hydroelectric Project is the most attractive undeveloped hydroelectric project in North America. Its two installations at Gull Island and Muskrat Falls will have a combined capacity of over 2,800 MW and can provide 16.7 Terawatt hours, (TWh), of electricity per year – enough to power *1.5 million* homes without a requirement for significant reservoir flooding. The project will more than double the amount of renewable electricity available to the province and will dramatically increase ...." so on, so on, to the end of that paragraph.

And then the next paragraph says: "To ensure this project has every opportunity to move forward, the Provincial Government is leading its development through the Energy Corporation. The Energy Corporation has established a comprehensive and clearly-defined project execution plan and will continue to advance the project on multiple fronts, including engineering and the environmental assessment process, analysis of market access options and market destinations, and a financing strategy. The project is targeting sanction in 2009, with an in-service of Gull Island in 2015."

Now, Mr. Williams, while this extract from the Energy Plan does not make any firm commitment to develop the Lower Churchill, it is certainly a very strong endorsement of such a proposed development. Do you agree with that? It's a strong endorsement of it? I realize it hasn't been committed to but –

**MR. D. WILLIAMS:** Yes, yeah.

**MR. LEARMONTH:** – it's a strong endorsement. Yeah.

And that's leading to this question, that in the course of conducting our investigation, we hear from people and we hear all these different beliefs or rumours that people hold that – you know, about what the intention was of government. And one of the beliefs are – that's been expressed, and I want to put it to you for your comment, and I've put it – I'm going to put it to you intentionally in an extreme way and I acknowledge there are more moderate or toned-down versions but I just want to make sure you get the drift of it.

So this sentiment or belief goes something like this that: at the time the Energy Plan was released to the public in September 2007, and perhaps even before then, Premier Williams had made a firm decision that the Lower Churchill would be developed in some form or another and that any opposition to this decision would be dismissed and disregarded. That Premier Williams wanted this as a legacy project to satisfy his own ego and it was going ahead no matter what.

**MR. D. WILLIAMS:** Who's that from, Mr. Learmonth?

**MR. LEARMONTH:** Well those – we just hear this from different people as expressing –

**MR. D. WILLIAMS:** I can – it's like 'em (inaudible).

**MR. LEARMONTH:** – this point. And I want to put it to you so you can comment on it because the opinion is out there, it's in the community. I'm not saying it's–

**MR. D. WILLIAMS:** It's a closely held opinion by a few critics but I (inaudible) –

**MR. LEARMONTH:** No but I – well okay, I can't quantify the number of people that hold it, but isn't it – it is something out there; we've heard it, and I want to put it to you in sort of, the extreme form that I have, to give you an opportunity to respond to it.

**MR. D. WILLIAMS:** No, I appreciate that. The – that comment was basically made as recently as this weekend at the symposium. People with opposed views to probably mine, for want of a better term. This weekend that Professor Feehan, I think, indicated that it was a damn-the-torpedoes, proceed-at-all-cost approach. Well, nothing is further from the truth. I can be quite honest with you. Not at all.

You know, this process, the EOI process, started in 2004 and it was completed with the sanction in 2012. So, you know, for he – he's the only one I can quote and kind of attribute that to at this stage – and others is reckless and irresponsible and shameful to make that statement because it's absolutely untrue. I've stated before that we turned over every stone;

we explored every option, both legal and financial and partnership and otherwise, to bring us to the conclusion that we finally came to in 2010 with the sanction in 2012.

So, you know, it's very unfair. And it's, you know, that – you know, in my legacy – what about the legacy. I mean I – you know, I felt that from 2003 to 2010 I had a good run. You know, politics is not without its ups and downs and its highs and lows, and I was warned about that going in and I knew it coming out. But having said that – I mean, at one point we hit a 93 per cent approval rating. I mean, I didn't need a Churchill project to put my stamp on the province, sir. And nor did I care. I went in and did what I wanted to do to the best of my ability in conjunction with the best advice and the best team I could put together. And I did it in the best interest of the people of this province.

So for some people – and I'm trying to be respectful here – but for some people to come around and try and disparage the project and disparage us and, you know, really make a fool of Newfoundland and Labrador, you know, by coming out with this kind of irresponsible showmanship which we can't attribute – I can attribute to only one person, but right now – but there are others. You know, it's terrible. You know it – you know, you don't see Québec doing this, right? That's why I say we could learn from the Province of Québec and the people of Québec. They don't trash their own projects. (Inaudible.)

**THE COMMISSIONER:** But Mr. Williams, just to pick up on that. I mean we're living in a democratic society. So you being a politician in the past would know that there's people who are going to agree with you and people who are going to disagree with you. So people have a right, I assume, to disagree; and while you may not exactly like the tenor of their statements, I would suspect that in a democracy we have to give people the opportunity to, basically, express their views.

**MR. D. WILLIAMS:** Absolutely Mr. Commissioner. And I couldn't agree with you more. But, you know, however, when someone attributes a reckless, damn-the-torpedoes approach to me, which I know is the farthest thing from the truth, then I, as a person, have,

you know, a right to take issue with that and question it. And that's why even when the question was put to me by Mr. Learmonth, I just wanted to know the source and what the context is.

But you know, the evidence is there. And I know, Mr. Commissioner, from the volumes of material that you and your staff and counsel have gone through in order to deal with this Inquiry alone, there's an enormous amount of effort went into the decision of this project, and it spanned a period from 2004 to 2012.

So there was no undue haste. I mean, if this was going to be rammed through, damn the torpedoes, we wouldn't have gone through a lot of this – this (inaudible) we went through and the, you know, all the updates and everything else that came from – through Cabinet and the presentations that we had with all the diverse options. So I, as well, in a democratic and free society have a right to tackle my critics, as well, on the basis that, you know, what they're saying is their own opinion, and that's exactly what it is, and I know the Commissioner gets that.

But I also have to explain why there is another opinion and it's coming from the person who's been accused of damning the torpedoes and nothing – I'm under oath – is further from the truth.

**MR. LEARMONTH:** Okay. Well, I wanted to get your opinion and you've said it very clearly. Thank you very much. Well, actually, the reaction to the suggestion I put to you, so that's fine.

Have you – are you satisfied with your answer?

**MR. D. WILLIAMS:** Yeah. I'm fine. Yeah, yup.

**MR. LEARMONTH:** Okay. Thank you very much.

Now, Madam Clerk, I would ask you to –

**MR. D. WILLIAMS:** Mr. Learmonth, just before you move on, there is an interesting – couple of pages down. I think on page 40 – no. It's in the Energy Plan; I don't know exactly where it is. There is a map, and I thought it was

on page 43, but I guess it's not. There is a map in that Energy Plan which shows the transmission configuration for the country. And it's really interesting that it shows the isolation of Newfoundland –

**THE COMMISSIONER:** Page 51?

**MR. D. WILLIAMS:** I'm sorry?

**THE COMMISSIONER:** Page 51?

**MR. LEARMONTH:** (Inaudible.)

**MR. D. WILLIAMS:** Thank you. Thank you, Mr. Commissioner.

It's – yeah, which is really interesting, 'cause it actually shows the isolation of Newfoundland and Labrador. That web of red arteries, for want of a better term, which is actually all the transmission lines through the country –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – and through North America. Newfoundland and Labrador is – the Island – is isolated. It's surrounded by water and there are no links to or from. As a result of the Muskrat Falls Project, there is now a link that goes into Newfoundland and Labrador and there's a link that goes out to the Maritime provinces, which creates a loop, which is a huge asset and a huge benefit to the province.

I'm sorry, I didn't mean to interrupt you, but I just thought that that's pretty symbolic.

**MR. LEARMONTH:** No, that's fine. Thank you for referring us to that map.

Now, I'm gonna turn back to 2006, and I would ask Madam Clerk to bring up Exhibit P-00167, which is tab 7 in your documents, volume 1 of your documents.

Now, this is a January 20, 2006, release from the Executive Council and Natural Resources, a joint release. I'm just gonna read paragraph 1. Well, the title is *Province directs Newfoundland and Labrador Hydro to apply for transmission access with Hydro-Québec TransÉnergie*.



First paragraph: “Premier Danny Williams, Minister of Natural Resources Ed Byrne, and President and CEO of Newfoundland and Labrador Hydro ... Ed Martin today announced ... the Provincial Government directed NLH, as the execution lead for the Lower Churchill development, to submit an application to Hydro-Québec TransÉnergie” – and that’s – “(Hydro-Québec’s transmission division) for transmission service to transmit Lower Churchill power from the Labrador/Quebec border to markets in Quebec, Ontario, the maritime provinces and the northeast ... States.”

So this is January 20, 2006. Can you tell me the – give me some background for – as to why this application was filed with TransÉnergie?

**MR. D. WILLIAMS:** Okay, so this is evidence, I think, that shows that we were on a parallel basis trying to explore every alternative as we move through. So correct me if I’m wrong, but this is, I think, what we refer to as an OATT application, open access transmission something. [sp Open Access Transmission Tariff]

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** And I’m familiar from that from the cable side, because when you put up fibre optic cable, you have to open up your access to –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – other users who might want to use the capacity in your cable.

**MR. LEARMONTH:** And that’s tied in with the FERC requirements?

**MR. D. WILLIAMS:** Exactly.

**MR. LEARMONTH:** Yeah (inaudible).

**MR. D. WILLIAMS:** That’s exactly – and this goes right through the whole system. So in other words, if Hydro-Québec wants to go down to Massachusetts, then they can apply to an American carrier to get some space on their electrical pipe, for want of a better term, electrical line, and – you know, there is capacity in a lot of these lines.

So in order to make sure that we were positioned down the road, if we finally came to a conclusion that we could do this, and we were a long ways away from it at this stage, we made application, and you’ll note that that was in January of 2006. That process ended for us in May of 2010, nearly four and a half years later after Hydro-Québec jerked us around for basically four and a half years.

We filed four complaints over the course of that process. We ended up with a decision from the Régie in Quebec. You know, they –

**MR. LEARMONTH:** That was an appeal from the TransÉnergie decision or complaint?

**MR. D. WILLIAMS:** Yeah, we – yeah. Yes. You’re quite right.

**MR. LEARMONTH:** Yeah, yeah.

**MR. D. WILLIAMS:** We had to go through the TransÉnergie, then you go through the Régie.

**MR. LEARMONTH:** Then you go for – file a complaint with –

**MR. D. WILLIAMS:** And when we finally got there – and we had the most ridiculous decision I’ve ever read in 50 or 45 years as a lawyer. It was unbelievable.

One piece of it – I’ll just extract one piece for you – was that the Régie found that the generating station in Labrador at Churchill Falls was under the control of Quebec, that the transmission lines through Labrador were under the control of Quebec and that even our recall block power of – block of recall power at 300 megawatts and the TwinCo power were also controlled by Quebec. Now, that also goes after – there’s a list of about a dozen things that I listed in a release at one point of, you know, how they found – made findings contrary to law, that they used the system to obstruct us.

Anyway, they did everything that they could to make sure that we could not get access. And even to a point where we asked for capacity information or even to find out are your pipes full, is there any room; couldn’t get that information.

So it's interesting that you bring this up because this is when the process started in – with good intentions and good faith to go ahead and try and, you know, get in and get access through, but of course, you know, it goes back to Premier Lesage. In 1965, they basically said nobody's getting through.

**MR. LEARMONTH:** So the objective was to wheel power through Quebec to markets in Ontario and Northeastern United States and maybe in New Brunswick. Is that –?

**MR. D. WILLIAMS:** The same as Quebec wheels power to the States in accordance –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – with the FERC laws, which, in my opinion, are somewhat – and if not identical – are similar to the Quebec laws. And they should be following the same course of action with their own, but they didn't.

**MR. LEARMONTH:** Yeah. So you – if such an application had been accepted by TransÉnergie, there would've been an obligation on Newfoundland and Labrador to pay the cost of any upgrades to the –

**MR. D. WILLIAMS:** That's right.

**MR. LEARMONTH:** And you were prepared to do that?

**MR. D. WILLIAMS:** We were. Now, at one point they came up with a \$3-billion cost to do this, which was just ridiculous. But you know, we were prepared to pay a fair tariff and whatever tariff was properly decided by the regulatory agency who governed it.

**MR. LEARMONTH:** Yeah.

And at this time it was both Gull Island and –

**MR. D. WILLIAMS:** That's right.

**MR. LEARMONTH:** – Muskrat Falls. That was, like, 3,000 megawatts-and-change for the two of them, right?

**MR. D. WILLIAMS:** And Gull was on the table right up until –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that Régie decision.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Because we were still exploring Gull, because if we'd gotten through, then Gull was still a viable alternative.

**MR. LEARMONTH:** Yeah. Yeah.

Mr. Williams – actually, Madam Clerk, would you please bring up Exhibit P-00169 – and that's tab 9 of your documents, Mr. Williams – which is a document entitled – presentation by Hydro entitled: *2006 Project Strategy*. And it's dated April 29, 2006.

Now, in this document there's numerous reference to the terms BOOT, B-O-O-T. And I just want you to confirm that that means build, own, operate and transfer. Is that your understanding?

**MR. D. WILLIAMS:** Didn't know what that – I forgot what the T stood for, but it's transfer.

**MR. LEARMONTH:** Transfer. So that refers to a situation where you, generally, you – one party hires another party to build something to the specifications – to their specifications –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – and then they transfer it back. Is that very –

**MR. D. WILLIAMS:** That's correct.

**MR. LEARMONTH:** – generally the point? Okay.

Now, I'd like to turn to page 13 of this exhibit, please. And once again, Mr. Williams, the numbering is in the top right-hand side, not the number in the document. Do you see that?

**MR. D. WILLIAMS:** I'm sorry?

**MR. LEARMONTH:** Page 13.

**MR. D. WILLIAMS:** Sorry, I'm gone two behind. Right?

**MR. LEARMONTH:** Okay, so we're referring to the EOI process, which is expression of interest process.

**MR. D. WILLIAMS:** Expression of interest. Mm-hmm.

**MR. LEARMONTH:** And it refers to – there was four short-listed proposals. Well, Newfoundland and Labrador led, HQ – well, there's three – and the last one: TransCanada.

Can you tell me what was going on here? What were the – what was the purpose and objective in sending out these expressions of interest?

**MR. D. WILLIAMS:** Okay, we basically – that's in April 2006.

**MR. LEARMONTH:** I acknowledge that the EOIs went out before 2006.

**MR. D. WILLIAMS:** Yeah, no, no, I'm just trying to put it in context.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Yeah, so we were elected in 2003, then, in 2004, we indicated that this was something we wanted to look at. So we wanted to basically go to the market and just see who was interested in our river and our project and who would come to the table.

And if I remember correctly, there were some 25 different submissions that came in, but they were all varied. Some of them were financial submissions; some of them were people who produced the hardware. They were all very different. It really came down to – when we finally took it down to four submissions that we felt that were really appropriate for a short list. So nobody was arbitrarily dismissed. They just really didn't have what these four applications have.

So this was an attempt to try and find out who was out there and who was interested.

**MR. LEARMONTH:** So this would be to get other parties, probably, maybe a bit of a joint venture, but to commit the capital, build the – develop the Lower Churchill and then transfer it to the province. Is that right?

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** And do agree that if – in a situation where there are other parties involved, either as a BOOT or in a joint venture, whatever you want to call it, that there's a transfer of risk to some degree to the contracting party as opposed to the province?

**MR. D. WILLIAMS:** That's right. There's, you know, there's the trade-off of risk and reward.

**MR. LEARMONTH:** Just explain that from your perspective.

**MR. D. WILLIAMS:** You know, if you pass it over to other parties, well then they take a disproportionate share of the risk. There's still some risk to the province because they still to be involved from just a public policy side to make sure that the project is good for the people of Newfoundland and Labrador. But, on the other hand, the control of the project really moves over to the BOOT group, and then they take the lion's share of the rewards. So the return to the province would have been minimized.

**MR. LEARMONTH:** Okay.

Then if we turn to Page 51 of that document – and just in case there's any doubt, this is a submission by Hydro in which the various possibilities or proposals are analyzed. Is that correct? That (inaudible) –

**MR. D. WILLIAMS:** That's correct. That's right.

**MR. LEARMONTH:** The EOI is gone out. There's been presentations made and Hydro is for government making an analysis of the documents that came back and then making a recommendation.

**MR. D. WILLIAMS:** It was over a period of two –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – calendar years. I don't know if it was actually 24 months, but it was over a period of two years we finally got to this point.

**MR. LEARMONTH:** Okay.

And then the recommendation on Page 51 is Newfoundland and Labrador leadership of the Lower Churchill Project is recommended. And I take it that Cabinet accepted that recommendation?

**MR. D. WILLIAMS:** That's correct.

**MR. LEARMONTH:** And that was the – that led to the – I think the term was: go-it-alone. Is that when –?

**MR. D. WILLIAMS:** Yeah, going-it-alone is – that's the statement that was made, but, I mean, basically, at the end of the day, we really didn't go-it-alone, we partnered with Emera and we partnered with the Aboriginal groups and, in essence, with a guarantee there's a partnership of sorts with the federal government.

So, leading-it-alone probably would have been a better term. But, anyway, that's the term that was used at the time.

**MR. LEARMONTH:** All right.

I'm just following up on that – Madam Clerk, could you bring up Exhibit P-00170? And that's in tab 10 or your documents, Mr. Williams.

Now, this a May 15, 2006 article in which you're quoted as saying, in the first paragraph: "For Danny Williams, it is a question of Newfoundlanders becoming 'master of our own destiny.' Quebec's Jean Charest promises 'a new era in a history rich in success ....' Canadians have been reminded over the past week that there is nothing like the vision of massive dams and whirring turbines to fire up a premier's rhetoric."

And then it goes down, the third to last paragraph – or excuse me, the second to last paragraph – you're quoted as saying: "Today marks a turning point in our history as we acknowledge that we, as a province, are capable of leading and having full control of this process," Mr. Williams, Newfoundland and Labrador's Tory Premier, said in making the announcement. "This is about doing it by ourselves, for ourselves. We are on a path to being masters of our own destiny."

And that was, I take it, the recommendation of Hydro had been accepted and this was the announcement that – well, the term go-it-alone, you've qualified that somewhat. But this is the beginning of the go-it-alone process?

**MR. D. WILLIAMS:** Yeah, you know, and the term, Mr. Learmonth, masters of our own destiny, that's something I used a lot because I believed in it. I really felt that, as Newfoundlanders and Labradorians, we shouldn't be subservient to the whims of Quebec.

You know, we have bountiful resources. I mean, you know, given what can happen offshore and everything else, I mean, you know, we have tremendous potential here. But the other thing is on the whole hydroelectric projects, you know, Newfoundlanders and Labradorians built the Upper Churchill – granted it, it was originally built by BRINCO but BRINCO hired Newfoundlanders and Labradorians to do it. So, you know, we're at that 50 years. We also built Bay d'Espoir, Granite Canal, Hinds Lake, Cat Arm.

So, you know, we've got a lot of expertise in our province in doing these projects. The Upper Churchill, I think, is probably the eighth largest in the world – the fourth largest in Canada. So, this is not something we're going into with our eyes closed that we don't know anything about.

You know, as well, we've also built the oil and gas megaprojects. So, you know, our tradespeople in this province are very, very skilled on megaprojects. And a lot of these skills are translatable to – from oil and gas to hydroelectric projects.

And that gets into as well – I mean, we can probably talk about it in another question – it's just, you know, whether we were properly staffed or competent to handle this. I mean, that's ridiculous. I mean, we're as competent, you know, as anybody in the world as far as I'm concerned. And where we don't have expertise in specific areas, we bring it in.

So masters of our own destiny – absolutely. I think it was about time we finally, you know, took control of these. And, of course, – and again, the plan was to use these bountiful non-

renewable resource revenues to help pay the freight.

**MR. LEARMONTH:** Getting – just following up on a point that there's been – you're aware that there's been some criticism levelled at Nalcor as not having people on their project management team with sufficient experience in hydroelectric dam projects, that the people there are generally – come from the offshore. And that there's a gap there, that building a hydroelectric dam is quite different from building an oil facility.

Now – and I'll tell you that when asked about the degree to which the skills from oil and gas industry could be transferred to a hydroelectric project, Professor Bent Flyvbjerg said that: Yes, it's helpful, but there's still an increased risk if you don't have the solid background of a project management team in hydroelectric projects.

Was that a concern for you at any time when you were premier that, perhaps, the Nalcor team, although very skilled and full of experience in offshore oil projects, didn't have – had little or no experience in the construction and management of hydroelectric facilities? Was that ever a concern of yours?

**MR. D. WILLIAMS:** Not at all. I, you know, I did note the comments of Professor Flyvbjerg. And he basically said that you can't combine those expertise and there can be strengths that come from the oil and gas.

You know, I don't think you'd have an exclusively oil-and-gas-background group building the Lower Churchill or anything else; however, you know, we canvassed thoroughly in order to get the CEO of Nalcor, Ed Martin, who was an extremely competent, thorough, ethical individual to head up a team. And, of course, a big part of running any major corporation or any major project is that the person at the top has to be able to build a team and work with a team.

Ed Martin had around him people, who I've mentioned before, who some people who have been, you know, working on the Upper Churchill and in the hydro industry for 50-odd years. That's not bad when it comes to experience. There's also these other four hydro projects that we've had, these smaller ones; Bay

d'Espoir not being small, but Cat and Hinds and the other.

As well, in pulling together that team, SNC-Lavalin, who probably got among the greatest experience in the world in hydroelectric project, they were involved, and they subsequently combined with the team at Nalcor. Hatch; national, international engineering – SNC, Hatch, there was three or four that were involved there. And so you're also bringing – and I'm clutching now to try and get the other names in too, but there were four that were brought in.

So you combine the outside expertise that you buy, the in-house expertise that you've had who are running the fourth-largest project in Canada, and then you combine them with a senior management team, as well, that's got significant megaproject and large project experience. And on the basis of all of that, we put together a team at Nalcor that I was extremely proud of.

And, you know, when I – when we originally conceived Nalcor, it was to build a model similar to Hydro-Québec and a model similar to Norsk, and Statoil as well, and give the province the benefit of having that expertise in-house, in that particular institution.

So, you know, I felt that we were more than qualified and more than competent, and I feel that the criticism that's been levelled on these people is terrible. You know, the fact that, you know, there's 70 different trades up in that project and, you know, I'm sure you've probably been up to the project yourself. I know the lawyers in the room were up on that project. And it's something to be very, very proud of. You know, we now own this. This is ours. You know, we built it. We will own it. And –

**MR. LEARMONTH:** Hmm.

**MR. D. WILLIAMS:** – you know, we pay off the mortgage – it's like, you know, you pay off the mortgage on your house and at the end of the day you own it. But this is something we're really proud. And, you know, the fact that the project is getting disparaged, it reflects on the people that worked so hard –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – in order to put this together.

**MR. LEARMONTH:** Just before we leave this topic, you mentioned the experience that Newfoundlanders would've gained from the – working on the Upper Churchill, but I just point out to you that the Upper Churchill was constructed in mid-60s. So I think it's perhaps difficult to suggest that the people who were working on that project, given the passage of time, would still be, you know, available to work.

**MR. D. WILLIAMS:** Good point.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** The expertise –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – what I'm saying, though, is in-house.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Like, when I was in government, I visited the Upper Churchill and saw the engineers that now run it.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Even though Hydro-Québec gets all the profit and gets all the benefit from it –

**MR. LEARMONTH:** Mm-hmm.

**MR. D. WILLIAMS:** – somebody has to run that facility and keep it going. And, you know, there are generations of people, over the last 50 years, that have been up there doing it. But that's in-house expertise. That was in Newfoundland Hydro and has transferred to Nalcor as well.

**MR. LEARMONTH:** Yes. Thank you.

Madam Clerk, please bring up Exhibit P-00172, which is tab 12 of volume 1 of your documents, Mr. Williams.

This a release in which – dated September 27, 2006 – in which you're quoted as saying that,

you know, Quebec – generally, Quebec politics, given the volatility of it, could be a very sensitive situation. And you questioned dealing with them in a certain way on – for hydroelectric power. Is that correct?

**MR. D. WILLIAMS:** That is correct. And I –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that was kind of, you know, a general Canadian message as opposed to a Newfoundland and Labrador message. The

–

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** It's – actually, it's Canadian press that are –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that article.

At that time, I was chair of the premier's federation. Every year it rotates; a premier becomes the chairman of the premier's federation. That was my year. And in that particular year I also was trying to bring the same overview to the country on energy, because there was really no proper energy plan.

So I got the premiers together. I said: look, let's do an inventory of energy projects in the country; let's develop a provincial premiers' energy plan. The sad thing there was I ran out of time. We only had 12 months to do it. We ended up producing a paper which was something – I can't remember the title of it now, but we did produce a paper.

But what really amazed me was when I asked Resource Can – and that's Resources Canada – to give me an inventory of what the energy projects were in the country – 'cause I wanted to try and get, find out what we had, the same as we did with the energy plan of Newfoundland, and see what we could put together across the country. They didn't have one. There was no inventory. So we had to start from scratch and develop an inventory.

So those comments would have been made in light of, kind of, that pan-Canadian process that

I was looking at, at the time. And I was concerned that if, in fact, Quebec was able to do what it was doing and try and isolate the Atlantic provinces – I mean, it went in and tried to (inaudible) New Brunswick, and – which would have cut off basically part of Nova Scotia. It was trying to isolate us.

And, God forbid, if there had been a separation from Canada, then all of a sudden there's five provinces of Canada that are controlled by – or four other provinces of Canada – that are controlled by Quebec. So from a national perspective it was a warning, I guess.

**MR. LEARMONTH:** Yeah.

Nevertheless, from the province's point of view I'd have to – one might question the wisdom of making this statement just eight months after filing an application to Quebec for – to wheel power.

**MR. D. WILLIAMS:** Well, two things. First of all, based on Premier Lesage's quite blunt and frank statement –

**MR. LEARMONTH:** Yup.

**MR. D. WILLIAMS:** – it likely wasn't gonna happen anyway.

On the other hand, there should be a proper process. And when you go before, you know, any kind of regulatory board, you should get fairness. And, you know, if that's a concern, then it was a concern of mine, and I'm outspoken. I – you know, if nothing else, I can be considered to be outspoken. But it was something that I really felt and I was really concerned about.

Because the other thing, Mr. Learmonth, at that particular point in time it was becoming quite obvious that Quebec were trying to oppose and block any pan-Canadian exercises. So if we were looking at a national energy grid, the same as with the national pipeline that they're now looking at, Quebec was saying no. So if there's anything that's going to go across the country, well, when you get to Quebec: I'm sorry, you gotta stop at our borders.

Now, you know, for whatever reason, the leaders in Quebec do that, and it's unfortunate. But that was my bigger concern, because we were also trying to get, you know, a grid right across the country. And Quebec had said absolutely not to that.

**MR. LEARMONTH:** Okay, thank you.

Madam Clerk, please bring up Exhibit P-00265, which, Mr. Williams, is tab 88 in your volume 2. This is Robert Thompson, former clerk, handwritten notes. And it's at page 5, please; page 5 in the top right-hand corner.

In this – this is a – I realize this is a record from Mr. Thompson, it's not yours, but I just wanted to refer you to one paragraph on the – the second paragraph in the left column on page 5. DW – I take it that's you – and he says: "Keep Maritime route alive. This is still my preferred option even though it's more expensive – by year end ..." et cetera.

So was that a correct statement that that was your – the Maritime route was your preferred option?

**MR. D. WILLIAMS:** It was my preferred option because it had become quite apparent to me – by this point in time I was in for a couple of years – that we were going to have a tough road to hoe with Quebec. There was absolutely no doubt it. So on that basis, the preferred option for me was the Maritime route, because I felt that that's where we're going to end up at the end of the day, and that's actually what happened. And, you know, the Régie decision proved that.

But, yes, I did like the idea of getting us independent of Quebec, and that's part of the masters of our own destiny piece. But it was not at all cost. I mean, I've seen – the term has been used that it was, you know, be done at all cost. You know, myself, Minister Dunderdale, and I think Mr. Martin, have all said that there was never, you know, any presupposition position here that this was going to be done at all cost. And, you know, going back to damn the torpedoes line, it's not at all.

You know, every decision was going to be based on economics and finances and good, sound judgment.

**MR. LEARMONTH:** So am I correct then in saying that even though you had filed the application to Hydro-Québec TransÉnergie, in the back of your mind you were aware that there could be obstacles because of the history and going back to Jean Lesage's comments?

**MR. D. WILLIAMS:** And they started to delay it, right? I mean, originally, we were on the understanding that that process was going to take six to nine months. So even in the beginning there were delays and there was change of venues and deliberate things to try and postpone this. So, you know, it really became quite obvious what was going to happen once we got into the system in Quebec.

**MR. LEARMONTH:** Okay.

Madam Clerk, would you please bring up Exhibit-P00178, which is tab 18 in your volume 1, Mr. Williams

The – this is a record of an interview which you did with CBC's Ted Blades, *CBC Radio*, St. John's, February 6, 2007. And in the last paragraph, right around the middle, you are quoted as saying: "We've said all along that we've always looked at the maritime route, that was a serious option and by filing the NBSO I think we're showing that we are serious about" that.

Now, was this, to your knowledge, the first time that you or your government had communicated to the public that the Maritime route was an option? Or had you – I know, it was something that was in the back of your mind, but is this the first time that your government, or you, announced to the public that the Maritime route was an option?

**MR. D. WILLIAMS:** I wouldn't be able to say. I mean, you know, it's obviously something that I was aware of because if you can't go through Quebec, the only other way to go is through the Maritime route. And whether this was the first time – you mentioned the one before, but whether this was the first public declaration of it, I don't know. All I can say is we were trying to

do parallel processes, like keep trying to move through Quebec, keep the Maritime route going, but acknowledging that we're probably gonna run into a roadblock in Quebec.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** Yeah, that's what I said, that we're keeping all our options open, we're not closing any doors at all. One door happens to get closed to us and we have another one open, that gives us leverage, so all options open.

**MR. LEARMONTH:** Yup. And I suppose in an indirect way it might increase your leverage with the Quebec application –

**MR. D. WILLIAMS:** Sure.

**MR. LEARMONTH:** – if they're aware that you have other options.

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Is that – was that a factor too in –?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Yes. Yeah. From a political point of view, I guess, these factors have to (inaudible).

**MR. D. WILLIAMS:** And just a negotiating perspective, you know, it's important because every time we made a move, they made a counter move so. And it seems that in the past too, with other premiers and that, that when court actions were started, it seems that Quebec sometimes would come to the table when things were pending, and then if the case was lost, they would just – they would disappear.

**MR. LEARMONTH:** Now, I'm going to refer you to three or four pieces of legislation and so on dealing with the creation of a new Crown corporation, the energy corporation, which was later named – well, the energy corporation was later named Nalcor.

Can you give me – before I do, can you give me some idea of what level of involvement you would have in legislation? You were the premier. I know you didn't draft the legislation,



but can you give me some sense of what involvement you would have in the creation of that legislation and Cabinet papers and so on?

**MR. D. WILLIAMS:** Well, you know, I would get briefed, you know, when it was – when a lot of the work was done by the departments. And, as I said before, like we have very capable civil service, right down through the whole bureaucracy.

The minister, whether it be the minister of Justice, minister of Natural Resources, would oversee those particular exercises, they would be the ones who would shepherd a piece of legislation into the House of Assembly. So, I would normally get a drafted piece of legislation with some commentary on it and that would prep me for Cabinet meetings and/or to go into the House of Assembly if questions were going to be asked of me. If they are going to be fielded by the minister, well than that'd fine.

So, I didn't get down into the nitty-gritty, that's, you know, and I think I made the statement when we did the interview on discovery is that –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – my legal background enabled me to at least access and kind of look at things, but I did not, I made a point of not going down and trying give the legal opinion on any particular legal event in government because, you know, again, we had people who were more qualified than me to do those things within the Department of Justice.

**MR. LEARMONTH:** Okay, I just want to turn to the exhibit P-00180, which is tab 80 in your documents, Mr. Williams.

**MR. D. WILLIAMS:** Tab 80?

**MR. LEARMONTH:** No, it's tab 20.

**MR. D. WILLIAMS:** Sorry.

**MR. LEARMONTH:** The exhibit is – I asked to be brought up is P-00180. Have you got that, Mr. Williams?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Okay.

So, this is an April 11, 2007 memorandum to the Executive Council. It was filed by – submitted by, then minister of Natural Resources, Kathy Dunderdale. Can you just give us some very – a summary of the process that follows once a memorandum is sent to the Executive Council? Can you give some idea of what the process is?

**MR. D. WILLIAMS:** Well, what basically happens is, if there's something being generated by the department, a paper will be – I don't know the exact name or what this paper might be called, but a paper will be produced by the department and then it will go into the Cabinet Secretariat. And then what will happen is that Secretariat will then distributed it to, what they might consider to be other relevant departments, whether that happens to be Labrador Affairs, Aboriginal Affairs, Justice, Natural Resources, or whatever. And then those departments will then have input into that.

It'll then come back to the Secretariat who will consolidate all of that and then, basically, prepare a document which will then ultimately go to – if the recommendations, after it goes to various committees, there could be the Social Policy committee, Treasury Board, Resources Committee, after it goes through all those various committees, then it would be consolidated, I think that's probably the best term, and then put together as a briefing paper for Cabinet, and the minister would then make that presentation to Cabinet.

**MR. LEARMONTH:** Now, in this memorandum there's reasons there stated for why there has to be a restructuring of the – of Hydro because, I think, generally, because Hydro, at that time, was reaching out into different areas from its Hydro decision.

And we turn to page 4 of that document. I'm just going to read some of the justifications or reasons that were given for creating this new corporation: "Availability of a financing platform and establishment of financial flexibility to support investment and growth," Lower Churchill, et cetera. "Separate non-regulated businesses from the regulated business to facilitate rate regulators; to preserve the Provincial borrowing capacity; to ensure the

control of both Hydro and Holdco rests with Government.”

So this was a separation of the assets and the different entities. Can you give me the reason, generally, the policy reason why this thought to be necessary?

**MR. D. WILLIAMS:** There was kinda two processes going on. One was that we felt that we should put, you know, the assets into one holding corporation, that would be the energy assets which was originally called – for want of a better term – Enerco and then subsequently became Nalcor. So we figured we’d pool all these resources. This kinda went with the energy warehouse concept that we developed. And felt that the corporation should reflect that. However, regulated business had to be separated from non-regulated business. That would be done through basic various subsidiary companies. So the holding company, the parent company, would’ve been Nalcor, Enerco, and then the subsidiary companies would be Hydro and/or others.

**MR. LEARMONTH:** Yes.

And I see that if we go to page 53 of the exhibit there’s a reference to the Blue Book which you discussed earlier that says: The Blue Book committed – commitments “states the commitment of Hydro would be restructured with a new mandate to support the development of the province’s energy sector, or a new ‘energy corporation’ would be formed. In September 2004, Premier Williams stated that Hydro will be restructured ....”

So this is the summary, I think, of the reason why this initiative was taken.

**MR. D. WILLIAMS:** That’s right.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** You’re trying – instead I wanted to try and consolidate the expertise so we decided to put this corporation together, and it was also a corporation then that could hire and pay for the sophisticated expertise that would be needed to deal with a Hydro-Québec or a Mobile or a Chevron or a Statoil or whoever.

**MR. LEARMONTH:** Now, there are other legislative documents here, I’m not going to go into it. One was that it was proclaimed, ultimately, this – the new legislation creating –

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** – this corporation. I’m not going to go into all that, but I would like you to look at Exhibit P-00193, which is at tab 34 of your documents, book 1. And this document, it’s dated May 1, 2008, so it’s subsequent to the earlier piece of legislation –

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** – that we are considering, and the title is Amendments to the Energy Corporation Act and the recommendation on page 1 of this document is that: “Approval be given for the Bill, entitled *An Act to Amend the Energy Corporation Act*, which sets out the public reporting requirements and legislative exemptions for the Energy Corporation to allow it to operate in a commercially competitive environment and outlines the conditions under which the subsidiaries of the Energy Corporation will be established and operate, substantially in the form of a copy which is on file with the Clerk of the Executive Council ....”

So, am I correct that this amendment was thought to be necessary because the commercially sensitive issues and so on were not properly covered in the earlier piece of legislation?

**MR. D. WILLIAMS:** Yeah, and it, you know, and you’re – it’s an interesting hybrid that’s what’s happening here. You got a Crown corporation – the whole thing is of course owned by the people of the province – but you got a Crown corporation which is engaged in very competitive private sector activities, that’s probably the simplest way I can put it.

So therefore they’re – you know, and if you’re building projects you basically, if you’re gonna go out to tender or something, you don’t want to have absolute full disclosure on everything out there so that the tender applicants come in and say well they’ve allocated \$5 billion for that so let’s eat up every cent of it, or that’s where our

tender's gonna start and we're gonna go up from there, that kind of a thing.

So that's part of it. That's one part of it. That's the project side of it. The other side is if you're in partnership, because a big part of our Energy Plan was for us as the people of the province to get an ownership stake in our offshore, and that was for two reasons: First of all, to get more money out of it, quite frankly, we'd get no different than a royalty, we get 5 to 10 per cent, we get more money from the project, the oil project; and secondly, we'd be at the table. So we'd be actually sitting at the table, in the room, with the people that are developing the project so we've got inside information and we're partnered truly with them and that's a good thing.

So, however, the Mobils [sp ExxonMobils] and the Chevrans and the Stats [sp Statoils] of this world do not want to disclose their proprietary information to the world through some accountability process. So therein lies the fundamental dichotomy that you got to try and deal with as a publicly owned corporation that's in the private, competitive business.

**MR. LEARMONTH:** Yes, and on page 2 of that document, at the last paragraph before the blacked-out one, it's written: "The rationale for ... was the express need to establish an oil and gas subsidiary of ECNL to effectively manage the project's interest in oil and gas projects but, unlike other crown corporations, would have a governance structure and disclosure requirements similar to private oil and gas companies.

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** "These requirements were recommended as being necessary for the subsidiary to operate effectively in a competitive business ...."

The – and then if we just follow up on page 3 at the bottom paragraph and continuing on at page 4, it states: "While there are no other Canadian jurisdictions that currently have broad-based provincial energy" companies "active in oil and gas developments, such corporations do exist internationally, including OECD countries," et cetera, Norway and Denmark.

Was this a concern of yours at the time, that this is a wholly owned Crown corporation owned by the people effectively, and it's being given legislative authority to act as a publicly traded company? Was that a concern that was examined and addressed at the time these amendments were made?

**MR. D. WILLIAMS:** Sure, it was, definitely. Yeah, you know, because you know, you also have the public accountability and you want to –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – make sure the people of the province don't think you're trying to hide something from them down the road. So that was a part – but we did undertake an assessment of other jurisdictions. And, you know, originally even part of the whole visit that I did to Norway, that was where I got the –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – Statoil concept in the beginning was, like, they're obviously doing something very right over here. If we can help – if we can model that, that might help us. So as a result we did look at other similar corporations in Norway, Denmark and I think there were some others, but that may be all.

**MR. LEARMONTH:** Yes.

Well, I suggest that it's very easy to understand why the oil and gas operations of Nalcor would require a separate structure with less transparency because they would – you know, as shareholders and possibly on management committees or even boards of oil and gas companies – be required to keep confidential information. And if there was a possibility that via an ATIPPA application you get confidential information from oil companies –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – the oil companies aren't giving you that information. I mean that's – I think that's pretty obvious to anyone –

**MR. D. WILLIAMS:** Yes. Yeah.

**MR. LEARMONTH:** – or it is to me, anyway. However, I suggest that it's not so easy to understand why this less transparent structure should extend to the non-oil and gas divisions of Nalcor. In other words, we understand – let's assume –

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** – that it's perfectly justified for the oil and gas. Why does it have to be that it extends to all the other operations of Nalcor?

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Why couldn't a line be drawn?

**MR. D. WILLIAMS:** Yeah, I don't know if it's as simple as that but I get your point. You know, the oil and gas argument is stronger on the basis that the corporations that you're in partnership with do not want to disclose their information and won't do it so, therefore, the partnership is not gonna happen.

**MR. LEARMONTH:** Yeah. Yeah.

**MR. D. WILLIAMS:** So that's valid. On the other side of it and the reason was that going into a large project like Muskrat Falls or any other large project, you want to be really, really careful about what disclosure is given publicly in advance of tenders because then there becomes a commercial advantage to the people who you are buying services from.

**MR. LEARMONTH:** Mmm.

**MR. D. WILLIAMS:** So if they know that there's a budget or there's an allotment or, you know, the inner working is in a corporation have an idea of what they're gonna pay for this particular service, then the business side are gonna go for it and grab basically every cent that they can get. So I agree, strongly – the argument's stronger on the oil side, but it's also important on the other side.

**MR. LEARMONTH:** Yeah.

**THE COMMISSIONER:** I think we'll stop you here and just take our morning break, Mr. Learmonth, if that works for you.

**MR. LEARMONTH:** That's fine.

**THE COMMISSIONER:** Okay, so let's take 10 minutes now.

**CLERK:** All rise.

### Recess

**THE COMMISSIONER:** Before we begin, for counsel who are here, I understand from Commission counsel that they wish to have a very short meeting with you when we break at lunchtime today. So it will be in the counsel room, so if you could go directly there afterwards, we'll keep you as short as we can, but there is a need to meet with all counsel when we break at lunch.

All right. Mr. Learmonth?

**MR. LEARMONTH:** Thank you.

Madam Clerk, would you please bring up Exhibit P-00181, which is in tab 21 of your documents, Mr. Williams.

Just move down a little bit, yeah.

In the first quote, attributed to Gilbert Bennett, the – who is the vice-president of Nalcor for the Lower Churchill Project, I'm just gonna read it out. He says: "For a variety of reasons. We have a very comprehensive project planning process and certainly we're looking at not only our planning leading us towards construction start-up project sanction of 2009 ...."

Now, where did this come from?

**MR. D. WILLIAMS:** I – you know, I guess those were the early targets that were set, 'cause I think – and I'm not really quite certain, but I would think that the looming deadline of capacity deficit in 2015 –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – would have been kind of dictating what the ideal start-up would be so

that you would be ready in 2015 for power. Those targets kept moving all the time because that would have been – at this point, you know, Gull was still very much an option –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – oh, and applications were in in Quebec, we'd applied in Ontario, we'd applied in New Brunswick as well.

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** So as they got delayed, then obviously decision would get delayed until we knew where they were gonna end it.

**MR. LEARMONTH:** Well, I realize – Mr. Bennett made the statement not you – but it –

**MR. D. WILLIAMS:** I would think that's what (inaudible).

**MR. LEARMONTH:** – it seemed to be, well, impossible unless there was a favourable response from TransÉnergie, is that correct?

**MR. D. WILLIAMS:** Absolutely.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** And that didn't come for another few years – another three years, yeah.

Okay. But then in Exhibit P-00182, which is – excuse me, no, that's not the one I want – P-00184, tab 24.

**MR. D. WILLIAMS:** Excuse me.

**MR. LEARMONTH:** This is a report of the Department of Natural Resources dated July 11, 2007. And, in this document, it also says that – on page 2 – “Currently the Lower Churchill,” – excuse me, third paragraph, page 2 – “Currently the Lower Churchill Project team is vigorously pursuing the project development on multiple fronts. A comprehensive planning schedule is in place, leading to project sanction in 2009 with first power by 2015.”

Now this is not – this is a document that was apparently prepared for Natural Resources – 'cause it's on Natural Resource letterhead – by Leona Barrington, and the same Gilbert Bennett, but it is a Department of Natural Resources document – I just – I'm perplexed as to how this could be the position on that date – a 2009 project sanction.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Perhaps it's the same question I asked before.

**MR. D. WILLIAMS:** I – yeah, I – and I think it is.

And it's, you know – if, for example, we got open-access relief immediately, then I would assume that we probably, all things being equal, could have met those deadlines.

But, you know, we had the environmental still before us –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – Aboriginal – Innu agreement was still before us, water rights was still before us, so that would be, you know, the best possible early days, but it wasn't – not – in hindsight, with –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – it's not realistic.

**MR. LEARMONTH:** We'll call it an ambitious –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – thing.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** Which is fine – I mean, that's a feet-to-the-fire kind of thing. Let's just

keep – let’s make sure – and as I said, you know, you’re – we’re trying to move on parallel fronts so you’re really trying to keep everything just moving forward, rather than get to a milestone and then have to start from square one on the next stage.

**MR. LEARMONTH:** Keep the momentum up, I guess, is the –

**MR. D. WILLIAMS:** Yeah. Yeah. Yeah.

**MR. LEARMONTH:** Yeah.

Well, anyway – and I just ask in passing; I see this document was apparently issued or filed on Department of Natural Resources letterhead, we’ll say, but it was prepared by Nalcor representatives. Would that be a usual practice, that Nalcor representatives would prepare a document for the Department of Natural Resources? I mean –

**MR. D. WILLIAMS:** I can’t say –

**MR. LEARMONTH:** – was the relationship that close?

**MR. D. WILLIAMS:** I’m sorry.

I can’t say it would be a usual development, but it wouldn’t be unusual. You know, if that’s where the real expertise – and, you know, don’t forget, you know, the Minister of Natural Resources at the time would’ve been Kathy Dunderdale.

I mean, Kathy would’ve had, you know, all the other resource issues before her, you know: oil and gas, mining, everything else. So to draw on the resources of the Hydro people, in this particular issue, wouldn’t be unusual and that’s why they were there in the first place – was to give her and us, as a government, the benefit of that special expertise.

**MR. LEARMONTH:** So there was a close working relationship between Nalcor and the Department of Natural Resources?

**MR. D. WILLIAMS:** Yeah, on certain items. I mean, whether – yes, there is a close working relationship, absolutely. As to what degree of detail that would go into at all levels, I couldn’t

tell you. But, you know, keeping in mind that, you know, there’s still a government there and –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – there’s still a minister who has, in that particular department, enormous responsibilities.

**MR. LEARMONTH:** Yeah. But I raise that, and we’ll get into it later, because there has been the suggestion which I’m sure you’ve heard, that maybe Nalcor had too much autonomy and too much say. We’ll get into that later, but that’s the point –

**MR. D. WILLIAMS:** Yeah, no, that’s fine. They had the expertise but they were always accountable back to the minister, back to the Cabinet.

**MR. LEARMONTH:** Yeah.

The next Exhibit I’d ask the – Madam Clerk to bring up is P-00186, which is tab 26 of your documents, Mr. Williams. Now, this is a February 6, 2007, release from the – joint release from the Executive Council, and Department of Natural Resources.

First paragraph says: “As part of its continuing assessment of market access options for the power from the potential Lower Churchill ... Newfoundland and Labrador Hydro ... has filed an application for long-term transmission service from the New Brunswick System Operator .... The NBSO is a not-for-profit, independent body that oversees access to and use of the transmission grid in New Brunswick, ensures transmission system reliability, and administers the Open Access Transmission Tariff ... and market rules.”

So at this point, in February 6, 2007, can you explain to me the purpose or objective of – for filing this application with the New Brunswick regulator?

**MR. D. WILLIAMS:** Again, this was – and I don’t want – try not to be repetitive on this – this is just keeping all our options open. This was going to the New Brunswick System Operator to get permission or, you know – yeah, permission, to use their transmission assets, basically.

**MR. LEARMONTH:** Yeah.

So this would be –

**MR. D. WILLIAMS:** But again, it's open access.

**MR. LEARMONTH:** This would just be a further extension of the two parallel routes – what you're considering the Maritime route – and this would apply to the Maritime route. It wouldn't apply to the –

**MR. D. WILLIAMS:** Good question – and I don't know the answer to that. I mean, I'm thinking off the top of my head it could be both because – you know, I'm trying to get the math now to see, but you know, Quebec obviously –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – comes down through New Brunswick and, of course – so we had applications into Ontario, Quebec, New Brunswick, and I guess, you could probably come at New Brunswick through both sides, through Nova Scotia. Forgive me if any of the Maritimers in the room realize I'm not getting this right but –

**MR. LEARMONTH:** Yeah – well, I suppose it could be, if you're going through Quebec, you might wanna wheel power –

**MR. D. WILLIAMS:** That's right.

**MR. LEARMONTH:** – through New Brunswick –

**MR. D. WILLIAMS:** That's exactly right.

**MR. LEARMONTH:** – to Nova Scotia. Is that –

**MR. D. WILLIAMS:** That's right.

**MR. LEARMONTH:** Is that a possibility?

**MR. D. WILLIAMS:** And coming the other way, too.

**MR. LEARMONTH:** And going the other way for the Maritime route, so –

**MR. D. WILLIAMS:** Yeah – that was part of our deal with Emera –

**MR. LEARMONTH:** Two-pronged?

**MR. D. WILLIAMS:** – was getting access through Nova Scotia, New Brunswick and Maine.

**MR. LEARMONTH:** And I take it – If I'm looking – on page 2 of this document, it appears that as of that date, February 6, 2007, both Gull Island and Muskrat Falls were on the table? It says: "The Lower Churchill Project includes the development of two hydroelectric sites on the Lower Churchill –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – Gull –"

**MR. D. WILLIAMS:** Right up to 2010.

**MR. LEARMONTH:** Yeah.

Next document I'd ask the Clerk to bring up is P-00191, tab 32. Now, this is a series of chain of emails. And at the bottom of page 1 of this Exhibit there's an email from Leona Barrington, which eventually worked its way through a number of recipients: Elizabeth Matthews, Gilbert Bennett and so on.

Anyway, it's a statement that refers to a news release that "Newfoundland and Labrador Hydro, Emera Inc. and Nova Scotia Power ..." – to – "sign" – an – "MOU to explore options for Lower Churchill power." So this is dated January 14, 2008.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Now, do you know – was this memorandum of understanding the beginning of negotiations with Emera or other Nova Scotia entities or had there been negotiations of some kind before that date?

**MR. D. WILLIAMS:** From a government perspective, my recollection is that we would not have had any dealings with Emera up to that point. It would not have been unusual, though, for me to talk to the premier or premiers – subsequent premiers of Nova Scotia and/or New

Brunswick and/or Prince Edward Island about possibilities of us, you know, jointly developing power and, you know, our transmitting power through their jurisdictions.

I think this arrangement would have been initiated either through Nalcor or through Nalcor in conjunction with the Department of Natural Resources, but I do think it was more of a private exercise.

**MR. LEARMONTH:** Yeah.

So how does this work when a wholly owned Crown – well, I won't put it in a general sense? When Nalcor is negotiating with Emera – Nalcor is a wholly owned Crown corporation; of course, Emera is a publically traded company. What participation – level of participation, I should say, does government have in that situation?

**MR. D. WILLIAMS:** Well, you know, you can't – you know, government can't get into the day-to-day contractual working arrangements of, you know, running Newfoundland and Labrador Hydro or the oil and gas side or anything else. That's the – the nitty-gritty is done by the corporation.

Newfoundland and Labrador and the people of the province are the shareholder. So you know, they have the, kind of, the ultimate say, and they would be privy to sanctioning or approving any major decisions, from that perspective. This – and I'd have to actually read the MOU, and I haven't looked at it recently – is that – it says is to explore options. So this is kind of opening up a channel there, because they're the main supplier down through that area.

They go through Nova Scotia. They will carry you right into New England. So, therefore, they're key components. So we were trying to basically identify every single key piece to this entire puzzle. That's probably the best way I can put it. And so, you know – so they would reach out. And you know – and I would think that probably on an energy corporation level, they'd probably have interaction with these companies. I don't know whether they see them at energy conventions or whatever, but, yeah – I am sure there has to be a relationship there somewhere.

**MR. LEARMONTH:** Presumably nothing can be finalized following those negotiations without the government's approval?

**MR. D. WILLIAMS:** No, you know, it depends on what level.

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** You know, if someone is going to do, you know, an MOU –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – and talk, that's fine. But if, you know, there's going to be a major consequential decision, I would think that it would come to government.

**MR. LEARMONTH:** Okay, thank you

Madam Clerk, please turn up Exhibit P-00197, which is in tab 39, the second volume of the documents, Mr. Williams, that you have – volume 2.

Now, this is a November 26, 2008, memorandum concerning "Issuance of Water Rights for the Lower Churchill River to the Energy Corporation of Newfoundland and Labrador" – we'll say Nalcor. And on page 2, there's a background statement of the circumstances leading to this memorandum and refers to the fact that the Lower Churchill Development Corporation was owned 51 per cent by Newfoundland and Labrador and 49 per cent and the – "It was established in 1978 with the objective of develop all or part of the hydroelectric potential."

Anyway, the rights of the Lower Churchill Development Corporation expired, we'll say, or terminated or not renewed, and this was – can you comment – with that background, can you tell me why there was a need to issue water rights to the Lower Churchill – to the energy corporation of Newfoundland and Labrador?

**MR. D. WILLIAMS:** I'm sorry, why there was ...?

**MR. LEARMONTH:** Why it was necessary to do that.



**MR. D. WILLIAMS:** Okay. Well, you know, obviously, the project – the hydroelectric project is about hydro and water. So the water rights and the management of the water rights on the river were important to establish, basically, the relationship between the various projects, whether it was Muskrat, whether it was Gull, and its relationship to the Upper Churchill.

My understanding, and I could be wrong on some of the detail here though, is that the water rights were owned by the Lower Churchill Development Corporation, and they were renewed by option every certain period of years, and so those water rights had to be taken out of the Lower Churchill Development Corporation and moved into the energy corporation, which was Nalcor.

For the record, I was on that board back in the '80s. I think I was appointed by Premier Peckford at the time, but I sat on that Lower Churchill Development Corporation board. And it's interesting, I think there's – and I don't have the exhibit reference. We can probably come to it later. But there's also an exhibit that has been entered with the Commission that basically indicates that in the '80s, and I think it was 1980, the Muskrat Falls Project was recommended by the Lower Churchill Development Corporation.

Basically – so the Muskrat Falls Project is a financially viable undertaking which more closely matches the initial requirements of Newfoundland and Labrador Hydro, it offers low energy cost – lower energy cost than the alternate sources.

So the Lower Churchill Development Corporation, when I was on that board at that time, and I think it was under the chairmanship of – no, I know it was under the chairmanship of Mr. Vic Young, actually recommended the Lower Churchill – the Muskrat Falls Project, but at that time, some of the hurdles to that project moving forward were: power purchase agreement, a river management agreement, which is the water rights which you refer to, a federal government guarantee financial support, Aboriginal approvals and the environmental approvals.

So, at that particular point in time, those were the hurdles, I would suggest, that were encountered by that recommendation to the government. Subsequently, all those five items were ticked off as we proceed – ticked off in a favourable way – as we proceeded to approve the Muskrat Falls development later.

**MR. LEARMONTH:** Well, it would be necessary for the water rights to be –

**MR. D. WILLIAMS:** So water rights was actually part of that back in 1980, but it was actually in the hands of the Lower Churchill Development Corporation, then that had to be –

**MR. LEARMONTH:** Yes

**MR. D. WILLIAMS:** – lapsed and passed over to Enerco –

**MR. LEARMONTH:** All right.

**MR. D. WILLIAMS:** – Nalcor at the time.

**MR. LEARMONTH:** Okay. And that's what was accomplished by that legislative initiative?

**MR. D. WILLIAMS:** Yes. Yeah.

**MR. LEARMONTH:** Now, the next legislative item that I want you to have a look at is at Exhibit P-00195, which is tab 36 of the same second volume that you have in your hand – or before you. And I want you to turn to page 3.

Now, we're getting into – I'm gonna ask you some questions of – you know, general questions on this point of water management. And I'm aware that Mr. Ralph is gonna be following my questions very – and Mr. Leamon – very carefully, because that is a somewhat commercially sensitive issue because there is a court case in Quebec. The decision of the Quebec Superior Court – the appeal in the Quebec Court of Appeal, will be heard in December 4 and 5 of this year. And the Commissioner has made it very clear that he will, under no circumstances, hear any evidence that could possibly compromise the position of the province or any other party in that legislation. So I'm gonna make general comments; as I said, I know Mr. Ralph and Mr.

Leamon are ready to pounce if I go outside the bounds, and that's fair enough.

So now, this has to do with the Water Management Agreement and on – if you go to page 3, you'll see the background for that. At page 3 –

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** – it says: “Before ECNL can initiate negotiation of a water management agreement with CF(L)Co, the *EPCA* ... must be proclaimed ...” and so on. You're familiar with this background, are you?

**MR. D. WILLIAMS:** Yes, generally.

**MR. LEARMONTH:** Okay.

And the – do you agree, once again, generally, that a water-management agreement is a standard practice to impose, where there are more than one hydroelectric facilities on a river, in order to coordinate the flow of water with the objective of maximizing power production –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – at both sources?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Okay.

And whether these Quebec cases have anything to do with water management, or whatever, is an issue that we're not going to get into.

But what I want to ask you is before you proceeded to – your government proceeded to give approval for Nalcor to sign the term sheet with Emera on November 18, 2010, was the – was this issue addressed? The issue being that: Are we gonna get sufficient flow of waters from the Upper Churchill to allow the Muskrat Falls plant to produce the 824 megawatts of energy that it's capable of doing?

**MR. D. WILLIAMS:** Yes, it was. And legal opinions were obtained.

**MR. LEARMONTH:** Okay, and –

**MR. D. WILLIAMS:** And I won't – I'm not gonna go in it, but I –

**MR. LEARMONTH:** I know, I'm not gonna – I'm not –

**MR. D. WILLIAMS:** – they were favourable legal opinions.

**MR. LEARMONTH:** – I will not push you on that point –

**MR. D. WILLIAMS:** Oh, that's fine. But I –

**MR. LEARMONTH:** – for reasons that I stated. But – so was this issue considered by government?

**MR. D. WILLIAMS:** Absolutely. And government also ensured that it was not going to interfere with the rights on the Upper Churchill.

**MR. LEARMONTH:** Okay. So I just wanted to ensure that it wasn't something that was overlooked or anything like that.

**MR. D. WILLIAMS:** Not at all. No.

**MR. LEARMONTH:** Not at all.

**MR. D. WILLIAMS:** And there were legal opinions obtained on it.

**MR. LEARMONTH:** Okay.

I'd like to – by the way, I think later on in the – just for the interest of anyone who is considering this subject of water management, we are going to be trying to work out some procedure whereby we'll be able to consider this issue in such a way that the rights of the province or anyone else are not affected. That will come later down the road.

**THE COMMISSIONER:** I think what I've indicated is that, at some stage because of the ongoing litigation and because of my concern that I don't want to, as you said, compromise the position of the province with regards to this, that we will be finding a mechanism by which, at least, I can assess what was done by the various parties to ensure that water management was taken care of – so to speak. But that's for later.

**MR. LEARMONTH:** So with – I’ll just leave it as –

**THE COMMISSIONER:** Mmm.

**MR. LEARMONTH:** – I’ll rest on what I’ve asked Mr. Williams, for the time being –

**THE COMMISSIONER:** All right.

**MR. LEARMONTH:** – and hopefully for the information of the public that it’s certainly the objective of the Commission to consider the issue into a deeper level, in some form, sometime down the road.

**THE COMMISSIONER:** Correct.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Mr. Learmonth, that’s wise too. Because my understanding from the Water Reversion Act, a long time ago, is the public statements that, I think, were made at the time had some negative impact on that decision. So the Commissioner is obviously quite right, in that this is an area we got to tread very, very lightly, ’cause we don’t wanna do anything to colour –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – the evidence before that court.

**MR. LEARMONTH:** And that’s why I’ve just left it with you. I was asking –

**MR. D. WILLIAMS:** Oh, no. No –

**MR. LEARMONTH:** – (inaudible) read that advice –

**MR. D. WILLIAMS:** – I get it.

**MR. LEARMONTH:** Yeah. I don’t think that will prejudice –

**MR. D. WILLIAMS:** No, not at all.

**MR. LEARMONTH:** – (inaudible).

**UNIDENTIFIED MALE SPEAKER:** No.

**MR. LEARMONTH:** Right.

The next exhibit is P-00031, which is tab 38 in your book, Mr. Williams.

This is a news release – a joint news release from the Executive Council in Labrador and Aboriginal Affairs, dated September 26, 2008, dealing with the New Dawn Agreement. And the first paragraph – well, the heading says: Innu Nation and Province Reach Historic Agreement. “The Honourable Danny Williams, Premier of Newfoundland and Labrador, and Mark Nui, Grand Chief of Innu Nation, today announced the signing of a milestone agreement. The Tshash Petapen Agreement ... which translates as the New Dawn Agreement, marks a new beginning for the Innu of Labrador and their relationship with the province.” Et cetera.

Can you give me some information as to why the – your government at the time found it necessary or beneficial to all parties to enter into an agreement with the Innu Nation at this time?

**MR. D. WILLIAMS:** I’d be delighted to.

This is one, I think, one of the prouder moments that I had in my time in government. A lot of hard work here was done by, you know, not only the Members of Cabinet who were responsible for those various departments – Labrador Affairs, Aboriginal Affairs, Natural Resources and so on – but the team that was at that table basically – and I’m afraid I’m going to miss somebody, but anyway – Ed Martin was there, Mr. Justice Burrage was on that committee, I think Aubrey Gover was there, Sean Dutton and Labrador officials as well.

Like that was something that we took a lot of time with, we took a lot of care with, we paid a lot of attention to; we felt it was very, very important that an agreement be struck with the Innu Nation because – for want of a better term and I don’t want to complicate any Aboriginal issues here – but they were kind of the lead Aboriginal group in our opinion. The Inuit agreement had been reached, and I’d signed off on that a couple of years before; however, I don’t take credit for that because that was done by Mr. Grimes. But this particular agreement also – we addressed redress here on the Upper Churchill, because we felt it was important that

if we were seeking redress from Quebec, the least we could do is acknowledge redress to our own people in the province.

So it was a lot of work; a lot of negotiation. Personally, I was close to it and very much involved in it. But, you know, it was a key part because this project was in the Innu territory, and it was important that we get this resolved to their satisfaction.

**MR. LEARMONTH:** Yes. But – well, it was certainly an excellent initiative and there's no doubt about that.

But I wonder why – or I should ask the question: Were negotiations held with other Indigenous groups? I mean, the Innu Nation is one, there are other groups that would certainly assert that they are affected by the development of the Muskrat Falls Project. What, if any, attempts were made to negotiate similar type agreements? I know the subject matter – but agreements with the other Indigenous groups, to your knowledge.

**MR. D. WILLIAMS:** There were – the term I used was consultations, and that's the – 'cause that's what took place. The – as I said, the Inuit agreement had already been done.

**MR. LEARMONTH:** Mmm.

**MR. D. WILLIAMS:** That was finalized, I think, in 2006 – 2005, actually. And so then we tackled the Innu agreement in two thousand – finally got that done in 2008. But there were consultations. There were consultations with the – and I don't know if they were called the Métis Nation back in those days, there was a Métis Nation – and then subsequently I think they moved to an Inuit heritage, for want of a better term. Forgive me if I'm using the wrong Aboriginal (inaudible) –

**MR. LEARMONTH:** No, you're right.

**MR. D. WILLIAMS:** – the last thing I'd wanna do, Commissioner, is offend anybody, but ... So they were a factor, but at that point they were not recognized, to the best of my knowledge, from a federal government perspective. I don't think any particular status had been granted and I'm – you know, I may be taken issue on the

terminology I'm using here – but having said that there, there were consultations.

And interestingly enough too, even during the whole Energy Plan consultations, way back in 2004, 2005, there was outreach. And at some point, see, I think even with the Innu there was a point there where we were waiting on the Innu to get back to us; there was a meeting I think, which I can remember being held in Ottawa, with the federal minister and the Innu to discuss issues, but ...

And the other factor was Quebec, you know. And they were – they were obviously more removed, they were in another province; however, they did have migratory and hunting rights into Labrador. I can't speak to how far those rights would have moved into the heart of Labrador and into the Churchill area, but they were maintaining that they had some rights.

And the difficulty with the Quebec Innu was that they were – some of them were very passivist, for want of another – better term and some of them were very active. And we had Red Wine issues – Red Wine caribou issues with them as well. So we were treading very lightly in our dealings with them, because there was some question of caribou hunting going on in the province.

So it's all very complex, so we were basically trying to tiptoe through the tulips as best we could in order to deal with all the various interests.

**MR. LEARMONTH:** Yup.

But are you aware that at the present time, as we speak, there's a significant unresolved issue outstanding for the Labrador Inuit in relation to Muskrat Falls Project? That being the methylmercury issue?

**MR. D. WILLIAMS:** I'm aware of the issue publicly, but I'm not aware of the details because I've been out of the loop since 2010.

**MR. LEARMONTH:** Well, unless my information is stale, that issue is still unresolved and I'm not going to get into the negotiations or discussions, because I don't know anything about them.

But, I do have this question: Do you not believe that it's preferable to deal with all claims by environmentalists and Indigenous groups before a project is sanctioned, rather than doing it, as has been done here, with the situation that the Muskrat Falls Project is over 90 per cent complete and there is a significant, unresolved issue with the Labrador Inuit? Do you not agree that it is better to clear these issues off the table as best as can be done before sanction?

**MR. D. WILLIAMS:** It's better and it's preferable, but it's impossible because then, you know – and I'm not trying to be so blunt with you, I'm being really frank and honest, it's a – you know, to try and deal with the issues that are presented by the Quebec Innu with the different bands and the different factions and the different motivations and goals, you couldn't possibly rationalize all of them.

From the Inuit perspective, it would be – like you said the Land Claims Agreement was done. I was not aware that there were still major outstanding issues, either through my ministers or through my own knowledge that there was, you know, any huge issues that were going to basically hold up a project, that were big enough to hold up a project.

My understanding is that we are going through a lengthy and detailed environmental review process. Which I assumed, you know, would be dealing and would be addressing and would be questioning methylmercury issues. I certainly was not seen as an anti-environmental premier in my day there. I mean when it came to protecting the caribou herds, you know, at one point we allocated \$15 million to investigating the caribou herds in the province, 'cause as you know, right now, we got significant issues going on where our herds have gone from 380,000 down to 5,000 for example.

And I don't want to go off on a total tangent but on salmon poaching, I mean first – one of the first things I did when I got in government was put more wardens on our rivers because we were – you know, we've been poached to heck. I mean, they were being gutted out so – and I mean, I got a conservation award for that. So I'm very sensitive to it and we dealt with it to the best of our ability. And we're also aware that there are methylmercury issues in reservoirs in

hydroelectric projects and they have gone ahead anyway. That doesn't make it right, though; that's not what I'm saying.

So you do your best to try and mitigate these to the best of your ability and then – so the question then is: Do you fully clear a reservoir or do you partially clear a reservoir? And, you know (inaudible) and so then you quantify it and you try to access it with the arguments, also based on the science and the experiences on other projects.

But again, to go back, you can't get them all cleared up; however, that doesn't mean that you don't have to deal with the important ones head-on.

**MR. LEARMONTH:** Okay, thank you.

Next document I ask you to bring up is at Exhibit P-00030, which is tab 40 of your documents, Mr. Williams. This is a news release dated December 11, 2008 from the Executive Council in Natural Resources. Quoting from the first paragraph: "Positioning this energy producing province as an internationally-competitive player in the resource sector, the Honourable Danny Williams, Premier of Newfoundland and Labrador, today unveiled the new name and corporate identity of the province's energy corporation: Nalcor Energy. The Premier was joined by the Honourable Kathy Dunderdale, Minister of Natural Resources, and Ed Martin, Chief Executive Officer ... and President."

So this was – I take it this was, for want of a better term, a branding exercise. There was nothing changed to the corporate structure.

**MR. D. WILLIAMS:** No –

**MR. LEARMONTH:** It was just a –

**MR. D. WILLIAMS:** – not that I'm aware of. I'm looking at this –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – in isolation but I think that's what it was, yeah.

**MR. LEARMONTH:** Okay, thank you.

And the next exhibit is at tab – excuse me, P-00198.

**MR. D. WILLIAMS:** The other thing too, Mr. Learmonth, just by way of back on this, what I've done – I just did myself, over the weekend, just an overview kind of everything that was going on around this time. So the year before there was an election, so we would have gone back to seek a mandate again in 2007, which would have addressed the issues of the EOI and the – I mean, what I'm saying, o back to the people to make sure that the province is still onside with what you're doing, so that actually happened.

The other thing which happened in this time period was we were also going through that financial crisis as well, internationally. So, you know, we tend to in the room and rightfully so, drill down on a moment, the date, the time; but there's a whole lot of other things that are going on in the province and in the world that all, kind of, got to be dealt with in respect. And I'm not saying that that's lost on you or the Commissioner, but they are significant and I think the election is significant.

**MR. LEARMONTH:** Yeah. In other words, Muskrat Falls was an important issue, but it wasn't the only issue.

**MR. D. WILLIAMS:** And we were returned with a significant majority so, I mean, the people –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – at that point.

**MR. LEARMONTH:** Yeah okay.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** That document there which is P-00198 – it's at tab 41, Mr. Williams, of your documents. This is another release from the Executive Council of Natural Resources dated April 2, 2009. Have you got that before you?

**MR. D. WILLIAMS:** I do.

**MR. LEARMONTH:** Okay.

This is the announcement of an arrangement whereby Newfoundland and Labrador can wheel hydroelectric power through Quebec into the North American marketplace using the part of the recall block of 300 megawatts, I believe. Were you involved in the negotiation of this?

**MR. D. WILLIAMS:** No. I was aware of it, but I was not involved in the negotiation of it.

**MR. LEARMONTH:** And what is the significance of this? What – how do you see this as being a significant –?

**MR. D. WILLIAMS:** It's huge. It's – it was a coup for us, for Nalcor. You know, as you know we've made the applications in 2006, it's now three years later, we're getting nowhere, being stopped all along the way, and this is pertaining, if I remember correctly, to the recall power.

So, the – during the renegotiation that Premier Tobin did in the late '90s, 2000, the GWAC was renegotiated and there was some very positive things that came out of that negotiation. Another one was, I think, the right for the inability to Quebec to dilute our shareholdings and that. So that was a concession that was made, and of course there was other counter-concessions.

But anyway the recall was on the table, and then it was a question of whether we could get more money from the recall rather than just passing it over to Quebec. So for a period of time we sold it to Quebec – and I could be wrong on this; I mean if I get corrected by somebody else, but I'm doing it to the best of my recollection –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – we sold it to Quebec, there was a certain amount of money that we would get. So we thought, okay, there's a point here where we should – we need to get into the export business ourselves. We need to get that experience if we're gonna build Muskrat, we're gonna build Gull, we gotta know what we're doing in the marketplace.

And so this 300 came up and we did not renew it to Quebec. So then we went in to Quebec and applied to have this pass through Quebec, which ordinarily was a no-brainer 'cause they would

just stop you cold; Hydro-Québec would just stop you cold in your tracks.

The nuance here was that this was the 300 megawatts of recall power which was priority on the 5,000-plus megawatts of the Upper Churchill, so this was the first block, and it had been rolling through Quebec for 40 years. So, Hydro-Québec and the Régie or TransÉnergie – not the Régie – the TransÉnergie realized we can't stop 'em. So we got this wheeled through and it was – like I said, it was a coup. We just kind of got 'em on this one; finally we were at a point where we were able to wheel through.

So, you know, we were still exploring Gull in those days, too. So we hadn't –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – we hadn't abandoned this Quebec option, not by a long shot. We were even pursuing it at this stage. But I think they were quite surprised when they couldn't stop us on this one.

**MR. LEARMONTH:** If he had been alive I assume that former Premier Jean Lesage would not have been a happy man?

**MR. D. WILLIAMS:** He would – he, yes, with all due respect, he probably did a few rolls.

**MR. LEARMONTH:** Yeah.

The next document I want to have turned up is Exhibit P-00199, tab 42, and this deals with the proposed purchase by Hydro-Québec of the hydro generating assets in New Brunswick –

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** – which is something that as the documents will show certainly got your attention. And in this article on page 42 you're quoted as saying – excuse me, it's – the tab number is – the Exhibit number is P-00199 – you're quoted as saying: "Premier Danny Williams is threatening to go to the Competition Bureau or take other legal action if Hydro-Québec completes a rumoured plan to take over the assets of NB Power." And later on you say: "Hydro Québec is saying, 'We've got the Upper Churchill, we're going to take that up to 2041.

And now we're going to' – bring them under – 'their knees on the Lower Churchill' Williams said."

"I gotta tell you that will be over my dead body."

And so on. Now, why was this proposed sale of assets by New Brunswick Power to Hydro-Québec a matter of concern to this province?

**MR. D. WILLIAMS:** Well. Now we knew very clearly what Quebec's – Hydro-Québec's pattern was – as you know, it's to stop you at the border, stop you at their border, or stop the markets. And they want to make sure that at the end of the day whatever we did, we had nowhere to go – we couldn't package it in any way. We couldn't sell it to anybody. We'd be stuck with just selling power in the province and presumably they assumed that that would affect the liability of Gull, particularly, and/or Muskrat.

So then they moved into New Brunswick – now that was a separate exercise and I'm saying that's not the only reason they did it, but it certainly was a – you know, a very valid strategic reason. And I was – as soon as I saw it I was very, very concerned and some people would say, well, it's none of your business because it's in New Brunswick, well – it very much was.

And I wanted to make sure that the New Brunswick government was aware of our experiences and the big-picture thinking that this corporation does. And basically what they were going in there to do was to cream the lucrative assets, leave them with coal if they had it, but more important, nuclear was there, and you know, they would have basically had full control of the New Brunswick power situation.

So we saw that as a strategic piece to block either – if I'm correct in my geography – the route coming through Quebec or the route coming up through Nova Scotia. So we basically just sat down and kinda went through the problems with that proposal, which kinda reminded me back, of the Grimes proposal in 2002.

**MR. LEARMONTH:** Or in a nutshell wasn't – would the concern be properly expressed in this way – that, if Hydro-Québec gets control of the transmission lines in New Brunswick – which they would've got under this proposed deal – they could – Hydro-Québec would then be in a position to set up roadblocks for Newfoundland's attempt to bring power through Nova Scotia to New England, and in the same way to bring power through Hydro-Québec if you ever got – say the 300 recall block, you couldn't bring it to Nova Scotia –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – because that'd be – they'd be able to block you on either side?

**MR. D. WILLIAMS:** And that's the reality. That's the reality of what they would do. The legal position of what they should do is that there should be open access –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – and you should get through and they should play by the rules and you should–

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – get through TransÉnergie and you should get through (inaudible) with FERC. But we have experienced in our own province where that wasn't happening, so it certainly wasn't going to happen in New Brunswick.

**MR. LEARMONTH:** Okay.

So that's why you were fired up about this?

**MR. D. WILLIAMS:** Absolutely.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** It's very important to us.

**MR. LEARMONTH:** Yes.

And I look at Exhibit P-00200, which is Tab 43. And this is a letter dated October 28, 2009, and was released to the public by the Executive

Council and it's a letter that you wrote to the premier of New Brunswick, Shawn Graham. Can you –

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – just have a look at that.

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** So that's – why did you go to that length to, you know, write the premier of New Brunswick?

**MR. D. WILLIAMS:** Well, as a group of Atlantic premiers, even though we were of different political stripes, we were friends. And, you know, often we banded together as a group of Atlantic provinces to deal with the much bigger issues that we faced, with bigger provinces west of us.

So, you know, I felt I had a good relationship with Shawn Graham, but I also felt as a courtesy to him, I had to point out to him the problems that we had had with Quebec – where I thought they were going, and what my concerns were with the deal that he was looking at.

**MR. LEARMONTH:** Yeah.

And then, just to complete this issue, there was a letter that you and Premier Dexter wrote –

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** – a joint letter that you wrote to Premier Graham.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Is it correct that you were asked by the official opposition in New Brunswick to actually go to New Brunswick – travel to New Brunswick and speak out against this proposal?

**MR. D. WILLIAMS:** Yes I was, and I didn't feel it was my place. Like I said, as a courtesy – I mean, Shawn Graham was a Liberal premier, Darrell Dexter was an NDP premier, I was a conservative – but as I said, we worked together. And, you know, there was a professional courtesy there – I wasn't going into his province



and trying to get on the ground and speak against a project that he was having.

Now I was doing it from afar, because I was doing it from the Newfoundland perspective – Newfoundland and Labrador perspective – because I felt it was important. But I didn't think it was my place or right to go in –

**MR. LEARMONTH:** I don't want to get – ask you about the contents of any discussion. But can I – am I correct in assuming that you would've had numerous telephone conversations with Premier Graham?

**MR. D. WILLIAMS:** Over time I've had numerous –

**MR. LEARMONTH:** No, on this subject.

**MR. D. WILLIAMS:** Wouldn't say numerous I, you know –

**MR. LEARMONTH:** Some.

**MR. D. WILLIAMS:** – some. Well, for one thing of course was inviting him up to Churchill Falls, 'cause, I mean –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that was part of it as well.

**MR. LEARMONTH:** And just for the record, the joint letter that you signed with the Premier of Nova Scotia, Darrell Dexter, is Exhibit P-00204 – it's basically the same substance as the letter that I earlier referred to, so I won't go into that in detail.

Now, the next exhibit I want to consider is Exhibit P-00206. Just find the tab for that, that can be brought up; tab 49.

Mr. Williams, this is a Lower Churchill update marked confidential from Nalcor. Would I be correct in saying this was sent to government?

**MR. D. WILLIAMS:** I would think so.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** I'd be inclined to think that all updates, as official looking as that –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – would have gone to government.

**MR. LEARMONTH:** Now, do you – can you tell me – can you flip through that exhibit and tell me whether you can identify the handwriting on it?

**MR. D. WILLIAMS:** All I can tell you is it's not mine.

**MR. LEARMONTH:** Yeah.

There's a reference on page 20. It says: Elizabeth to review. Now, would that be Elizabeth Matthews?

**MR. D. WILLIAMS:** Her writing?

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** No, okay. But – okay.

But, anyway, do you believe that this would have been something that Nalcor would have sent to government?

**MR. D. WILLIAMS:** Yeah, at what level I don't know. Whether it just went into the department, or where – but, I mean, chances are, I mean, that's April of 2010, is that correct?

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** Yeah, chances are, it would have gone to us. I'm guessing, but I would say likely.

**MR. LEARMONTH:** Yeah, because that – okay, we're talking about something that was just, like, six months before the –

**MR. D. WILLIAMS:** Yep.

**MR. LEARMONTH:** – term sheet –

**MR. D. WILLIAMS:** Yep.

**MR. LEARMONTH:** – was signed.

Please turn to page 17 of this document; 17 being the numbering in red in the top right-hand corner. You have it –

**MR. D. WILLIAMS:** I do.

**MR. LEARMONTH:** – in front of you?

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Now, so this is Nalcor saying, on April 23, 2010 under the heading: Scenario Economics - Key Assumptions. It says: General assumptions for all cases – and this is the – there are a number of cases or outcomes that are referred to earlier in this document.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** So “General Assumption for all cases: P75 capital cost estimates.” And then there – the notation – we don’t know who made it but it says: “more stress placed on the project cost – very conservative approach.” If I’m reading the handwriting –

**MR. D. WILLIAMS:** That’s what it looks like, yep.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Yep.

**MR. LEARMONTH:** Now, so in this document, which was just six months or so before the term sheet was signed and six months before the DG2 cost estimates were signed, very clearly, Nalcor was saying it was going to use the P75 capital cost estimates in all cases.

And I might add just that this is very close to the P80 that Professor Bent Flyvbjerg thought would be appropriate for a megaproject when he testified in Goose Bay, so it’s in the same area as – well, P75, P80, it’s only five points off.

Now, we know that for the DG2 and DG3 estimates, Nalcor used a P50, which is considerably less conservative than a P75, and it’s stated in this document.

To your knowledge, at any time between this submission was received by government, it’s dated April 23, 2010, and the date that the term sheet with – between Emera and Nalcor was signed on November 18, 2010, at any time during this period, do you recall Nalcor advising government: No, no, we’ve shifted gears. We’re not gonna be using a P75, we’re gonna be using a P50. Do you remember?

**MR. D. WILLIAMS:** Do I remember it? No.

In all honesty, too, I can also tell you, like, the P75 in that would’ve meant nothing to me. Like, P75 wouldn’t have had any meaning to me at that particular point in time. I’ve since read about P50s and Professor Flyvbjerg and P75s. And you, actually, asked me on discovery, on the interview, whether I was aware about the P50 and P75 – had no detailed meaning to me whatsoever.

**MR. LEARMONTH:** Okay. Do you know something about it now?

**MR. D. WILLIAMS:** I know something it about now, but I’m not gonna cast any opinions on it, because –

**MR. LEARMONTH:** No, no, no.

**MR. D. WILLIAMS:** – not my place to.

**MR. LEARMONTH:** I’m not asking you to cast an opinion on –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – the appropriateness of it, but I’m just saying that, you know, that my point is this: Six months before the term sheet is signed and before the DG2 numbers are signed, Nalcor is representing to government that it’s gonna use a P75 in its cost estimates, all its cost estimates. And then, six months later it prepares DG2 numbers with a P50, which is an indication, or a representation, of a significant increase in its appetite for risk. It’s a riskier basis.

**MR. D. WILLIAMS:** Yeah. P50 is in the middle, as I understand it.

**MR. LEARMONTH:** Well, P50 is, you know, means there's a 50 per cent –

**MR. D. WILLIAMS:** Ten to 100, basically, is that it?

**MR. LEARMONTH:** But anyway, you know, if – I am confident in saying, although I don't profess to have any expertise in this, that a P50 estimate will generally be more riskier and less reliable, less conservative, than a P75.

**MR. D. WILLIAMS:** It would be less conservative. But I think – the only thing I read was that it was the most likely. I read – I don't know if it was in Professor Flyvbjerg's –

**MR. LEARMONTH:** Yeah, but anyway –

**MR. D. WILLIAMS:** But I did –

**MR. LEARMONTH:** Okay, what –

**MR. D. WILLIAMS:** I did read somewhere where it says –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – a P50 is the most likely estimate.

**MR. LEARMONTH:** Yeah. But we're not, like, you know, we want to avoid hindsight, so I just mentioned that.

**MR. D. WILLIAMS:** Absolutely, yeah.

**MR. LEARMONTH:** So why did I mention it if I want to avoid hindsight? But the point is this, I just want to know whether you have any recollection of being aware that there was a P75 contained in this document, yet it wasn't followed in the DG2 estimates. Did you –

**MR. D. WILLIAMS:** No, and, you know, I assume we got this document, I don't know. And, you know, where the P75 comes from in this, I have no idea.

**MR. LEARMONTH:** All right.

And – well, who, if anyone, would you expect in government to be current and up-to-date and focused on this issue, for example, of P75, P50?

Would you have any idea who you would expect would be responsible for addressing these matters in government?

**MR. D. WILLIAMS:** To be quite honest with you, I'm not sure there'd be anyone in government who would be addressing those matters, 'cause if there was, or there was some analysis or some assessment of that P-whatever situation, I would probably know about it and/or the minister would know about it.

So, I'm not aware that that discussion was ever entered into with government or not. That would be internal analysis, I would suggest to you, that would have gone on –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – in Nalcor with whoever they were discussing risk with, which, I think, was Westney at the time.

**MR. LEARMONTH:** But I'm not talk about Nalcor, I'm talking about government.

**MR. D. WILLIAMS:** Yeah, I'm not aware. I just know, I just (inaudible), I'm not aware of a person in government that was directly responsible for P-whatever assessments.

**MR. LEARMONTH:** All right.

Next document I'd like you to turn to – and would Madam Clerk please bring it up – is P-00208, tab 50 in your documents, Mr. Williams.

**MR. D. WILLIAMS:** Tab 50. I thought we – are we on tab 50? No, we're on 49, I'm sorry.

**MR. LEARMONTH:** No, 50.

**MR. D. WILLIAMS:** I'm sorry.

**MR. LEARMONTH:** Yeah, yeah.

**MR. D. WILLIAMS:** Gotcha, yeah.

**MR. LEARMONTH:** Now, this is a release from the Executive Council and Natural Resources, May 12, –

**THE COMMISSIONER:** So this is actually P-00207?

**MR. D. WILLIAMS:** Excuse me, I said 208, I'm – you're right, it's 207.

**THE COMMISSIONER:** Okay, sorry.

**MR. LEARMONTH:** Thank you.

This is a release from the Executive Council, Natural Resources, May 12, 2010, which is slightly over four years after the application was first filed to the Trans Energy. But anyway, it says: "Quebec's refusal of Transmission Access Once Again Demonstrates" their "Arrogance and" predatory "Business Practices."

And the announcement is: "Today's ruling of the Régie de l'énergie (Régie), Québec's energy regulator, on" applications "by Nalcor ... once again demonstrates that province's arrogance and" predatory "business practices said the Honourable Danny Williams, Premier of Newfoundland and Labrador. Nalcor had filed complaints with the Régie against Hydro-Québec TransÉnergie ...."

So that's a form of appeal or reconsideration anyway.

So you say that: "The blatant disregard of the Régie on the basic principles of open access and ... is staggering." And then you go on to expand upon that feeling.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Was this an honest representation of your feelings at the time?

**MR. D. WILLIAMS:** It's not an honest, 'cause there were probably 10 times as much as the reaction that's in that wasisname. I was really angry over this. Like, this was the worst, blatant, legal decision that I had ever witnessed in law. It was so bad. It ignored evidence, ignored all the assumptions.

And then, I think if you go down to the last two paragraphs here, it says: "The Premier added that not did the Régie show a complete lack of regard for open access principles," – which is international – "they went beyond the scope of the complaints they were hearing and suggested the transmission lines in Labrador and Upper

Churchill generating facility are under the control of Hydro-Québec."

I've mentioned that to you before, Mr. Learmonth.

**MR. LEARMONTH:** Yes, you did.

**MR. D. WILLIAMS:** That completely ignores the Upper Churchill contract and the realities of that existing project.

In essence, the Régie attempted to rewrite the Upper Churchill contract – now yet, you know, they got the gall then to question our water rights down here, but that's a whole other issue – to give even more power and control to Quebec. To suggest that these assets are rightfully owned by Hydro-Québec is unfathomable.

The Régie further made the erroneous assertion that Hydro-Québec takes priority over the TwinCo power block and recall power used by the province. So that's the 300 we talked about that we managed, fortunately, to get through the province.

"This is clearly in contradiction of the Upper Churchill contract and I can assure the people of the province, we put absolutely zero credence in these statements by the Régie. Indeed, it further de-legitimizes the entire" ruling.

I was really angry and disappointed, because that was kind of the last straw. That was the last hope that we had that we could get through Quebec, work with Quebec; you know, do the Churchill and or put Muskrat power through if we wanted to.

**MR. LEARMONTH:** And –

**MR. D. WILLIAMS:** You can tell –

**MR. LEARMONTH:** – I think –

**MR. D. WILLIAMS:** – I wasn't happy with it.

**MR. LEARMONTH:** No. In a later document, I think you called it a kangaroo court. It's in the next document, but anyway –

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – you know, you were very surprised and –

**MR. D. WILLIAMS:** Yeah, I was, and disappointed. Like, how could they do it?

**MR. LEARMONTH:** By the way, do you know if there was ever – I know that it went to the TransÉnergie first and then there's administrative review of the Régie and so on. I think I'm saying the names correctly.

Was there ever any thought of appealing, like, to the Quebec Courts for judicial review, or at that point were you just fed up with it?

**MR. D. WILLIAMS:** No, I think – I could be wrong. I think we followed a process of review on that. I think we did.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Okay.

Now at Exhibit P-00211, which is at tab 54, it's a May 29, 2010, article in *The Telegram*. Yeah, May 29, 2010. Now in this, in the bottom, the third to last paragraph, you're saying – you're quoted as saying: "By contrast, the premier said, discussions with Nova Scotia-based Emera are 'well advanced.' Williams said New Brunswick could still be an 'important cog in the wheel' of getting the Lower Churchill done."

So at this point you're referring to discussions with Nova Scotia-based Emera and Nalcor. Were you personally kept up-to-date and apprised of the progress of those negotiations?

**MR. D. WILLIAMS:** Yes. You know, not every day but, yes, certainly on an as-needed, important milestone basis.

**MR. LEARMONTH:** Yeah.

And these negotiations, I take it, were being carried out by Nalcor but would representatives of your government also be on top of these negotiations or (inaudible) –

**MR. D. WILLIAMS:** We would certainly be aware of them, whether they were in the room,

Mr. Learmonth, I'm not sure. You know, I – you know, I was thinking at final negotiations they were probably there but I can't speak directly to that. I know that, you know, we were in the loop. We were informed, but I can't tell you who was there.

**MR. LEARMONTH:** All right.

Just for the record, I indicate that I'm not going to look at it, but P-00212 is a news release from Nalcor announcing that an application had been filed with Régie to deal with the decisions of –

**MR. D. WILLIAMS:** Decisions, yeah.

**MR. LEARMONTH:** – TransÉnergie, yeah.

The next document I'd ask the Clerk to bring up is Exhibit P-00214, tab 57.

Now, this is another issue that arose with Quebec and where – the report is dated August 13, 2010 – it appears that Premier Charest is once again, apparently, interfering or, at least, stating his views on issues between your government and the federal government.

Can you give me some context on this, Mr. Williams?

**MR. D. WILLIAMS:** Okay. So this is August – it wasn't the first time, put it this way.

Back in – even back in 2005, 2006 we were trying to negotiate the Accord with Prime Minister Martin, and I remember on an afternoon in September we virtually kind of reached an understanding with the prime minister that, you know, they were – he was hearing, for want of a better – but I don't want to put words in his mouth. He was hearing our arguments on equalization on offset arrangements and our concern that we weren't principal beneficiaries of oil and gas. We finished up at about 4 o'clock in the afternoon.

We reconvened, as the prime minister and group of premiers, after supper and the position has completely changed. And I'd understood at that time that Premier Charest had gone to him over supper and basically said this is not on for Quebec. So that's an instance of what they were up to.

So this time around, this is a – if I remember correctly, this is an Atlantic initiative to get infrastructure funding for a Maritime Link of sorts, whether it's our Maritime Link or, you know – yes, part of ours. But anyway, if it exactly corresponds with ours, I can't tell you, but it's for a link that the provinces would all participate in. And I think an approach was made to Minister MacKay at the time, you know, to champion this and support this. And apparently Quebec, again, went behind the scenes and went back to the Premier Lesage doctrine of: yeah, no way, José. And that's exactly – basically, what they were doing. So they said they would object to it.

So, you know, Quebec is, you know, basically wants to make sure that there's – competition is at a disadvantage. And, you know, this is the same group that will not give us redress on this major contract, but they are also the province that takes 60 per cent of the equalization in this country, takes \$17 billion-plus out of the coffers of the federal government, gets all kinds of subsidies from Bombardier and all the other companies that are there, and then are trying to block a \$300 million transfer to assist four provinces. Like, you know, enough's enough. You know, so that's an issue for me.

And as well, to put salt in the wounds, the – it's my understanding that they don't even include the profits that they reap from the Upper Churchill in their equalization calculation. So, you know, they draw equalization and don't honour the \$2 billion a year that they're taking from the Province of Newfoundland and Labrador.

So, yeah, they did it again, and, yes, they tried to block it.

I mean, there's one article in the *Gazette* from the minister around that same time where he comes out and he says: Let it go Newfoundland, let it go. In other words: give up, you know, there's no point, we're going to block you every step of the way. And that's part of the attitude, which is shocking.

**MR. LEARMONTH:** An article – I'll just come back to that point in a minute, but tab 58 – excuse me, tab 58 – that's Exhibit P-00215 – is an article from *The Telegram* entitled: Williams

talks tough. And I guess this is a report of your comments at a board of trade meeting, where – I guess it's a continuation of the arguments that you had against the intermeddling of Hydro – of Quebec in –

**MR. D. WILLIAMS:** Yeah, I – you know, I was at a loss to understand, just on principles of fairness, why when they'd already had their massive pound of flesh, they just couldn't give us a break and work with us on getting Gull or Muskrat done on the Lower Churchill.

**MR. LEARMONTH:** And I just note on page 2 of Exhibit P-00215 there is a favourable, supportive comment which is supportive to our position from the *Montreal Gazette*?

**MR. D. WILLIAMS:** Yes, (inaudible).

**MR. LEARMONTH:** Just reading it: "Quoting a Montreal Gazette editorial that called the attempts to scuttle the Lower Churchill project 'unseemly, unwise and even shameful' ...."

**MR. D. WILLIAMS:** That was a breath of fresh air. I remember reading it –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – and I couldn't believe my eyes that the Gazette had actually printed it.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** But it kind of says it all.

**MR. LEARMONTH:** That's a toned-down version of your reaction to it.

**MR. D. WILLIAMS:** Yeah, the headline there tells you what my reaction was.

**MR. LEARMONTH:** Okay.

Now, the next document is at tab 59, Mr. Williams, and it's Exhibit P-00216. This is a – we're getting very close to the signing of the term sheet now. It's September 23, 2010. And we look at page 32 of that exhibit.

This is the summary and recommendation. I can infer, I think, at this point negotiations were

going ongoing with Emera and it looked like there was certainly a possibility of –

**MR. D. WILLIAMS:** I'm sorry, what was that?

**MR. LEARMONTH:** Oh, I presume, given the date of this, that the negotiations with Emera were on the go –

**MR. D. WILLIAMS:** Oh, yes. Yeah, yeah.

**MR. LEARMONTH:** – because it's dated September 23, and this was a summary and recommendation. It was given to government. Do you remember seeing this?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** And this would have been a presentation –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – to Cabinet, yeah.

When you were premier, did it – I don't know, but did it – it appears from my reading the documents that it would be a regular thing for Nalcor to come in and make a presentation to Cabinet. Would that be a fair –?

**MR. D. WILLIAMS:** Yeah, the – and I can't tell you – I'm sure you can track exactly when the presentations were made but I can't tell you –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – when, but it was. There were updates that were given to Cabinet at different sensitive and critical points over the full five, six year – well, yeah, six-year period. And, as well, there would updates given as well to the minister and myself and my staff and her staff, as premier and minister at the time, too. So there would probably be two tiers of updates that would be given. Of course, obviously, we would then report to Cabinet.

**MR. LEARMONTH:** Yes.

Next document is tab – Exhibit P-00219, tab 62, please, Madam Clerk.

This has to do with your comments at a Progressive Conservative convention, but you're quoted as saying in the fourth to last bottom – paragraph at the bottom: “As well, the premier said the province would seek a loan guarantee from Ottawa. That would clearly raise hackles in Quebec, and in a federal Parliament that pivots on ... it won't be taken by the prime minister ....”

So you're saying that, number one, that the – on this document: “Right now we are in discussion with Emera ... and the folks in Nova Scotia who are anxious to be our partners as we move forward ....”

Now, getting back to this federal –

**THE COMMISSIONER:** Can I just stop you there, just for a second? So I'm trying to find out where you are right at the moment. I'm sorry, I've lost you.

**MR. LEARMONTH:** Okay.

**THE COMMISSIONER:** So we're at tab 62?

**MR. LEARMONTH:** Yeah.

**THE COMMISSIONER:** And where are we on that page?

**MR. LEARMONTH:** Well, the last quote was right – the second paragraph from the top.

**THE COMMISSIONER:** Okay.

**MR. LEARMONTH:** “Right now we are in discussion with Emera Energy and the folks in Nova Scotia who are anxious to be our partners as we move forward ....”

**THE COMMISSIONER:** Thank you.

**MR. LEARMONTH:** Okay. Thank you.

And – well, anyway, the reference to the federal loan guarantee. How much importance was – did you place on getting a federal loan guarantee? I mean, I realize you were gone two years before the project was sanctioned, but was that something that was on the horizon when you were premier?

**MR. D. WILLIAMS:** Absolutely. It's very important because – and I don't know the exact calculation. I don't know the number, but I'm told that that can mean, over the life of the project, \$6 or \$7 billion to us. So it's huge. It takes the interest rate down, the borrowing rate down. It locks us in at historically low interest rates for purposes of the project.

And you know, there's – and there's some politics there, too. It's important from a guarantee perspective, too. When you have Nova Scotia involved and the other provinces involved, then that enables the federal Cabinet to look at it in a more open –

**MR. LEARMONTH:** Yeah. I think it was always clear that unless Nova Scotia was involved that we weren't getting a federal loan guarantee. Is that generally your –?

**MR. D. WILLIAMS:** That's exactly what I'm saying.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** And I'd raised the question of the guarantee, as well, with the late federal minister, Jim Prentice, in Churchill Falls, at the time, has been something that we really were counting on. And, to be quite honest with you, I'd also – every election, I wrote all the leaders, federal leaders, and asked them for their position on Goose Bay base, custodial management, a whole pile of things. This was always on it and it was always an issue. And, basically, had acknowledgements from Prime Minister Martin and Stephen Harper that he would favourably consider a loan guarantee.

**MR. LEARMONTH:** Okay. I'll just point out –

**THE COMMISSIONER:** Can we just stop – or did you want to continue with this? Because we are at the break time now for lunch.

**MR. LEARMONTH:** All right. We can stop.

**THE COMMISSIONER:** Did you want to break now?

**MR. LEARMONTH:** No, well, I am about to go into a new –

**THE COMMISSIONER:** Different area?

**MR. LEARMONTH:** – different topic –

**THE COMMISSIONER:** Okay.

**MR. LEARMONTH:** – so it'd be fine to stop from my point of view anyway.

**THE COMMISSIONER:** All right.

So, we'll basically break now and come back at 2 o'clock this afternoon.

And counsel remember that you should go right to the counsel room now because there is a meeting required.

**CLERK:** All rise.

### Recess

**CLERK:** All rise.

This Commission of Inquiry is in session.

**THE COMMISSIONER:** Thank you. Good afternoon.

Mr. Learmonth, when you're ready.

**MR. LEARMONTH:** Thank you. At this point, Mr. Williams, I wanna ask you some questions about your communications with representatives of Nalcor while you were premier.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** I understand that Ed Martin is hired as CEO in about August 2005? Is that –

**MR. D. WILLIAMS:** That's correct. Yeah.

**MR. LEARMONTH:** – consistent with your knowledge?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Yeah.

And were you involved in the selection process of Ed Martin as CEO?



**MR. D. WILLIAMS:** I would've been involved in the final selection.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** The process would've been done by – for want of a better term – headhunting group.

**MR. LEARMONTH:** Right. And at the time, did you know Ed Martin personally?

**MR. D. WILLIAMS:** I knew of him, and I met him on a few occasions in the – through the offshore, but you know, I wasn't a social acquaintance or anything.

**MR. LEARMONTH:** No.

**MR. D. WILLIAMS:** Not that I wouldn't be, but I wasn't ...

**MR. LEARMONTH:** Did you personally interview him before he was hired? Do you know?

**MR. D. WILLIAMS:** I don't think so. No.

**MR. LEARMONTH:** Okay. But you provided the final sign-off, I take it?

**MR. D. WILLIAMS:** Yes, yeah. We would've –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** The recommendations, or recommendation, would've come to us from – I think it was Robinsons [sp Knightsbridge Robertson Surrette] if I remember correct, but ...

**MR. LEARMONTH:** Yes.

And would – when you were communicating with Nalcor, would it most often be with Ed Martin, or were there other representatives with Nalcor that you communicated with?

**MR. D. WILLIAMS:** Would nearly always be with Ed Martin.

**MR. LEARMONTH:** Nearly always.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Sometimes Gilbert Bennett, perhaps?

**MR. D. WILLIAMS:** Yeah – no. Actually, few and far between, if I spoke to Gilbert at all, actually.

**MR. LEARMONTH:** Yeah.

Anyone on the project management team? Would you have ever –

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** – spoken to them? No. No?

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** No.

And what was the form of your communications with Ed Martin while you were premier? For example, was it by email, letter, fax, text messages, meetings, telephones or some combination of the above?

**MR. D. WILLIAMS:** It would be a combination of all those. The – not so much the text or emails and that, 'cause that wasn't the medium I used with Ed. I'd pick up the phone or Ed would pick up the phone. So I –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – talked to him on the phone a bit, and there would also be an update process, which would be the more formal one, which would be the Cabinet one. But there'd also be the – without calling– the less formal or informal, which would be – which I'd mentioned this morning – meetings with Minister Dunderdale, myself, senior officials, my staff and likely Ed – and probably just Ed. I don't know if there's anybody else even from Nalcor came to those – and the department, of course.

**MR. LEARMONTH:** Am I correct that you weren't a big email or text person?

**MR. D. WILLIAMS:** I'm texting now more than I used to, but I –

**MR. LEARMONTH:** Well, back –

**MR. D. WILLIAMS:** No, emails. Emails –

**MR. LEARMONTH:** – when you were premier?

**MR. D. WILLIAMS:** – no, no. They used to laugh. My computer wasn't even on, on the desk, and they – people checked it after months that it was – hadn't be used.

**MR. LEARMONTH:** Okay. Well, I can –

**MR. D. WILLIAMS:** (Inaudible.)

**MR. LEARMONTH:** – understand that. I'm close to your age, so I –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – understand.

**MR. D. WILLIAMS:** I know.

**MR. LEARMONTH:** You don't have to explain it.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** That's why I was a bit concerned about coming in here and having to work just from the screen, but this is all working out really –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – nice actually.

**MR. LEARMONTH:** All right.

Now, would your – when you met with Ed Martin would it be at the Confederation Building or Nalcor's offices or elsewhere?

**MR. D. WILLIAMS:** Would've been virtually always at the Confederation Building.

**MR. LEARMONTH:** All right. And when you met with Ed Martin would it be just you and him or would it more often –?

**MR. D. WILLIAMS:** Other – another group. Normally, it would be the – pretty well all the time it would've been the group –

**MR. LEARMONTH:** Right.

**MR. D. WILLIAMS:** – that I mentioned, the minister and officials and my staff.

**MR. LEARMONTH:** Charles Bown, Robert Thompson, people like that?

**MR. D. WILLIAMS:** Yeah, Robert as Clerk would've been there, or Gary Norris as Clerk when he would've been there, yup, and –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – others, other senior officials.

**MR. LEARMONTH:** Okay.

Did you keep notes or other records of these meetings and telephone conversations with Ed Martin?

**MR. D. WILLIAMS:** Certainly not telephone conversations. As a general rule, you know, I tried to – it might be a mistake, but I tried to retain as much of it as I can in my head. The only time I can ever remember in government really taking detailed notes was at a Fisheries conference, and I remember I took 35 pages of notes because it was an area –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that we had a summit and brought all the stakeholders in and we were trying to find a solution to a very complex situation, which –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – was too complex to be resolved.

**MR. LEARMONTH:** So you would try to keep as much (inaudible) –

**MR. D. WILLIAMS:** Yeah, absolutely, and you know I'd have the documentation. I'd always be provided with paper. You know, normally there'd be an update or the kind of documents that you were presented during the morning.

**MR. LEARMONTH:** Now, am I correct that the proper or formal line of communicating and reporting, by Nalcor to government, would be through the Department of Natural Resources?

**MR. D. WILLIAMS:** Yes, it was kind of a bipartisan – not bipartisan, bilateral type of (inaudible), but primarily absolutely through the department.

**MR. LEARMONTH:** Yeah, but I have some – I mean, am I correct in saying that there were occasions when you, as premier, would, for example, meet with Ed Martin and give him authority to take some action without first communicating the action to the Department of Natural Resources, do you have –

**MR. D. WILLIAMS:** No, I mean –

**MR. LEARMONTH:** – any recollection of that?

**MR. D. WILLIAMS:** – there would always be – we had a pretty open relationship with regard to the ministers and that, so there generally would not be anything done that, you know, the minister, you know as a courtesy or in present would not have been informed of.

**MR. LEARMONTH:** But –

**MR. D. WILLIAMS:** I respected their authority in their departments. That was all part of it.

**MR. LEARMONTH:** Are you saying that didn't happen, or if it did happen –

**MR. D. WILLIAMS:** No, if it did happen, the minister would always be advised, and of course, that would be part of the role of the Clerk being there, or my staff or chief of staff or whoever it happened to be, they would keep the minister and her people informed –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – to the best of our ability.

**MR. LEARMONTH:** Okay.

At any time while you were the premier did you ever question, in your own mind, whether Nalcor may not be disclosing to you and government all relevant information on the Muskrat Falls Project and, in particular, on cost estimates? Did that ever cross your mind that there wasn't a disclosure by Nalcor –

**MR. D. WILLIAMS:** You mean a deliberate non-disclosure?

**MR. LEARMONTH:** Well, non-disclosure for whatever, I don't know, whatever –

**MR. D. WILLIAMS:** Well, two sides to that. If it was something I didn't know about, I wouldn't know whether it was –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – disclosed or not, and I'm –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – not trying to funny, but I'm just ...

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** But on the other hand, no, there was never a point where I sat back and said I think they're keeping something from me. Now that's – doesn't say that there weren't times that I'd disagree or I'd push back, or –

**MR. LEARMONTH:** No, no.

**MR. D. WILLIAMS:** – you know, we'd have (inaudible).

**MR. LEARMONTH:** I'm talking when you ever sat back and said –

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** – they're not giving me this, I'm concerned, or – that never (inaudible) – ?

**MR. D. WILLIAMS:** Never, never. Never.

**MR. LEARMONTH:** Okay.

And a supplementary question to that was, at any time, while you were premier, did you ever question in your own mind whether the information which Nalcor was providing you on the Muskrat Falls Project was complete and accurate and, in particular, on cost estimates? (Inaudible) –

**MR. D. WILLIAMS:** I always thought it was to the best of their ability, too. Now, you know, whether they hadn't got all the information, I don't know, but what was presented to me –

**MR. LEARMONTH:** But –

**MR. D. WILLIAMS:** – I was assuming, and thought from my looking at it, that it was thorough.

**MR. LEARMONTH:** Okay, so you – it didn't – that was never a question in your mind – that perhaps they weren't giving you –

**MR. D. WILLIAMS:** No, not at all.

**MR. LEARMONTH:** – accurate and fair cost estimates?

**MR. D. WILLIAMS:** I had no reason to doubt them or mistrust them. But I mean, that doesn't mean I took everything they said at face value, though. I questioned it and challenged them on issues as well.

**MR. LEARMONTH:** Oh, no, I'm not talking about that, but I'm talking about – I realize you would have questioned them on what they did provide –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – you, yeah.

I wanna refer to Exhibit P-00220, which is in tab 63. That's the second binder, Mr. Williams.

**MR. D. WILLIAMS:** Yes – yeah.

**MR. LEARMONTH:** This is an email from Robert Thompson to Kathy Dunderdale about

cost risk framework, and it's October 30, 2010, which is just 18 days before the term sheet was announced – or signed.

Now, on the next page – next three pages – there are a number of statements under the heading: "Cost Risk Framework and Logic

"Muskrat Falls/Island Link/Maritime Link," et cetera. And there's a background statement.

And when I read the bottom three paragraphs – and take the time to do so – it suggests to me that there –

**MR. D. WILLIAMS:** Of which page, Mr. Learmonth – what page?

**MR. LEARMONTH:** Page 2, sorry.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** Page 2.

It suggests to me that at some point there was a discussion between Nalcor and Emera as to who would bear risk and who would be responsible for cost overruns and so on.

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** When I read – do you wanna read those last three paragraphs –

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – and just see if it rings a bell?

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** So there's – in the middle paragraph of the last three on page 2 – the second to last, it says, "If this cost risk were to be shared by each party in proportion to their ownership, Emera has indicated, as is typical, they want a series of 'fundamental decisions' whereby consensus is required prior to implementing these decisions."

Now, I don't know exactly what the context is here, although it seems – it appears to me to be some discussion about who is gonna share the

risk, and if Emera's gonna assume more risk, they're gonna want more say in the project –

**MR. D. WILLIAMS:** That's the way I read it, yeah.

**MR. LEARMONTH:** – and so on. But do you have any recollection of those discussions? Because this email on the previous page, page 1, says – an email from – dated October 30, 2010, from Robert Thompson to Kathy Dunderdale says: “FYI attached is the new cost-sharing framework that Nalcor has developed. It is consistent with the concepts discussed yesterday. According to Brian the Premier is reasonably comfortable with it.”

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** So you were the premier at the time I think. Yes, you were.

**MR. D. WILLIAMS:** Yeah. This is – yeah, go ahead. Go ahead.

**MR. LEARMONTH:** Can you expand on that or give it some – shed some light on it?

**MR. D. WILLIAMS:** So this is about – what's this, October – I'd say this was eight years ago yesterday or the day before yesterday. We were going through – at that point, we were getting down to the short strokes with Emera. Nalcor were negotiating intensely with Emera – and I think you'd have to ask Nalcor representatives where they were meeting and how often they met. But there was – I remember there was a to-and-fro going on, so this would have been part of that.

And generally on risk, too, I mean, you know, government was consulted and made aware of risks and there were headings, you know, with whether they have to be environmental risk, financial risk whatever they happen to be. So categories of risk were being brought forward. The minutia of this particular negotiation, I can remember it, but as to at what stage this was or how it bears resemblance to the final result, and how we got there, I can't give you all that detail. 'Cause that was being handled –

**MR. LEARMONTH:** Right.

**MR. D. WILLIAMS:** – to my recollection – directly by Emera. What level the minister and her department were involved, I can't tell you.

**MR. LEARMONTH:** But there were discussions on the subject matter of who was going to bear the risk and –?

**MR. D. WILLIAMS:** Yeah, absolutely, oh yeah. That was part of the to-and-fro.

**MR. LEARMONTH:** Because as it turned out – I know you weren't there at the time, but this may refresh your memory – as it turned out that Emera was not responsible for the cost overruns on the generating station and the transmission lines that – beyond the DG3 number. So we had to absorb all that cost ourselves. Did that point – was that the result of these negotiations on risk?

**MR. D. WILLIAMS:** I don't know at what point that got to that point. I don't know when – I don't know what the difference is between the finalized sanction terms and what we signed off on in 2010.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** So there may be some fine tuning on that, and if it happened after December of 2010, then I have no knowledge of it.

**MR. LEARMONTH:** Yeah, I just –

**MR. D. WILLIAMS:** Apart from what I would read in the papers, like anybody else would.

**MR. LEARMONTH:** Okay.

And I'll just note that Exhibit 00223, dated November 9, 2010, page 10 – you might as well bring it up, please, Madam Clerk.

Page 10 is the Cabinet directive or minute in council, whatever it was, which authorized Nalcor to sign the non-binding term sheet.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Okay.

Now, before authorizing the signing of the term sheet by Nalcor, are you aware as to whether

any studies or analyses were conducted by the Department of Finance, Treasury Board or any other department to, you know, test and scrutinize and analyze the DG2 cost estimates that were available at the time?

**MR. D. WILLIAMS:** I can't speak definitively on that. I just don't know.

**MR. LEARMONTH:** Did you personally review the DG2 cost estimate package?

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** No. So you accepted the numbers that were presented by Nalcor?

**MR. D. WILLIAMS:** Yeah, the numbers that were presented at that stage were – and I don't even – they were final, I think, but I don't know how final, final was, so they – were they completed in November 2010, I'm not –

**MR. LEARMONTH:** The DG2 numbers, yes.

**MR. D. WILLIAMS:** But anyway, I guess they were totally completed and presented, I don't know, but I –

**MR. LEARMONTH:** Yup.

**MR. D. WILLIAMS:** – I know they were certainly in place at that point, because that was the basis really on which we went forward with the decision.

**MR. LEARMONTH:** Okay. You didn't review them.

Do you know whether anyone in government reviewed them? Do you have any knowledge of that?

**MR. D. WILLIAMS:** I don't know. I wouldn't – I can guess, but, no, I don't.

**MR. LEARMONTH:** Yeah, okay.

Now in – I realize, by the way, that the term sheet was a non-binding agreement, so it wasn't like you were signing something in concrete. It was just to lead to further negotiations.

But at this point can you tell me whether any analysis was done on – by Treasury Board, not on the cost estimates but on the effect that, you know, making a commitment like this on a megaproject would have, perhaps, on our credit rating or anything like that. Was any analysis of that kind done, to your knowledge?

**MR. D. WILLIAMS:** That certainly would have been done by the Department of Finance. As well, Natural Resources would have certainly had a look at that as well. To my recollection, there were independent reviews by, I think, the Bank of Nova Scotia and the Royal Bank as to the financial feasibility of the project and these terms generally.

**MR. LEARMONTH:** Would that have been at the – you know, prior to the signing of the term sheet, to your knowledge?

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** Okay. And that would have –

**MR. D. WILLIAMS:** We – you know, we weren't basically going in and saying, okay, it's – you know, \$5, \$6 billion here, let's take our chances, roll the dice. That didn't happen.

**MR. LEARMONTH:** Now, I'll ask you to turn to Exhibit P-00036, which is at tab 71 in the second volume.

And this is the news release from the Government of Newfoundland and Labrador and the Government of Nova Scotia, Nalcor and Emera on the Term Sheet – signing of the Term Sheet – November 18, 2010. And on page 9 of that document we see the estimated capital cost of 6.2 billion and the generating facility and Labrador transmission – that's the line from Churchill Falls to Muskrat Falls – estimated to cost 2.9; and the Labrador-Island Link and upgrades are estimated to 2.1. So 2.9 and 2.1 is the – are the components of the \$5 billion figure that was disclosed to the public. Is that correct?

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** Yeah.

And you were involved in the announcement that our share – Newfoundland and Labrador's share was \$5 billion and did you – when you made that statement or read that disclosure to the public – did you believe that the \$5 billion cost estimate was as accurate as it could be at the time?

**MR. D. WILLIAMS:** Absolutely.

**MR. LEARMONTH:** Yeah.

I mean, we all know that megaprojects go over budget – I'm not talking about general thoughts like that –

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** – but as accurate as it could be at the time.

**MR. D. WILLIAMS:** Right. Because I mean we – that was basically the feasibility stage. That was where you're deciding whether you are going to go ahead with that particular project.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** None of the feed – the engineering was done at that bid on that time.

**MR. LEARMONTH:** Yeah. Now there are certain points that I'm going to put to you as facts and I believe them to be true and you can rely on them as being true for the purpose of answering –

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – your question and if I'm wrong then there is very little value to the question. But I believe they're true in substance.

In support of Nalcor's cost estimate preparation for DG2, Nalcor engaged Westney, a consultant in Texas, to complete a QRA or quantitative risk assessment, and the amount of contingent equity or management reserve for the strategic risk identified by Westney was in the \$300 million to \$600 million range.

So they go to Westney and Westney says this is the range, 300 to 600 depending on whether you want to be conservative or not.

Now, in a draft DG2 document, Nalcor chose to include an allowance of \$300 million for strategic risk, which was at the bottom of the range recommended by Westney in the QRA, but it was within the range.

**MR. D. WILLIAMS:** So strategic risk being what?

**MR. LEARMONTH:** It would be risks for matters that are known to exist at the time but cannot be exactly quantified.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** So it's a – I think it's a – I think that's a fair way to put it.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** Now, during the negotiations leading up to the signing of the term sheet with Emera, the Nalcor executive – not the project team, the executive – made a conscious or deliberate decision to remove the strategic risk reserve recommended in the DG2 quantitative risk analysis, in order to respond to Emera's concern regarding its ability to sell the strategic risk to the Nova Scotia regulator – namely the Nova Scotia Utility and Review Board, which is – as you know – is Nova Scotia's equivalent of our Public Utilities Board.

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** So the information we have – directly from the project management team – this was a conscious decision to hook this, take it out of the estimate, to address a concern that Emera conveyed or expressed, and that this is going to cause us problems with the regulator. So they took it out.

Now, at any time – and you can accept that as being a fact.

**MR. D. WILLIAMS:** Yeah, I don't know, I mean I'd have to accept what you're saying.

**MR. LEARMONTH:** No, no, as I said, that's why I said, like, you can accept these –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – as being facts, and if I’m wrong –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – in any material way or – wrong –

**MR. D. WILLIAMS:** Yup, no. I’m fine.

**MR. LEARMONTH:** – then the question collapses, right? So you can accept those things as being true.

Now, at any time before you made the announcement to the public on November 18, 2010, were you aware of this removal of the strategic risk allowance from the project cost estimate that you communicated to the public?

**MR. D. WILLIAMS:** No, I wasn’t aware.

**MR. LEARMONTH:** Okay.

If you had been aware of this, would you have announced to the public that Nalcor’s cost estimate for the project was \$5 billion as being our share?

**MR. D. WILLIAMS:** If – and like, we’re into hypotheticals, right, which really makes it awkward, but –

**MR. LEARMONTH:** No, but –

**MR. D. WILLIAMS:** – if I had been aware that there was a deliberate removal of something that should have been there and was valid, well then obviously I would’ve obviously disclosed that.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** But I don’t know the circumstances of what you’re talking about – I mean, that’s the problem, right.

**MR. LEARMONTH:** But –

**MR. D. WILLIAMS:** So I’m kind of in a vacuum.

**MR. LEARMONTH:** Okay, but –

**MR. D. WILLIAMS:** But yes, if it’s a half-billion dollars and – it’s relevant. Put it that way.

**MR. LEARMONTH:** And I’m suggesting to you – and this is the word taken from the report we got from –

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – that it was a conscious decision. It wasn’t an accident, it was a conscious –

**MR. D. WILLIAMS:** Not a report that we had, not the report that government had.

**MR. LEARMONTH:** No, no.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** I’m not saying that, I’m saying –

**MR. D. WILLIAMS:** No, I know, I know, I know.

**MR. LEARMONTH:** So, if there was a conscious decision to remove it, and it was removed, as the Premier, who is obviously under a high duty to communicate honest information to the public, wouldn’t that have been a matter of concern for you?

**MR. D. WILLIAMS:** Absolutely. If it, you know, if it was valid that it had to be removed. That’s the only way I can qualify it. I’m not – you know, I’ve gotta –

**MR. LEARMONTH:** No, no –

**MR. D. WILLIAMS:** – assume that this is a really valid exercise and it’s deliberately removed and it’s a conscious omission. That being the case, yeah, I would have to – I would disclose that, because it’s a half-million dollars – it’s material.

**MR. LEARMONTH:** Well in fairness –

**MR. D. WILLIAMS:** Half a billion dollars.

**MR. LEARMONTH:** – it may not be, it’s between – the strategic risk reserve was 300 –



**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** – to six, so it's not right –

**MR. D. WILLIAMS:** Just trying to get a range.

**MR. LEARMONTH:** – but you know, it's still a significant amount of money.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** And I suggest to you that there's two – there's one issue of disclosure – and of course, Nalcor and anyone else who can shed any light on this, is sort of free and open to present information which attacks the facts that I've put forward. I recognize that.

But I would suggest that there's a – in addition to a possible problem with disclosing – there's another problem because I suggest that that signifies an imbalance or a weakness on Nalcor's part in the negotiating position it was taking with Emera. I mean, if one of your partners is saying remove this from a risk assessment – remove this from your cost estimate to make it easier for us to, you know, sell this to the regulator, for want of a better term.

I suggest that that's an early warning sign that there's something gone awry in the negotiations. Do you see that concern?

**MR. D. WILLIAMS:** That's a stretch for me, only in the fact that it's –

**MR. LEARMONTH:** All right, well I want you to tell me how it's a concern.

**MR. D. WILLIAMS:** Yeah, no – yeah, just the fact that, you know, does that show weakness in a negotiation – I can't come to that conclusion because I don't know if there were trade-offs, what the reasons were, what the context is, what the strategic risk entails. You gave me an indication of what it entails, but I mean, I need to understand that.

But I can tell you that from a negotiation perspective – I mean, I've been through the Hebron, and the White Rose and the Hibernia negotiations with Ed Martin and his team at –

**MR. LEARMONTH:** Hmm.

**MR. D. WILLIAMS:** – Nalcor, and I can tell you they're tough negotiators and we –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – eked out some very, very strong deals on the offshore to where we dramatically increased the revenues for this province to the tune of tens of billions of dollars.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** At one point we did a calculation when oil was higher, that in fact, those agreements – renegotiated agreements that we negotiated was worth 40 billion to the province. Now, that's when rates – when oil was higher.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Oil has gone down, but oil has since come back because at 82 cents on that –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – is 76-cent dollar is probably equivalent to a hundred anyway.

But having said that, my point is, is that I knew Mr. Martin, and/or people that were with him, to be very confident, very thorough, very tough negotiators who delivered in spades on oil and gas for this province. So –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – if – I could not possibly assume that this was a sign of weakness on a hydro negotiation.

**MR. LEARMONTH:** Fair enough. Thank you for your answer.

But don't you agree that if what I put to you is (inaudible) excused the 20-for-20 principle. I mean, this would –

**MR. D. WILLIAMS:** Excuse the what?

**MR. LEARMONTH:** The 20-for-20 principle –

**MR. D. WILLIAMS:** Oh, yeah.

**MR. LEARMONTH:** – you know, 20 per cent of the power for 20 per cent of the cost, and if there should've been an amount for contingency risk in there then Nova Scotia – that affects the balance of the 20-20 principle because it would jack – let's say it was 5.3 billion, that's (inaudible) – should've been 5.3 billion, and then 1.2 for Nova Scotia –

**MR. D. WILLIAMS:** Yeah, 20 per cent of a higher number is more –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – and I understand that.

**MR. LEARMONTH:** So I suggest to you that based on that information, assuming once again it's true that the – before the ink is dry on the term sheet, the 20-20 principle is out the window. Do you have any comment on that?

**MR. D. WILLIAMS:** Yeah, well, you know, I know in the Emera part of the component of the deal, Emera basically were paying for the Link at that point, which was 1.2 billion. I think that's since gone to 1.6 or 1.7 – I don't do the numbers but I think they are –

**MR. LEARMONTH:** Yeah, I think it's 1.6.

**MR. D. WILLIAMS:** So they actually absorbed that. So that extra 400 was absorbed by Emera.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** So originally, what we were getting for 1.2, cost 1.6 and Emera paid that \$400 million.

**MR. LEARMONTH:** But in – oh, sorry, I didn't mean to interrupt you.

**MR. D. WILLIAMS:** No, no. Go ahead.

**MR. LEARMONTH:** No, what I'm – my understanding, subject to verification, is that this 1.6 billion – it came in for less than 1.6 billion and that amount was acceptable to the regulator, meaning that the –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** – total cost would be – could be covered – recovered over time –

**MR. D. WILLIAMS:** Yeah, I – yeah.

**MR. LEARMONTH:** – from the ratepayers.

**MR. D. WILLIAMS:** Yeah, I have no –

**MR. LEARMONTH:** So –

**MR. D. WILLIAMS:** – opinion of that, but I do know that Emera ended up paying more –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – for what they agreed to pay for on the Link. Now, in addition, on the Emera – there were several components of that. They were also participating in the LIL – the Labrador Link.

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** But an important part of the trade-off was we were – they were getting, if I remember correctly, 170 megawatts for two-thirds of the day, so the other third of the day, that 170 was available to us on the Maritime Link, which was a 500-megawatt link.

**MR. LEARMONTH:** Correct.

**MR. D. WILLIAMS:** The other 300 was available to us 24 hours a day. So we basically had 300, plus one-third of 170 out of 500.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** So that was a big part of the capacity that we got out of the Maritime Link. When we landed on the other coast – on the other shore, we then had the benefit of utilizing Emera's transmission through Nova Scotia, New Brunswick and into Maine, for which we paid, but we had the ability, the capacity, the open access to get through, which we could not get from Quebec.

As well, there was another part of that deal that basically said that in consideration for the partnership with Emera, we would also have the right to participate with Emera – and I say we being Nalcor and the people of the province

have the right to participate with Emera in ongoing projects. So in other words, they said: Look, we're gonna go down into Vermont and we're gonna do something, you guys can come along for the ride – and gals can come along for the ride if you want. So, you know, there were other pieces.

**MR. LEARMONTH:** Oh, yes. I understand that. Yeah.

**MR. D. WILLIAMS:** So what I'm getting at, though, Mr. Learmonth, is that, you know, that – I wasn't at the table of that negotiation, but there was to and fro, and I can't tell you all the intricacies –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – of where it jumped around.

**MR. LEARMONTH:** Well, I'm certainly not gonna ask you to tell us all the details of the agreement now. It's a long time after. But at the time, were you aware of all the intricacies of the details – and details –

**MR. D. WILLIAMS:** Not all the –

**MR. LEARMONTH:** – (inaudible) not –

**MR. D. WILLIAMS:** – intricacies. No. I was –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – getting the tops of the trees report, basically, and said: Okay, fine, are we okay with this principle at the end of the day?

**MR. LEARMONTH:** Okay, fine.

Now, the next document I would like to bring up is Exhibit P-00230, which is at tab 74. This is the – your speech when you retired, November 25, 2010, P-00230.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. LEARMONTH:** I'm sure you remember that day –

**MR. D. WILLIAMS:** Yeah, I do.

**MR. LEARMONTH:** – in your –

**MR. D. WILLIAMS:** Nostalgically, I do –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – quite honestly.

**MR. LEARMONTH:** I'm sure you do.

**MR. D. WILLIAMS:** That was one tough day.

**MR. LEARMONTH:** Can you give us, in a nutshell, the reasons for your retirement? Would you care to do that?

**MR. D. WILLIAMS:** It goes back to when I got into it. I had planned on getting into politics for a maximum of 10 years, which is a decade out of your life, and so that's a significant commitment. I'd originally anticipated there might be an election earlier than when there was, so it was basically three years before we had an opportunity to have an election to see if the people wanted to grant us a government.

And I then had seven years in government and basically decided that was enough. I'd sort of set that 10-year time frame in the beginning and that I wasn't going beyond that. I'd gone slightly beyond it and felt that, look, you know, we had the blueprint, we accomplished a lot of things on the bucket list and I felt that that was the time – that was the right time to pull the pin.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** And I also made the comment – and forgive me, Commissioner – is you start believing your own BS at the end of the day, so sometimes it's time to go.

**MR. LEARMONTH:** Okay. Thank you.

Okay, so you retired on, I think, December 3 – your announcement was in and you were gone on December 3. That leads to another one of these points I want to put to you about perceptions that we hear from certain people and it's out there –

**MR. D. WILLIAMS:** Who are these coming from? Who are these people?

**MR. LEARMONTH:** I can't tell you. But we get all these – and I'm sure you've heard of this. Well, I don't – I can't say I'm sure but – and I'll put it in an extreme way, like I did the other one, realizing that there are variations or toned-down versions.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** But I'll put it to you because I think that –

**MR. D. WILLIAMS:** Sure.

**MR. LEARMONTH:** – the public would like to hear your reaction to it. It's not something that I'm suggesting to you is true.

**MR. D. WILLIAMS:** No, I hear you.

**MR. LEARMONTH:** I'm saying this is a rumour or belief that we hear and I want to put it to you.

And what it is, is that after you resigned as premier, you nevertheless exerted some level of control over the Muskrat Falls Project by exerting your influence on the premier who succeeded you and on Members of her Cabinet. In other words, you were gone but this was Danny's project and he hung in there and, you know, drove the project even after he resigned as premier. You were – you're influential in the steps taken after December 3, 2010, to bring this to sanction. Can you comment on that suggestion, we'll say?

**MR. D. WILLIAMS:** For those rumours, nothing is further from the truth. Absolutely not. The day I went out the door, I was done. And I – you know, I did offer in following governments to, you know, I'm around if you want advice or you want me to be involved or you want me to, you know, stand up on the stage. I was prepared to do it to help out.

But, no, I was not involved, I did not exert any control over it whatsoever and I wasn't privy to the information. So, like, my knowledge base ends on December 3 and apart from what I've picked up and what I read and what everybody else in the room has access to. So, no, absolutely not. No control, no influence at all that way.

**MR. LEARMONTH:** So that's a false suggestion?

**MR. D. WILLIAMS:** Absolutely and, you know – yeah.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** Whoever is putting it out there is putting it out for the wrong reasons.

**MR. LEARMONTH:** Well, I –

**MR. D. WILLIAMS:** Danny-haters.

**MR. LEARMONTH:** No, but you may have heard it, like, in –

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** You've heard the rumour.

**MR. D. WILLIAMS:** I have – yeah, I have heard it, yeah, yeah.

**MR. LEARMONTH:** Or the belief or whatever you want to call it, yeah.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Well, that's why I want to put it to you because if other people –

**MR. D. WILLIAMS:** No, that's fair. Yeah. So that's –

**MR. LEARMONTH:** – suggested it and –

**MR. D. WILLIAMS:** – and it's absolutely –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – untrue.

**MR. LEARMONTH:** Okay.

Now, I want to turn to the PUB reference and your reaction to it. March 30, 2012 decision of the PUB which was that, you know, once again being general, that they declined to approve the Muskrat Falls Project.

Now, at tab 75, the exhibit is 00232.

**THE COMMISSIONER:** 00231?

**MR. LEARMONTH:** 00232.

**THE COMMISSIONER:** Okay, in my book it's 00231 but –

**MR. LEARMONTH:** Well, this is – no, this is a news release from Premier Williams; 00231 is the –

**THE COMMISSIONER:** Okay, right.

**MR. LEARMONTH:** – is the CBC report.

**THE COMMISSIONER:** Gotcha. Okay.

**MR. LEARMONTH:** Yeah. So, the 00232, this is something you released so I – it would obviously be accurate.

So at the end of the first paragraph you say that you're referring to – you say "Williams said the inability of the PUB to reach a recommendation after 9 months and millions of dollars is unacceptable; and that past statements had already showing a bias against the project."

Do you recall what you were referring to when you said that?

**MR. D. WILLIAMS:** Well, I think the chairman was in the room. I mean, at the time while this matter was – the former chairman, I'm sorry, Mr. Wells – the – at the time that this matter was ongoing, and at this point I think they were six months in, I'm – forgive me if I'm off by a month. But he had made some statements at one point that the process was torturous or something and –

**MR. LEARMONTH:** Mmm.

**MR. D. WILLIAMS:** – he'd made another statement that there was a sword over his head on the timelines and everything else. And my observation of that was that that is unusual for a chair in the middle of a hearing to be coming out and indicating that he is angry or not happy with the matter that's before him and the people that are presenting the matter before him.

So, on that basis, I made the statement that it appeared to me that he had – he was exhibiting

some predetermined notions as to about how this was all gonna end.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** That was the context of those comments. And as well, there were others that were coming out in full force at that time, a former chairman of the PUB –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – a former city manager who worked with the chairman of the PUB –

**MR. LEARMONTH:** Mmm.

**MR. D. WILLIAMS:** – those supporting articles were coming out all through that process, so there was obviously opinions from a group that were coming out that – in that December-January time frame.

**MR. LEARMONTH:** I must remind you that you appointed Andy Wells –

**MR. D. WILLIAMS:** Oh yeah, yeah.

**MR. LEARMONTH:** And in a prior document –

**MR. D. WILLIAMS:** Andy and I have had our differences –

**MR. LEARMONTH:** Yeah, 00231.

**MR. D. WILLIAMS:** – over the years, but I –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – respected his opinion.

**MR. LEARMONTH:** No, but in 00231 when you're – your point – in document 00231, page 2, you said that Wells was instead slotted into the top – this is the bottom third to last paragraph – was slotted into the job – "In 2008, Williams said he 'steadfast confidence' in Wells's abilities and experience ....

'He is eminently qualified and I am extremely confident he will be a valuable asset in that organization.'"

Well, I guess –

**MR. D. WILLIAMS:** What was that? That was when he was appointed?

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Yeah. Okay. Anyway –

**MR. D. WILLIAMS:** Yeah, he wouldn't have been appointed if I didn't think he could do the job. I mean –

**MR. LEARMONTH:** Okay.

The – now, you refer to, in at least two places on page 1 of 00232 to, you say – in the third – second to last line on the second paragraph down, you say: “When I read the report brought down by the PUB, I was deeply disappointed in the indecisive nature of the report; and more so I was troubled by the conclusions put forward by the board largely based on opinions of private citizens as opposed to the experts at Nalcor and Manitoba Hydro.”

And then in the third to last paragraphs – paragraph of that page 1 of 00232, you say: I have serious concerns “that the PUB quotes extensively the personal opinions of former bureaucrats and academia, while ignoring the world-class experts at Nalcor.”

Now, can you tell me who you're referring to as the former bureaucrats and academia? Do – are you able to tell me who you're referring to?

**MR. D. WILLIAMS:** Well, the former bureaucrats, they would've been bureaucrats from 30 or 40 years ago. They were back in the '80s, and that would be Mr. Penney and Mr. Vardy. Mr. Penney was the city manager and the chief administrative officer for the city during Mr. Wells's tenure as mayor. And Mr. Vardy, I think he was chairman of the PUB at one point.

But like I said, these comments were coming out, and then, they were later, to the best of my knowledge, reflected and quoted in the decision of the Public Utilities Board.

The academia would've been the gentleman I referred to this morning, probably. I don't know if he was involved in that, but I guess, he might be. It might Jim Feehan or some of these people who are making comments at that particular point in time. So you know, I was – my concern was is that the chairman's opinion might have been slanted by people who were making representation to him, that's the nicest way I can put it.

**MR. LEARMONTH:** Did you have any hard evidence of that or was that just your personal observation?

**MR. D. WILLIAMS:** No, I can't say I had any hard evidence of that.

**MR. LEARMONTH:** No, okay. Fair enough. Now, the next document is Exhibit 00233, tab – 00233 and that's tab 77, and this is a statement, October 22, 2010 – '12, sorry, just before sanction, two months before sanction on this. And of course, you'd been gone for almost two years by that time. But this is a reference to this Alderon issue –

**MR. D. WILLIAMS:** Yup.

**MR. LEARMONTH:** – that came up in the third to last paragraph: “Williams also defended himself. He currently plays a central role with Alderon, a company with significant mining interests in Labrador and with a need for affordable electricity. Critics say it's a conflict of interest for Williams.” And you're attributed – this quote is attributed to you: “I most certainly would not jeopardize years of working for this province or my own personal reputation for the sake of Muskrat Falls or a mining company.”

Was that – did you hear those criticisms at some time in your –?

**MR. D. WILLIAMS:** You know, I guess people are saying because I'm on the board of directors of a mining company that I was – I don't know –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – I had a conflict of interest because I had a vested interest in it.

Well, I resigned from the board. I don't know exactly how long after that, it must have been a while after that, but I didn't stay on that board and that had nothing to do with what was going on at the Public Utilities Board, not by a long shot.

The interesting part of that is that at those times and at the time of the letter of intent, the approval in principle, I'd refer to it as, there was a lot of good things going on in the province. There was a lot of, you know –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – positive talk and everything was go, go, go and a lot mining things happening. There was an expansion in Labrador West. Wabush was still okay. The Kami Alderon project, which is now resurrected again, was there. Tada Steel were involved in somewhere out in one of the other mining projects. So there was a lot happening –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – and that from a project and from a power perspective, that was also part of the reason too that we felt that we needed to get a power project whereby we could use our power, Newfoundland and Labrador power, as opposed to Quebec using its power and getting these projects.

So, yeah, that's – I mean, it's a red herring from my perspective. It's just like yeah, I was on the board; I was happy to be on the board.

**MR. LEARMONTH:** Because a suggestion, I guess a suggestion, to put it right out there, is that somehow you are motivated more by your own financial interests as being a director of Alderon than you were for the province. I mean, that's the implication of it, right? And your response ...?

**MR. D. WILLIAMS:** No.

**MR. LEARMONTH:** Okay.

Next document is 00234, and that's at tab 78. I'm just going to flip through a few more of these just to get your response to some of these points.

This is posted December 6, 2012, it's *CBC News* and you're quoted as saying, on the fourth to last paragraph on page 1: “No matter what it costs, if it costs \$6 billion or \$7 billion or \$8 billion, at the end of the day, it's going to be paid off, it's going to be a valuable asset, and the province will be in a better position,” said Williams.”

Now, I just wonder, the – we know now that the cost is – well, let's deal with figures that don't include interest because I know sometimes there's a mix of that.

**MR. D. WILLIAMS:** Yes.

**MR. LEARMONTH:** So we'll keep it – like, it was 6.2 and now it's up to 10.1 –

**MR. D. WILLIAMS:** Right.

**MR. LEARMONTH:** – before interest charges.

**MR. D. WILLIAMS:** Yeah.

**MR. LEARMONTH:** Now, you're saying 6, 7 or 8 billion. Surely – I know, you are fully supportive of the project and that's fine, but there must be a point where it gets so high that it can't have any merit. Do you agree with that?

**MR. D. WILLIAMS:** Absolutely.

**MR. LEARMONTH:** Yeah. Did you ever consider how high that would have to be?

**MR. D. WILLIAMS:** No, I didn't, and, you know, in order to determine that point, I would need to have the information from financial people, who would basically say: okay, here's where it's not viable.

I mean, the context of that statement is that – let's see: Williams said there's been too much focus on the cost at this point at Muskrat Falls, which the provincial government has projected to be 7.4, well above the original estimate of 6.2. Emera said that the cost of building the Maritime Link will push it to 7.7. So, then it's in that context I said if it cost 6 or 7 or 8. At that point, it's at 7.7.

**MR. LEARMONTH:** Yep.

**MR. D. WILLIAMS:** So, I'm saying if it goes to 6 or 7 or 8, I still think it's valid. And then –

**MR. LEARMONTH:** But at 10.1, do you still believe it's a –

**MR. D. WILLIAMS:** At 10.1, absolutely, I still think it's a good project. Now, from a perspective of the financial analysis of that number or any higher number, I would ask you to put that to somebody who is more –

**MR. LEARMONTH:** Alright.

**MR. D. WILLIAMS:** – financially numbers qualified than I am at that because I don't have the input.

**MR. LEARMONTH:** Okay. Very good.

Exhibit P-00235, tab 79, once again let's say the – one, two, three, four, sixth paragraph down, this is a June 21, 2014 report of Rob Antle of CBC and your quoted as saying: "Williams who served as Tory premier from 2003 to 2010, said Nalcor has evolved into a one-stop energy shop with world-class expertise."

Now, we've – I know you've already commented on that to a certain point, but we have – there is some thought out in the community, and I imagine there may be some evidence presented that because the people at Nalcor did not that background in hydroelectric, that there was somehow – that it would be inappropriate to call them world class.

Can you make any further comment on that? 'Cause they didn't have the background to bring to this project that was required for a hydroelectric project rather than an oil and gas project.

**MR. D. WILLIAMS:** You know, we're operating the eighth largest hydraulic facility in the world. It takes some world-class expertise to run a facility of that magnitude. We are the fourth largest in the country. Again, all the more reason in Canada that we'd have world-class experts to try and manage that particular project.

When you go down through the credentials of the senior management team, they all have between 15 and 35 years, each one of them –

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** – of experience and then when you couple that with the expertise that's around them, there's actually thousands of years of experience in that organization, and I'd put our engineers and our senior executives up against anyone in the world.

So, the bottom feeders who go out and try and disparage our people and state that they're not world class, I think, do a serious injustice to the people in this province. We've proved at an international level on megaprojects, you know, with Hibernia and the others, that we can compete with the best of them. We're there.

So, you know, I – and I'm conscious of the Commissioner's comment this morning on, you know, everybody's got a right to criticize, and I can fully accept that and I understand it, but I've also got a right to answer those critics. You can't have people out freelancing unanswered, unaccountable, not elected, just coming out and just throwing out conjecture and disparaging reputations for no reason.

So, you know, that's the reason I get flushed out on this. I mean, it's, you know – I've said in my interview that, you know, sometimes I think government and Nalcor fell down a little bit on the communicating of the message to say like here's the way the project is and here it's going.

So, at times, I felt I had to stand up and defend what I believed to be a good project, while I defended what I believed to be good people working on that project. And defend our reputation as an energy producer and, hopefully, an energy warehouse of world-class distinction somewhere down the road. So, that's my background. That's what I believed in.

So, you know, I have to answer these things and deal with them. Sometimes my wording was probably colourful, for want of a better term, but that's the way I am. That's (inaudible).

**MR. LEARMONTH:** Well, you're entitled to your opinion and that's what we're trying to do, get opinions from different people in this.

**MR. D. WILLIAMS:** Yeah.



**MR. LEARMONTH:** That's one of roles of this public inquiry to –

**MR. D. WILLIAMS:** No, no, I appreciate that, I'm delighted to be here.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** I just think the opportunity to state –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – the other side of it is very, very important.

**MR. LEARMONTH:** All right.

Now, the next exhibit is P-00237 and that's at tab 81. This is a article entitled: Where have all the Muskrat Falls cheerleaders gone? And it's June – July 3, 2016. And on page 3 of Exhibit P-00237, there's a quote, not in quotation marks, but it states in paragraph 2: "Marshall" – that's Stan Marshall – "stated bluntly that Muskrat Falls was the wrong choice for Newfoundland and Labrador's power needs, and that it will impose 'severe hardship' on rate payers, with utility costs expected to skyrocket in the coming years."

Now, Mr. Marshall has said many times that there was too big, we didn't need all the power and it was a bad decision to go ahead with it. Do you want to say anything about that observation?

**MR. D. WILLIAMS:** I take comfort in what he's recently said, because in the last six months his tune has changed, dramatically. He said it's a megaproject that we should all be proud of. He said that we will have, on a go-forward basis, as we move out we will have, the – among the lowest-cost energy, certainly in Canada. I don't want to attribute the North American to him but he may have said that.

He's recently got up and said that the cost of the Muskrat Falls generating station, those costs are reasonable. You know, he's been very flowery of late, and, you know, I think as he gets close to the end of the project and he just sees the big picture on this and where it's come from and where it's gone. You know, I think he's changed dramatically from his comments in the

beginning, which I found really uncomfortable, to say the least.

**MR. LEARMONTH:** What did you find uncomfortable in his statements?

**MR. D. WILLIAMS:** Well, the boondoggle. You know, if I'm in business and I hire a CEO to run my company, the last thing I expect that CEO to do is to go out and say that my company or its major project is a boondoggle. Because I can tell you quite frankly, he'd be out on his butt the following morning. That's the simplest way I can put it.

Because how can you have someone being the head of the company and then saying that the company and the project are a mess. And those were the comments that were made in the beginning and then it kind of – it blotted the project, it blotted the reputation of the province, and then also, at the same time, you know, we're dealing with the federal government, we're dealing with partners, you've got bankers out there, the implications of that on reputations generally are not good.

So, you know, I just, I really was quite shocked when he did it. He since then has seemed to have changed his position, dramatically. He still says probably never should have started. I mean, he's been saying that. But to take the hard work of people who were involved in this from 2005 and he comes on the scene 11 years later in 2016 and all of a sudden walks in and says it's a boondoggle when he doesn't take – he doesn't change any of the senior management on the team. There's – doesn't seem to find that there's anybody that's created this boondoggle. He just makes a statement.

So that sets up the situation that, if it all works out in the end, well, I rode in and I came in and saved the day. Good for him. If that's the credit he wants.

**MR. LEARMONTH:** Now the, you know, there's information in the public domain that, as a result of Muskrat Falls, that the rates for electricity are going to double. And you've heard those statements. So, just in a very general sense, if Muskrat Falls is a good project, how can it be that it will cause rates to double?

You know, I'm thinking about someone in say a middle income with kids and stuff like that concerned about their power bills doubling.

**MR. D. WILLIAMS:** Absolutely, I get it. I get it.

**MR. LEARMONTH:** And so if the project is sound and it results in a doubling of rates, how – on what basis can you say the project is sound, for want of a better term? Could you comment on that, please?

**MR. D. WILLIAMS:** Sure. The biggest concern to the people of the province right now is rates. And I fully understand that; that it would be a concern to everybody in this room, everybody out there who's watching this broadcast, everybody who listens to the news.

As a result of this fearmongering that's kind of gone on, the rates are going to double, then, you know, people – ordinary Newfoundlanders and Labradorians are saying: look, I'm gonna have to leave the Province. I can't –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** If my electricity bill doubles, I can't live here.

So when this project was put in place, there was never an understanding that we were gonna get it for nothing. You know, you obviously have to pay for a project. You don't put a 6 or a \$10 billion project on the ground and get it given to you. So there has to be some cost related.

But what's important to know in this – whether that commission rate was 11 or 12 cents – that there was gonna be an actual increase anyway in rates. Rates had kind of been held here for a while. Rates, without the Muskrat Falls Project, would have gone up 4 or 5 cents. They would've gone up to 16, 17 cent range.

And there are all kinds of different things driving them – I don't know what all of them were – but, you know, Bay d'Espoir required an upgrade, Holyrood's required an upgrade. We had the Dark Newfoundland that required some extra work. And so – and, of course, we had a seriously depleting asset at Churchill Falls, which even though we don't get the money from

Upper Churchill, we got to pay for it. So all of that goes to drive rates up nearly halfway.

The other part – the other half is doing the Muskrat Falls. When we put this project together, when we did this term sheet back in the day, there was an 8.4 per cent return built in. There's an extra \$3 billion worth of profits that can come from excess sales. We have the returns now that can come from the Upper Churchill redress power because we now have a link over.

But equally important is that this whole Nalcor concept was built on non-renewable revenues assisting and helping to pay for renewable energy. So as the profits of Nalcor increase – and they will increase. They'll increase dramatically as a result of the extra profits that we have gotten. Not royalties, but extra shares that we have gotten, and some super royalties, of course, from the oil and gas projects. Nalcor will be a much more profitable company – and I've labelled it as the golden goose; the goose that lays the golden egg for the province. And as those profits increase, then that money can also be used to help mitigate rates.

So the safeguards are there from the beginning. They were there when we put them there in 2010. We anticipated where these are coming from, and they will be used to reduce rates. And I can guarantee the people of this province that these rates will not double as a result of Muskrat Falls. And if they go high, there are the tools and there are the mechanisms and there are the safeguards and there are the pools of revenue there to put them back.

And if we were in government, we would've done it. And I understand that the Liberal government right now is going to do the same thing. But there is no need for families to be, you know, frightened to death over rates. And I understand it. It's a big deal in a household, but, you know, the critics can't just throw all this on the back of Muskrat Falls: if your power bill is going up, well it's all because of that Muskrat Falls Project. Well, there's a long-term benefit to Muskrat Falls and also, you know, there's this short term escalation of rates, but the ability there is to take care of it.

**MR. LEARMONTH:** There's two points I'd like to pursue from your answer. The first is this,

that when Muskrat Falls was sanctioned there was, to my knowledge, never any discussion that, you know, if the costs went over then the other resources, the other income revenue from Nalcor from oil and gas could be used to subsidize rates for example. So it wasn't, I would suggest to you, presented on that basis. That information wasn't presented to the public at the time, as far as I know.

And the second point is that, even though what you're saying is likely true that there are other oil and gas revenues that could be used for Muskrat – to subsidize rates, that these other oil and gas revenues were intended to be used by the Government of Newfoundland for things such as house care – you know, health care and – so that if these oil and gas revenues from – that Nalcor will generate are used to subsidize rates, then the government is going to have to find another source of the money that would be – that this oil and gas revenue was intended to cover.

So you know –

**MR. D. WILLIAMS:** Well, first of all –

**MR. LEARMONTH:** – you see my point.

**MR. D. WILLIAMS:** No, no, I follow you. I follow you.

First of all, the discussions did take place. They took place among our Cabinet and it took place with Nalcor officials that, in fact, there would be relief granted at some point in time on rates. And these funds – the whole principle of the Energy Plan if you – and you've read it, are that the, you know, renewables will pay – or non-renewables will pay for renewables. That's the whole attempt.

So we're gonna build this corporation, this energy warehouse, but you're gonna pool the funds. That's why Nalcor was combined. That's why oil and gas was brought in –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – Newfoundland Hydro was brought in, and now we have an umbrella company called Nalcor. So it's all intended to be under one roof. And I would suggest to you, Mr. Learmonth, that the – I'm told that the \$70

million will cover 1 cent. A lot of money for 1 cent off the rates, but if you're talking households that's a big deal.

So if you want to take that down by 7 cents, it's a half a billion dollars; 7 cents 490, it's – that's the math. So, you know, if Nalcor is making profit of a half a billion dollars and that money gets channelled in to mitigate the rates, then we got a good thing.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** We're paying off the Muskrat Falls and we're keeping rates reasonable for the people of the province – ratepayers, the people of the province.

Secondly, the whole issue of, well, that's money that can be used for something else. Well, the reason we negotiated all these oil contracts was to get more money. This is new-found money; this is extra money that came in. It's – you know, the original Hibernia deal was 1 per cent because – that was because it was a frontier exploration, that was the – that was to get it off the ground. Then it went to 5 per cent.

In the new deal, our numbers go up into – well into double numbers. And I'm really – I'm guessing at this one now but they're very, very high numbers on the Hibernia extension, our share of that. So we negotiated a big uptake on that because we had to bear it on the frontend because we had to get it off the ground. And I fully understand that; same with White Rose and same with Hebron.

With Hebron, we actually even have equity as well, and that's going to bring in more money. So that's new-found money. So that is money that we didn't have before that, thanks to Nalcor and Ed Martin and Jim Keating and all his group, is now in the pot and can be used for that.

Your point on – and the term that has been used is robbing Peter to pay Paul, that basically you're going to take it away from hospitals or whatever. That's a problem that every premier and every Cabinet and – that's ever sat at the table up at Confederation Building is – when you take it out of one pot it – you take it out of one, it goes into another. You take it – if you put it into another, it comes out of ...

I remember the first decision I had to make as premier of the province was whether we were going to take away dentures from old people or pave roads. I – you know, honestly, that’s the – that was the kind of lousy decisions that you have to make in government. So it’s always about balancing. It’s always about trying to find that balance between development, which will give you revenue, which will generate jobs, which will increase the GDP, which will drive the economy and doing that really important social side.

And I consider myself a social Conservative. I’m probably a – I should never admit this under oath, but I’m probably closer to being Liberal than I am to raw fiscal, you know, right-wing Tory Conservative. But having said that, you really got to strike that balance in government, and it’s not easy but – so long story short, this was the intention. This was the way this was set up in the beginning.

**MR. LEARMONTH:** But that may be the way it was set up internally at the government and with Nalcor, but I’m not aware of any communication of what you’re just saying to the public at the time Muskrat Falls was sanctioned. The information that I understand was presented that this project made very good economic sense on its own and there was no discussion about having to subsidize rates from other oil and gas (inaudible) Nalcor.

**MR. D. WILLIAMS:** No, rates were going up. Rates were –

**MR. LEARMONTH:** Yeah, but that wasn’t presented to the public is what I’m saying.

**MR. D. WILLIAMS:** But – no, but the rates were definitely going up. So I mean, I don’t know what detail might have been out there with regard to a full communication on, you know, here’s where they’re going to go and here’s what we’re going to do about it, that didn’t happen. But we had those discussions, I can assure you –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – in my testimony those discussions took place –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – that rates were gonna climb, and then there’s a point where rates climb, and then everybody else moves ahead of us. We level off. We’ve got the benefit of water. We’re not tied to oil and the vagaries of oil prices.

**MR. LEARMONTH:** No.

**MR. D. WILLIAMS:** We’re not burning oil –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – as well. So now we’re – you know, the water goes down the river and we get the power from the water.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** But in order to keep Holyrood going, you gotta buy oil and you gotta burn it, and it’s lost and it’s gone forever.

**MR. LEARMONTH:** Yeah.

But – so I’m not – if you say that you had these discussions and all this was contemplated at the time, I’m not gonna challenge you on what you’re saying. But I – what I am saying, and you haven’t convinced me otherwise, is that this scenario about using oil and gas revenues to subsidize rates, for example, was not communicated to the public.

**MR. D. WILLIAMS:** That was part of the whole Nalcor concept. In the Energy Plan, that was the concept. That’s how it was gonna work.

**MR. LEARMONTH:** Okay.

**MR. D. WILLIAMS:** We’re gonna pool all these revenues together and they were gonna – some are gonna be used for one side, and some are gonna be used for the other.

**MR. LEARMONTH:** Okay. Well, I’ll leave that for others –

**MR. D. WILLIAMS:** No problem.

**MR. LEARMONTH:** – to question you on.

Now, there’s one other point I wanted to – in this document – I suppose I don’t have to refer

to it – it's 00241, but there's a reference here to – you've heard this, you know, point of view – it's been in the papers and the media – that the cost overruns of Muskrat Falls are so high that Newfoundland and Labrador is gonna have to be bailed out by the federal government. You've heard that, have you? People are saying, my goodness (inaudible) –

**MR. D. WILLIAMS:** Yeah, and it's –

**MR. LEARMONTH:** Now, I'd like to –

**MR. D. WILLIAMS:** – terrible.

**MR. LEARMONTH:** I'd like your response to such a suggestion that this province is in such a bad state because of Muskrat Falls, that we're gonna have to throw in the towel and have a bailout from Ottawa.

**MR. D. WILLIAMS:** I took 10 years out of my life to – and when we took over the province, there was a fiscal problem. And it took the next seven years to build the confidence of the people of this province; make them feel good about themselves. I remember calls I'd get from people on Bay Street saying: I can go to the water cooler now and instead of what's the latest joke, Newf; I get, boy, things are going very well down there. You know, you got great tourism ads. The province is on bust. You know, I'm gonna have my stag party down there. I'm gonna down just 'cause we wanna be there.

So, all of a sudden, there's a newfound confidence in not only Newfoundlanders and Labradorians, who are already – always had it, but couldn't always wear it on their sleeve, but also by our fellow Canadians. So, you know, we were feeling very good about ourselves. And I can tell you, you know, good feelings can move – I'm gonna tell you – can move mountains.

And so, you know, from my perspective, to hear us revert back now, and hear the critics – for want of a better term – come out and say oh no, well, you know, we're a basket case all over again, and you know, Ottawa was gonna have to come and bail us out. You know, my attitude is all, you know, we'll – if we can get – work with Ottawa and we can get things from Ottawa, great, and we'd love to part of their largesse; but, if not, we need to be masters of our own

destiny, and we need to be able to survive by ourselves. So to revert back to that kind of statement, I think, does a huge disservice to the people of the province.

**MR. LEARMONTH:** Okay. Thank you.

I'd like to ask you some questions about the appointments for the board of directors of Nalcor while you were premier – not specific individuals, just in a general sense. So while you were premier, from 2003 until the end of 2010, we'll say, what was the selection process for the board of directors of NL Hydro and Nalcor?

**MR. D. WILLIAMS:** When you get into government, there's all these boards that are out there, and everybody sees that, okay, well, that's the time. You know, everybody can do the patronage, so it all comes into your desk and you sit down and you fill every single role that goes in to make sure that you pay back – I'm being really open and honest here – pay back all the people that helped you get into office in the first place.

Well, that in fact doesn't happen, whereby a premier sits down and goes through every single appointment, because he or she is too busy to be caught up in that kind of minutia. Yeah, there's certain senior appointments that are very, very important, because they affect the policy and direction of the province, but as to manning or 'womanning' every single position and board, no.

So you do have input, and I think when the – who would it be? I guess it would probably come – it would come from the clerk and it would also come from your staff. And they say, well, okay, we – the directorship for workers' compensation board is now expiring. We need a new chair; we need new members. And so there's vacancies there. Do you have any suggestions? No, not off the top of my head, I'm too busy. Come back to me in a few days, and then finally you might come up with a name.

But it's – unfortunately, at times, it becomes very ad hoc, but on the more important boards, sometimes you really have to focus in and say, okay, fine, then – not that workers' compensation is not an important board, that's not what I'm saying. But – it's on the other

boards, you try to focus in, and say, okay, fine. Well, we need to make sure we can bring people to these positions who can give us value added. And obviously, normally, it's local preference, obviously, it's – so, you know, there's times I made appointments to people that were not conservative followers.

**MR. LEARMONTH:** Yeah.

Now, the – it – do you acknowledge that the directors of Nalcor were not paid anything, or if they were paid, it was a very nominal sum?

**MR. D. WILLIAMS:** Yeah. We went through that on the interview.

**MR. LEARMONTH:** Perhaps you could explain –

**MR. D. WILLIAMS:** I don't know what the amount is, but it was –

**MR. LEARMONTH:** Do you see that as a problem?

**MR. D. WILLIAMS:** I see it as a big problem. You know, the –

**MR. LEARMONTH:** Okay. Can you explain why and why they weren't paid?

**MR. D. WILLIAMS:** Yeah. You know, the people that we have on our – on the Nalcor board were very competent, professional and community people who knew the province, knew their areas of expertise. It has been suggested and it has been recognized, by me and others, that it would be nice on these boards to – and, you know, would be valuable on these boards to have senior executives and officials from other similar corporations who've had experience in this particular area so that they can give counsel then to the chair or the employees of Hydro.

The problem is that these people come at six-figure-plus numbers. The problem you find yourself in as a premier if you appoint someone you know as a director of the board, you can appoint them at the numbers that are there now, whatever those numbers happen to be, and they are nowhere near six figures. But if you turn around and appoint Mary Smith from Ontario

who is the head of the Ontario Hydro, she has to get the proper remuneration or she's not coming. So then you have to bring everybody else up to that level. And then, all of a sudden, it becomes a political problem that you have is, oh yeah, Williams is padding all of his buddies and so, therefore, they're all now making, you know, a hundred grand or more, and that's a no-win situation.

So it's really unfortunate. I don't know what the answer is right here and now. I can't – you know, I'm sure there's an answer, but it's a problem. You know, you've got to go out and buy that expertise.

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** And it's not easy to get.

**MR. LEARMONTH:** But it – in terms of the Muskrat Falls Project which was, you know, a megaproject and it's a very important project, and without intending to be in any way directly or indirectly critical of the intelligence, educational backgrounds and qualifications of the Nalcor directors, I know they are all fine people, I suggest that there was something missing in the makeup, and that was expertise in the approval process and construction for a project like this.

**MR. D. WILLIAMS:** Definitely.

**MR. LEARMONTH:** There was no one on the board, despite their fine credentials, who had experience and would be in a position to question management and to test the information and ask penetrating questions about cost estimates and so on. And I suggest to you that that is a problem because the result of not having such qualifications on the board is that the board of directors, they can apply their own information, their own intelligence and so on, but they're really over their head in terms of doing an analysis of a project cost estimate for example. They just can't do it. They're not qualified. Don't you see that as a problem?

**MR. D. WILLIAMS:** I see it as a weakness. But I do see strengths in, you know, the people that are on that board are professional people who have experience in business.

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** There's – a partner with Ernst & Young was on that board –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – accounting experience. There's a professor from the university on that board. There's people from Labrador who bring that very, very important local content there as to what the issues are –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – in Labrador, what Aboriginal issues might be. So you need to have a lot of that. If you can't get it on the board, because you can't get caught in the political dichotomy of, say: no, yeah he's paying his buddies too much money, then you have to hire that expertise. So that's when Nalcor and/or its board would go out and hire the experts that can bring that expertise to the table or bring that view, or that independent view, on a project.

So that's the – I can't say it's the default position, 'cause you have to do that anyway –

**MR. LEARMONTH:** Yeah.

**MR. D. WILLIAMS:** – but it would probably increase that even more in order to try and fill that gap. But I do acknowledge it's better if you do have someone at the table who's certainly had experience.

**MR. LEARMONTH:** Okay, thank you.

Now, I'm going to give you an opportunity to state your position on the benefits of Muskrat Falls. We know there's a, we'll say, a problem with, you know, the cost overruns and so on, but there are other parts of it that you may think are benefits. So I'm going to allow, or ask you to make those comments, because you know that in the course of this Inquiry there's going to be a lot of criticisms –

**MR. D. WILLIAMS:** Absolutely.

**MR. LEARMONTH:** – of the project, so I wanna give you the opportunity to state your take on the benefits.

**MR. D. WILLIAMS:** Mr. Learmonth, when we were in the interview and discovery process –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – you put that question to me, and I had said to you I'd like to at least get the time to list –

**MR. LEARMONTH:** Yes.

**MR. D. WILLIAMS:** – so I don't mean – miss anything? So when I went to the transcript, I saw that question, and I have – Mr. Commissioner – prepared a list, which I will – I'm going to read from, which I would make available to the Commission. I realize it's notes, and I understand the concern, so I, you know – it's just a list of the things that I'm going to go down through. But the Commission can take a copy of that afterwards, if that's satisfactory?

**THE COMMISSIONER:** Yeah, I think we –

**MR. D. WILLIAMS:** I just want to make sure I don't miss anything.

**THE COMMISSIONER:** Right, we –

**MR. D. WILLIAMS:** There's some 20 –

**THE COMMISSIONER:** Just to explain, we have a bit of a rule here, that if –

**MR. D. WILLIAMS:** Yes.

**THE COMMISSIONER:** – a witness has notes with him, then generally speaking Commission counsel reviews the notes. If they're – if it's relevant, we'll pass them on to other counsel as well, just for the purposes of full disclosure, obviously –

**MR. D. WILLIAMS:** Yes, right.

**THE COMMISSIONER:** So, yes, if you refer to your notes, then obviously we'll have a look at it, and counsel can decide if they wish to make it an exhibit or whatever –

**MR. D. WILLIAMS:** It'll be on the record anyway, I'm gonna –

**THE COMMISSIONER:** Right. Okay.

**MR. D. WILLIAMS:** So bear with me for a few minutes just so I can go through it. And it's not in any logical sequence; it may be somewhat disjointed, but I'm just trying to, off the top of my head, list whatever ones I thought were benefits.

So first of all, there's system reliability. We have two-way capability, and we're interconnected with Canada. That's just so important, and it goes to the transportation link as well. You know, PEI's got a link, and linkage is really important in this country.

Jobs – speaks for itself. I can't put a number on it, because I don't have the information, but I'm told, being up fishing up in Labrador, that there's over 5,000 people there, at some point in time, that were working. So there's over 5,000 at peak.

But the economic growth during construction and after is huge. I also know, from having visited Labrador, that the beneficial effect of this project on Labrador over the last six years has to be enormous, because there hasn't been a lot of things happening, and we had the close at Wabush, and now, of course, there's the uptick with the Vale Inco mines. So that now will start to turn around, but over the last five or six years, there has been a huge gap, and it's been critical to Labrador.

The New Dawn Agreement, the benefits for the Innu, the chance to give them redress, the opportunity to get that finalized and get their land claims settled, I think that's one of the – more – my prouder accomplishments while I was in government, and hats off to the people who negotiated that.

Finally – not finally, you know, we have, as I said before, some of the greatest hydro assets in the world. You know, we've got the Upper Churchill; we've got Gull; we've got Muskrat; we even have these small hydro projects in the province. Finally, after 500 years – that might be unfair. Let's say six – 50 years – we are in the hydro business. We are finally in the business. We now produce and sell and profit from our own water, hydro energy.

Stable long term rates – we got in in the – at a good time, a perfect time, when rates were

depleted and down, and we've locked them in. They're probably some among the best in North America, I would think.

**THE COMMISSIONER:** Interest rates.

**MR. D. WILLIAMS:** Yeah, I'm sorry, yes, interest rates.

Newfoundland needed more power. A big driver in this whole exercise was the fact that we need to have more power, and at the time that this decision was made, there was a capacity deficit in 2015, and then a full deficit in 2019. And I fully believe that this will come back. We got into a – went to downturn here in the province, and a lot of the mining, you know, industries that were happening at the time have since went away but are now coming back again.

Muskrat Falls and the LIL was deemed to be the lowest cost option, and that's for the Commissioner to decide at the end of the day based on the evidence that's before him and before the entire Inquiry, but I'm stating that that is the lowest cost option, and on different analysis, that will prove to be the case.

We're replacing the Holyrood thermal generating station, a facility which is now over 40-years old, which is antiquated. There's the emissions that come from that, and there's also the health aspects. There's been residents in that area up there that have been concerned about the health aspects up there, so not only are we getting rid of an antiquated facility, we're also – there is a related health benefit.

We're investing in an asset that we own, finally, and are getting the benefit from and, ultimately, to return billions to the people of the province. We're investing in Newfoundland's future, as opposed to paying the majority of our electricity costs to outside oil companies for fuel. So in other words, we're buying, and we're not renting. So when that fuel is burnt, that's gone. That's wasted. That money is lost forever.

Our benefits are intergenerational. I suggest, Mr. Commissioner, that this is not a project that can be looked at in the cold light of day on October 1, 2018. This is a multi-generational project. When we did the Energy Plan, we were looking to 2041 and beyond, and this is a century plan,



but we had to be realistic, of course, on forecast, but it will go on forever. This water runs forever.

The clean power – the power generation in our province, at the end of the day, will be 98 per cent clean on our emissions, also avoids some carbon tax implications, as well, and opens up the possibilities of developing wind here on the province. Also, it's clean energy for the country, which is struggling to meeting the original Kyoto targets and, now, the more recent targets. For example, it not only benefits, you know, Newfoundland and the thermal, for example, if you go to Nova Scotia, it will replace coal. Perhaps, at some point, it may replace nuclear in some jurisdictions (inaudible).

Yes. There's also the – not only is it the jobs and the economy, but there's also the direct, indirect and induced benefits that come from this project. I haven't seen – there was numbers that were actually published on the – with the release of this project in 2010. I have not seen the new numbers as a result of the increased cost. But if it was X for 6 billion, it's X plus Y for 10 billion. So in fact, there is a certain amount of this capital cost that is recovered by the people of Newfoundland and Labrador in the forms of – in the form of labour, the Government of Newfoundland and Labrador in the form of taxes and, of course, the Government of Canada as well and also the rest of Canada.

It creates surplus power for Newfoundland's needs and export but also allows us to import – not allows us to import – allows us to have new industry come to the province. While we were there, we had discussions based on Gull with Alcoa and other mining industries. These are all big loss to Quebec, because Quebec are using our cheap power in order to get these industries.

We're connected both ways to North American markets for the first time, and we're no longer isolated. That goes back to that map whereby the only link that we had was Churchill Falls into the border of Labrador.

Our assets will be fully paid off. It might be 35, it might be 40 years, just depends on how far we amortize out in order to lessen the cost in the short term, but we'll own it. We'll own the house, and the water will continue to flow. We'll have to upgrade the assets, just as we're doing

with the Upper Churchill, but at the end of the day we're not renting anymore, we own this asset. And even though this asset has created debt and it creates debt for the province, it is an asset that has value.

I can't quantify the value of that asset, but I would suggest to you that it's in excess of \$10 billion. So, therefore, from a balance sheet perspective, you got an asset and you got a liability, then we're left with that asset, which is a good thing.

The federal loan guarantee was acquired in recognition of the GHG reduction – greenhouse gas reduction benefits that we had. We should save as a result of that guarantee in excess of 35 – I'm sorry, in excess of \$6 billion interest over 35 to 40 years.

Also, finally, it strategically positions us in conjunction with our oil assets to negotiate the right deal for the Upper Churchill post-2041 and to put us in position as an energy superpower. I mean, we are.

If those – if 20 per cent of those wild reserves are proven to fruition, when we get our share of the Upper Churchill back, when Gull gets developed, when Muskrat gets developed, with everything else we've gone on in this province, couple that with the best wind regime in North America – you know, we'll be on the pig's back here, and that's the way I felt for the – for a long time, but you have to be patient.

You cannot look at this on October 1, 2018 when it's a multi-generational project and take a snapshot in time. We took a snapshot a couple years ago, oil was 40 bucks. Now oil is 80 bucks, the dollar is down to 76 cents, which extrapolates the price of oil up again; so we're now back to \$100 oil. So, you know, I just think on balance there, there are enormous benefits.

Now, I'm sure, Mr. Commissioner, the critics will say and rightfully so; they've got valid points that there's another side to this, but this is just the chance to list what I can remember. Maybe other witnesses might have some (inaudible).

Thanks for bearing with me on that, but I can certainly make that available and –

**THE COMMISSIONER:** Did you want to take (inaudible)?

**MR. LEARMONTH:** We can take a copy, I guess that's the best way to do it.

**MR. D. WILLIAMS:** Sure.

**MR. LEARMONTH:** There's just one further question, I just wanted to clarify. I understood you to say that the Innu Land Claim has been settled. I don't think that's the case.

**MR. D. WILLIAMS:** The Innu land claims agreement.

**MR. LEARMONTH:** No.

**MR. D. WILLIAMS:** The New Dawn Agreement.

**MR. LEARMONTH:** The New Dawn – but the land claim has not been resolved.

**MR. D. WILLIAMS:** I – the Innu new land claim agreement, I don't know what –

**MR. LEARMONTH:** The land claim (inaudible).

**MR. D. WILLIAMS:** Okay, I'm not aware of that.

**MR. LEARMONTH:** Yeah, I just wanted to clarify that.

**MR. D. WILLIAMS:** (Inaudible) to talk about the New Dawn Agreement.

**MR. LEARMONTH:** Yeah, I know, yeah.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** I just wanted to clarify that in case –

**MR. D. WILLIAMS:** Okay, yeah.

**MR. LEARMONTH:** – there might be some misunderstanding.

Well, Mr. Williams, we've been at it for about four hours and I want to thank you for your answers, and now I'll ask the Commission to

turn you over to the parties for cross-examination.

Thank you.

**MR. D. WILLIAMS:** Thank you, Mr. Learmonth.

**THE COMMISSIONER:** Before we do that, I think what we'll do is take our 10 minute break for the afternoon. So we'll just adjourn for 10 minutes.

**CLERK:** All rise.

### Recess

**THE COMMISSIONER:** All right.

The Province of Newfoundland and Labrador.

**MR. RALPH:** Good afternoon, Commissioner and Mr. Williams.

I have no questions. Mr. Learmonth's able questioning has covered all the issues that we wanted to address. However, if I could just briefly address with counsel, solicitor-client privilege.

Clearly, there will be questions for Mr. Williams on areas for which he has received legal advice. And I understand that, and that, of course, is not a problem. However, the province is still asserting privilege to protect the interest of the people of the province, and it's important that counsel remember that privilege means that they shouldn't get into the substance of that legal advice.

And I just have that short note, Mr. Commissioner.

**THE COMMISSIONER:** Okay.

**MR. D. WILLIAMS:** Mr. Commissioner, as each lawyer comes up, could they let me know who they represent. I know who Mr. Ralph –

**THE COMMISSIONER:** Yeah.

**MR. D. WILLIAMS:** – represents (inaudible).

**THE COMMISSIONER:** Well, I'll be calling them up, actually, by the names of the people they do represent.

**MR. D. WILLIAMS:** Okay. Thank you.

**THE COMMISSIONER:** So, Nalcor Energy.

**MR. SIMMONS:** Thank you, Commissioner.

Mr. Williams, I think you know me as Dan Simmons –

**MR. D. WILLIAMS:** I certainly do, yeah.

**MR. SIMMONS:** – and I am here for Nalcor Energy. I have a couple points I wanted to ask you about today.

Can we bring back Exhibit P-00193 please, Madam Clerk?

**MR. D. WILLIAMS:** What tab is that? Do you know what –?

**THE COMMISSIONER:** Tab 34.

**MR. D. WILLIAMS:** Thank you.

**MR. SIMMONS:** So, Mr. Williams, you were referred to this by Mr. Learmonth earlier today, and this is a Cabinet document that dealt with amendments to the *Energy Corporation Act*, and you were asked a number of questions arising out of this in relation to protections of commercial sensitivity for information that would come into Nalcor's hands once it was set up as the energy corporation –

**MR. D. WILLIAMS:** Yes.

**MR. SIMMONS:** – for the province.

You gave an example about how this would be important for the oil and gas operations that Nalcor undertook, and you explained that.

In your evidence you also told us that, at one point in the chronology of events that you described, that access had been gained through the Province of Quebec for export of recall block power –

**MR. D. WILLIAMS:** Yeah.

**MR. SIMMONS:** – from the Upper Churchill and going through Quebec. Now, my understanding is that power was being exported to be sold on the energy markets in the –

**MR. D. WILLIAMS:** Right.

**MR. SIMMONS:** – United States.

**MR. D. WILLIAMS:** Correct.

**MR. SIMMONS:** Is that correct?

**MR. D. WILLIAMS:** Yes.

**MR. SIMMONS:** Okay. From your recollections of when these provisions were brought in to amend the *Energy Corporation Act*, was the need to protect commercially sensitive information in relation to energy trading part of the considerations then as well?

**MR. D. WILLIAMS:** Now that you remind me, yes, I vaguely do remember that –

**MR. SIMMONS:** Hmm.

**MR. D. WILLIAMS:** – to be quite honest with you.

**MR. SIMMONS:** Yeah.

**MR. D. WILLIAMS:** But I don't have a detailed knowledge, but –

**MR. SIMMONS:** Right.

**MR. D. WILLIAMS:** – as soon as you started I kind of sensed where you were probably going, yes.

**MR. SIMMONS:** Okay, so from what you understand about what the nature of those energy trading operations would be, do you have any conception of whether it would be important or not to have commercially sensitive information protected –

**MR. D. WILLIAMS:** I –

**MR. SIMMONS:** – in that kind of activity?

**MR. D. WILLIAMS:** I can't give you an opinion on that. I, you know, I would think,

obviously, it's important, but as to the degree of importance, I can't tell you.

**MR. SIMMONS:** Okay. And –

**MR. D. WILLIAMS:** Excuse me.

**MR. SIMMONS:** – you were also asked some questions and answered them about the discussions with Emera for putting in place the Maritime Link, arrangements and such.

And it's essentially the same question: For commercial activities of that sort, that Nalcor would be engaging in, would you think that there would be any need to – for protection of commercially sensitive information in that environment as well?

**MR. D. WILLIAMS:** Yes, definitely. And in – and it's, you know, it's a very competitive business as well, so there would also be the sensitivities with Hydro-Québec as well in that competitive environment.

**MR. SIMMONS:** All right. Can we go to Exhibit P-00223 please, page 10.

**THE COMMISSIONER:** Okay, 00223. Just gonna just go to find that document number.

**MR. SIMMONS:** Mr. Williams, I don't have the tab numbers so –

**MR. D. WILLIAMS:** Okay, no, I'm gonna rely on the Commissioner for that if I can.

**MR. SIMMONS:** – (inaudible) have to rely on someone else for that. And it may be the screen might do it for this one.

**MR. D. WILLIAMS:** Okay.

**MR. LEARMONTH:** Tab 68 (inaudible) – 66.

**MR. D. WILLIAMS:** Which one?

**MR. LEARMONTH:** Tab 66, I believe.

**MR. D. WILLIAMS:** Thank you.

**MR. SIMMONS:** And I'm really just using this as a reference, so –

**MR. D. WILLIAMS:** Okay.

**MR. SIMMONS:** So if you see on the screen there this was the minute of the Cabinet decision on November – I think, it's November 9, 2010, and point 1 there was: "Approval being given for the policy that the next generation source for meeting the provincial electricity needs is to be the Muskrat Falls Project and the transmission link with the island of Newfoundland, ...."

I think we know this to be the DG2 –

**MR. D. WILLIAMS:** Mm-hmm.

**MR. SIMMONS:** – decision.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. SIMMONS:** And the reference there is to this being approval of the policy, and what my first question is: What do you understand the significance of this decision to be in relation to the ultimate sanction of the Muskrat Falls Project?

**MR. D. WILLIAMS:** It's a preliminary decision and in the Gate process it was originally seen to be a feasibility – qualified feasibility decision.

**MR. SIMMONS:** Mm-hmm.

**MR. D. WILLIAMS:** But it's the initial step forward; it's the letter of intent that's indicated by the Commission counsel as nonbinding, as well.

**MR. SIMMONS:** What did you understand had to be done, or what were the significant things that remained to be done after this DG2 Decision, before a decision to sanction or not could be considered?

**MR. D. WILLIAMS:** A lot of the details. The, you know, the DG3 process – could you forgive me, my voice is just getting dry. The DG3 process was a front-end engineering and all that had to be done, so just a lot more detail. And also, there was a lot more – a lot of other independent opinions I think that were brought in after the fact, there were more consultants that were brought in. But, again, it's after my time and you know.

**MR. SIMMONS:** Right, okay.

This decision though was made while you were premier, and I'll bring you back to one other document that you were shown this morning. And that's Exhibit P-00216, please.

**THE COMMISSIONER:** 00216 – 59, tab 59.

**MR. D. WILLIAMS:** 59?

**THE COMMISSIONER:** Mm-hmm.

**MR. SIMMONS:** Mr. Learmonth brought you to page 32 of this presentation, and this was a presentation from September 23, 2010 on the options that were considered and the evaluation of those options leading up to that DG2 decision that we just looked at. I'd like to go back a couple of slides to page 29, please.

Now, there's a fairly busy table here, it's – it has five options listed in the columns there, starting with the Isolated Island Option, then the LCP Muskrat Falls, LCP Gull Island, imports from or through Hydro-Québec and imports from what's called NEISO, which I understand to be the North East United States Energy Organization, via the Maritime Link.

And in the rows there, there are a series of five different criterion listed. Does this type of analysis look familiar to you? Does this seem like things that were engaged in when the decision was brought up to Cabinet for the DG2 Decision?

**MR. D. WILLIAMS:** Yes.

**MR. SIMMONS:** Okay.

Can you tell me – and some of these things here, I think, seem similar to some of the benefits that you just described then, ultimately. The first one there is listed as reliability, for example.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. SIMMONS:** Okay.

Now, the second one is cost to ratepayers, the third is environment, and then there's analysis for risk and uncertainty and financial viability.

So when the DG3 decision, the approval decision was made at the Cabinet level, how –

**MR. D. WILLIAMS:** The approval or the sanction? The approval.

**MR. SIMMONS:** The approval at DG2 for the policy that Muskrat Falls would be the option that was being considered. Can you give me an idea of what the range of considerations were that were taken into account?

**MR. D. WILLIAMS:** Well I mean, you know, we started basically kind of just assessing the whole project, as I said, way back from the EOI process –

**MR. SIMMONS:** Mm-hmm.

**MR. D. WILLIAMS:** – just to see where we were and got into more detail as we moved along; as we got down two years later to the selection of the four, then there was a further analysis to drill down as well. You know, I remember one document that was presented to us that had 20, 30 risk factors, risk mitigation factors that were just listed as being tick-off items. I couldn't try to remember half of them for you but –

**MR. SIMMONS:** Mm-hmm.

**MR. D. WILLIAMS:** – that, I remember that that was a document we had. So, you know, the big thing for me to – was to – we had to get over the big hurdles. So we had to deal with the environmental, we had to deal with the Aboriginal issues, we had to deal with the water rights, the guarantee on the financing side, the general financing viability was important, so that we had an assurance that this project was viable.

And that's really it. I mean you can see from some of these – the cost to the ratepayers was, as I said before, under examination by Mr. Learmonth – the rates were an issue.

**MR. SIMMONS:** Mm-hmm.

**MR. D. WILLIAMS:** And I'm sure they would have been an issue for subsequent governments as well. Because we had an indication that rates were going to start to go up in the early years

and then, in the later years, as we moved further out, they would taper off.

**MR. SIMMONS:** Okay.

And let's go to slide 32 please, which is the conclusion of this presentation. So this was headed "Summary and Recommendation," and it said: based on this analysis – and there's considerable analysis in this presentation before this which we won't go through now – based on this analysis, proceeding with LCP-Muskrat Falls is the preferred option. And there's several bullets there. It says: strong reliability profile. It says: a solution internal to NL, no complications with external jurisdictions. Is that a reference to Québec?

**MR. D. WILLIAMS:** That's correct.

**MR. SIMMONS:** Lowest long-term cost to ratepayers, bump can be managed.

**MR. D. WILLIAMS:** Yeah.

**MR. SIMMONS:** Do you remember what the reference to the bump was?

**MR. D. WILLIAMS:** Yeah, that was, as we got further out, it was in the 2020, 2021 – there was gonna be a spike and then at that point after it would level off.

**MR. SIMMONS:** Okay. And environmentally sound.

**MR. D. WILLIAMS:** Mm-hmm.

**MR. SIMMONS:** Is this a reference – do you recall this being a reference to factors such as clean energy that you described earlier?

**MR. D. WILLIAMS:** (Inaudible.)

**MR. SIMMONS:** Reducing fossil fuel use?

**MR. D. WILLIAMS:** Right, and the environmental process as well. The assessments.

**MR. SIMMONS:** Okay. Then it says: "Lower supply and price risk than import scenarios; no exposure to fuel price volatility as Isolated Island."

What do you recall about being the – how – about how concerns about fuel price volatility may have played into the decision?

**MR. D. WILLIAMS:** Well, the Isolated Island was thermal; so was Holyrood, so we were tied to oil and so where oil went, we went. And so if it went through the roof then, obviously, we're tied to it. And that was the uncertainty on a go-forward basis. We were tied to the vagaries of whatever could happen over an extensive period of time.

**MR. SIMMONS:** Right.

**MR. D. WILLIAMS:** And if we pushed out to 2041 then we had that 30-year exposure to whatever could happen.

**MR. SIMMONS:** Right.

**MR. D. WILLIAMS:** And we've seen it in recent times, like it's gone – it's doubled, in just the last few years. It's gone \$40 to \$80 oil so –

**MR. SIMMONS:** Right.

Now, it may be obvious to some people but maybe not to others. How does the Muskrat Falls option reduce the exposure to that price volatility?

**MR. D. WILLIAMS:** The oil gets replaced by water and the water flows forever and you don't have to pay for it.

**MR. SIMMONS:** Okay. The second last bullet says: "Potential for attractive shareholder returns if export volume can be achieved, but viable if not." What do you recall about how that was taken into account?

**MR. D. WILLIAMS:** Well, the analysis that was done was that the end, when the 20 per cent will go to Emera and 40 per cent for the province – if in fact we had to spill all the remaining water, that project was still viable.

**MR. SIMMONS:** Right.

**MR. D. WILLIAMS:** We understand it is still viable on numbers even higher but –

**MR. SIMMONS:** Right.

And on the other side of the scale, if it was possible to monetize some of the spill, which is a phrase we hear, meaning take advantage of the extra potential of the plant to produce more power and sell it –

**MR. D. WILLIAMS:** That's gravy.

**MR. SIMMONS:** – that was possible.

**MR. D. WILLIAMS:** That's the gravy, yep.

**MR. SIMMONS:** Okay.

The last one was: "Advances objectives of the Provincial Energy Plan." How did you see this decision advancing the objectives of the Energy Plan?

**MR. D. WILLIAMS:** Well I dealt with that before. Again, just you know, an overriding principle was the no more giveaways; we didn't want to be giving away our power and our assets and our energy assets to others. Secondly, we wanted to do the renewables and non-renewables transition. We were very conscious – (inaudible) the Energy Plan talks about climate change and talks about conservation and efficiency –

**MR. SIMMONS:** Mmm.

**MR. D. WILLIAMS:** – it talked about looking at all the assets, it talked particularly about the Churchill. It talked about getting the Churchill back in 2041 and how do we get there.

And so this fit into the provincial Energy Plan –

**MR. SIMMONS:** Mm-hmm.

**MR. D. WILLIAMS:** – but it only fit in after an exhaustive investigation of all the alternatives.

**MR. SIMMONS:** Okay.

Now I'm going to suggest something to you; correct me if I'm wrong, or if you can't comment on it that's fine too. I'm going to suggest that some of these factors are the types of things that would be taken into account in an electrical utility analysis such as – maybe the PUB would engage in – things like which is the

lowest-cost supply and how you work through those factors.

Others of them, I'm going to suggest, are public policy considerations; would you accept that?

**MR. D. WILLIAMS:** Yes.

**MR. SIMMONS:** Okay. And the role of government, I'm going to suggest, is to be the – it's the place where the public policy decisions get made.

**MR. D. WILLIAMS:** That's correct.

**MR. SIMMONS:** Right, 'cause the politicians are elected to do that, and ultimately, it is the government that has to take that responsibility for the public policy decisions.

**MR. D. WILLIAMS:** Yes, and you're tuned in and you're sensitive to the public, but you also have a duty to make decisions based on your best information available. So yes, public policy is a very important part of that.

**MR. SIMMONS:** Okay. Good. Thank you. That's all the questions. I have for you.

**MR. D. WILLIAMS:** Thank you.

**THE COMMISSIONER:** Concerned Citizens Coalition?

**MR. D. WILLIAMS:** Hi, how are you?

**MR. BUDDEN:** Mr. Williams, my name is Geoff Budden.

**MR. D. WILLIAMS:** Yes.

**MR. BUDDEN:** I am the lawyer for the Concerned Citizens Coalition. That is an organization of whom the officers are Mr. Vardy, Mr. Penney and Mr. Sullivan, and which came together to seek standing at this Inquiry –

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** – and to articulate some of the concerns they've raised over the last period of years.

**MR. D. WILLIAMS:** Yep.

**MR. BUDDEN:** So I have a number of questions for you over the –

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** – probably last today and into the morning. If you don't understand what I'm saying, obviously, ask me to repeat my question and we'll work 'til we get it right.

**MR. D. WILLIAMS:** Yep.

**MR. BUDDEN:** You said that one of your motivations for entering Newfoundland politics was out of your personal concern for some of the giveaways of the past, and you mention the 1969 Churchill Falls contract. Was there anything else you were thinking about, or was really your focus on that particular contract?

**MR. D. WILLIAMS:** That was probably the biggest one, yeah. That was the main one; I think it's in the craw of all us, to be quite honest with you. But that's – I'm trying to think – as you mentioned – there's others. But anyway, for now – yeah. If I think of anything else, then – but that was the main.

**MR. BUDDEN:** Sure. That was the big one.

**MR. D. WILLIAMS:** Yep.

**MR. BUDDEN:** Okay. At the time that you were – that you became premier in November of 2003, what was your own personal knowledge or background in hydroelectric development?

**MR. D. WILLIAMS:** I guess it would've come from what I'd read, and from my involvement on the Lower Churchill Corporation [sp Lower Churchill Development Corporation] back in the '80s. What else? You know, that'd be – I try to read as much as I can get my hands on, but, you know, in a role of premier at the time –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – you've got a broad dimension of what you're trying to get your head around, so.

**MR. BUDDEN:** Sure. So you are –

**MR. D. WILLIAMS:** You know, try to spread it as thin as you can.

**MR. BUDDEN:** You're a politically-engaged citizen with a particular experience in having been on the board of the LCDC back in the 80s?

**MR. D. WILLIAMS:** Right. Yep.

**MR. BUDDEN:** Okay. Fair enough. I'm gonna be asking you a bunch of questions now about *Focusing Our Energy*, which is – as you well know, the 2007 Energy Plan. And that's Exhibit P-00029, Madam Clerk, if you wish to call it up?

**UNIDENTIFIED MALE SPEAKER:** Twenty-nine. So that would be –

**MR. BUDDEN:** I'm not sure what the tab number is, but it's – the exhibit number is 00029.

**MR. LEARMONTH:** It's tab 29, too.

**MR. BUDDEN:** Oh, well, that's convenient.

**THE COMMISSIONER:** Twenty-nine, did you say? Tab 29?

**MR. BUDDEN:** That's the one.

So, Mr. Williams, this obviously was a – or, well, I suggest to you, and disagree if I'm wrong, this was a major policy platform of your government in a field that was of particular interest to you and, again, a major focus of the efforts of your government.

**MR. D. WILLIAMS:** Absolutely. Yeah, and as I said before, I think, Mr. Churchill, in his evidence, indicated that he felt – you know, you don't wanna put words in his mouth, but that it was a very comprehensive plan. We put a couple years of effort into it.

And it also dovetailed with the process that I was going through with the premiers on a national basis, too, to try and look at a national energy plan in conjunction with our own provincial plan, and of course, from my own perspective, to try and advance our own goals in our plan, keeping in mind the connection with the other provinces.



**MR. BUDDEN:** Okay.

So this is something you obviously would've reviewed carefully, would've familiarized yourself with this as it was developed and as it was ultimately released.

**MR. D. WILLIAMS:** Yeah, as much as I could. I mean, you know, you gotta remember through these periods of time, we were – Hebron was out, Hebron was in; we went through the Atlantic Accords with the prime minister; we had a strike; we had an election. And you're running a \$7, \$8 billion annual business, so there are a lot of things to go – so to say that I went down and was involved in every page of this would be – would not be true. But to say that I was proud of it at the end, when it was completed, absolutely.

And I had the benefit of huge stakeholder input. So we, you know, we went out and widely consulted in that. I mean, we really went out and talked to everybody we could who knew anything about energy in the province as best we could. And so that was the product that came from it. And we, of course, we did consultations –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – as well.

**MR. BUDDEN:** And, at the end of the day, you got a product that you were proud of, that you were prepared to defend and to, basically, run an election on, 'cause that followed not long after I believe.

**MR. D. WILLIAMS:** Yeah, and I'm not saying it's perfect. I mean, it's the best of – to – of our ability with the time and resources that we had with everything else that was going on. But I think it's a document that's not one of a kind, but one of the better ones.

**MR. BUDDEN:** Sure.

Perhaps we could turn to page 39 of the document. And what I'm going to do at certain points here is have you read, hopefully, fairly short passages and have you comment on them, and on that particular one, it's – if we can scroll down to the bottom of the page, Madam Clerk,

and if you could read that final paragraph, the one beginning: "Both electrical systems ...."

**MR. D. WILLIAMS:** "Both electrical systems in the province have adequate generation to meet the demand of existing customers. This demand is forecast to grow at a fairly steady, moderate pace over the next several years. This would result in a need for new sources of supply on the Island prior to 2015, and later in Labrador. As a result, we plan to develop the Lower Churchill project, which will include the transmission link between Labrador and the Island. This major initiative is discussed in detail in the following section."

**MR. BUDDEN:** Okay. So is it – and I'm looking particularly at the last couple of sentences. Would it be fair to say that at this point your government had a – quote – plan to develop the Lower Churchill Project?

**MR. D. WILLIAMS:** Yes.

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** Subject to scrutiny.

**MR. BUDDEN:** Okay. That was certainly your plan at that time. That was what you envisioned –

**MR. D. WILLIAMS:** Yeah, absolutely. We made no bones about it.

**MR. BUDDEN:** Sure.

And perhaps we can go to the following page – page 40 – and if you can read the first sentence of the second paragraph: "To ensure ...."

**MR. D. WILLIAMS:** "To ensure that we can meet our future electricity needs, we must also have an alternate plan in the event Lower Churchill does not proceed as planned"

**MR. BUDDEN:** And it goes on there, as you can see, to discuss other possible projects on the island. What I would suggest to you, I guess for your agreement or disagreement, that those really are being put in the alternate in the event that Lower Churchill doesn't proceed as planned?

**MR. D. WILLIAMS:** Yeah. And I think, as I said before, we were moving along in parallel all the time. We were always trying to keep our options open. If it was Gull or Muskrat or whether it was Isolated, whatever fit at the end of the day, when we did the assessment of all the alternatives.

**MR. BUDDEN:** Sure.

And I guess what I'm suggesting there and you've made that clear and I accept it, but that the preferred plan was Lower Churchill development. The alternate plan, if that didn't proceed as planned, would be various smaller Isolated Option projects.

**MR. D. WILLIAMS:** I'd have to say it was a preference, but always qualified by if we could do it. You know, we always had to make sure that it was economically and strategically and financially sound. Though it wasn't, you know, we talked about this morning – it wasn't to proceed at all costs or with blinkers on.

**MR. BUDDEN:** Right.

**MR. D. WILLIAMS:** It was if the numbers made sense, we would do it.

**MR. BUDDEN:** Sure.

And we scroll down a little bit to the heading that begins: Lower Churchill Project. Could you just read the first sentence under that heading?

**MR. D. WILLIAMS:** "The Lower Churchill Hydroelectric Project is the most attractive undeveloped hydroelectric project in North America."

**MR. BUDDEN:** And if I – I guess my question would be if that were true, if it were the most attractive, undeveloped project why, as of September 2007, did it remain an undeveloped project?

**MR. D. WILLIAMS:** Well, I don't think the province was ever in a position to even look at it. Like, we had a perfect alignment. As things were moving along, we were getting – we'd just gone through the expression of interest, so we'd gone out and just checked and said, well, you know, is anybody interested in this. Well, yes,

there were 25 groups that put in a submission, but there were three other groups besides Newfoundland and Labrador that actually showed a genuine interest in doing this.

So my first reaction was well, you know, if Kiewit and company and TransCanada pipe and Ontario and Quebec and SNC want to do this project, well, there's got to be some merit to it. So, you know, we're on the right course here now. So at least there's people who are interested in it. If we were stood alone and everybody said no, this is the most unattractive, undeveloped project, we would have had to stand back.

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** So – and as well, we'd just gone through the process with the federal government and come back with a cheque for the province for \$2 billion, so that went against the province's debt. It went into the teachers' pension funds at the time, but that was all part of the liabilities that the province had. So, you know, things were on the move. There was also, you know, a new feeling in the province that we were starting to turn it around.

**MR. BUDDEN:** Okay.

But, of course, the development of the Lower Churchill had been mooted for decades at that point. I mean you, yourself were on the LCDC back 20 years before this.

**MR. D. WILLIAMS:** Yeah, and I referred to the minutes of the meeting and, in particular, I was chairman of the board, and they strongly recommended that – and I think I had the wording there. This is an exhibit, Mr. Commissioner, as far as I know, but which one it is, I can't tell you right now, but just bear with me for a second. I think – I guess we'll have to dig that one out.

**THE COMMISSIONER:** Are you looking for the letter from Vic Young to the government at the time suggesting the Muskrat Falls Project proceed? It was, I believe, in 1980.

**MR. D. WILLIAMS:** 1980 yes, yeah.

**THE COMMISSIONER:** Mmm.

**MR. D. WILLIAMS:** And in the – excuse me, in the findings under recommendations, the Muskrat Falls Project is a financially viable undertaking – this was 980 – which more closely matches the initial requirements of Newfoundland and Labrador Hydro. It offers lower energy costs to the alternative energy sources available to Newfoundland and Labrador Hydro which involve building oil- and coal-fired generating plants. The firm power purchase agreement between LCDC – which is the Lower Churchill Development Corporation – and Newfoundland and Labrador Hydro, a river management agreement and Government of Canada financing support are key requirements for the project financially. So those are –

**MR. BUDDEN:** Okay. So this had been out there for –

**MR. D. WILLIAMS:** Those are some of the things that we –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – the gaps that we filled afterwards.

**MR. BUDDEN:** So for decades this had been out there as a bit of a, I guess, holy grail of Newfoundland politics, can we develop this attractive project; but, as of 2007, despite all those inquiries, nothing had ever actually been built?

**MR. D. WILLIAMS:** No. Your clients were there on those days when the Peckford government was there, and I think that they had attempted to do it, but obviously those other parts didn't fit into the equation.

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** Also, I think Mr. Crosby, I think when he was minister, there was an order-in-council as well where the Muskrat site was recommended by his government of the day as well. So it's not that Muskrat wasn't considered. I know you're not saying that, but Muskrat was recommended –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – on a couple of occasions.

**MR. BUDDEN:** If we go further down that paragraph – the last sentence – the one beginning “the project.” I'll just read it out: “The project is expected to have a capital cost of \$6 to \$9 billion,” and then they talk about the jobs created and so forth.

That figure of 6 to 9 billion – at this point, we're still talking about developing Gull and Muskrat Falls?

**MR. D. WILLIAMS:** That's right, yep.

**MR. BUDDEN:** Okay, so it was anticipated to have a capital cost for both of those projects of \$6 to \$9 billion?

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** Okay. Would that include both the generating and the transmission costs, or –

**MR. D. WILLIAMS:** Can't tell you –

**MR. BUDDEN:** – do you know?

**MR. D. WILLIAMS:** – for sure, but in any event, it's low.

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** But I can't tell you whether or for sure with –

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** – what was included.

**MR. BUDDEN:** Sure.

You say it's low. Do you say, with hindsight, it was low or, at the time, that should have been seen –

**MR. D. WILLIAMS:** Well, in –

**MR. BUDDEN:** – as low?

**MR. D. WILLIAMS:** – hindsight it was low, because we know now with the Muskrat Falls. But with Muskrat Falls, of course, we do have

(inaudible) \$4 billion on the Labrador component, and we have nearly another \$2 billion on the Maritime Link component.

So that's 6 of it right there.

**MR. BUDDEN:** And then Emera on top of that?

**MR. D. WILLIAMS:** Yes – yeah.

**MR. BUDDEN:** Yes.

**MR. D. WILLIAMS:** No – yes, Emera on top of it, yeah.

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** No, I said the Maritime Link component.

**MR. BUDDEN:** Yes.

The – later on in the following paragraph, they talk about a, quote, “comprehensive and clearly-defined project execution plan.” And my question is – and take a minute to look at it if you wish – do those numbers flow out of that plan? Do you know now – can you answer that?

**MR. D. WILLIAMS:** “The Energy Corporation ... established a comprehensive and clearly defined project” – yes – “execution plan and will continue to advance the project on multiple” – yeah, there was a project execution plan, which would be the processes and procedures that they would put in place in order to achieve this.

And whether that was the Gate process, or any other internal procedures and processes that they would go through within the corporation.

**MR. BUDDEN:** Sure.

And I guess my question is – those are fairly specific numbers – 6 billion to 9 billion – I know it's still a range of \$3 billion, but it's not saying approximately 10 billion or anything like that. It's saying 6 billion to 9 billion. I guess my question is are those numbers that were generated by that plan that's referred to – “the comprehensive and clearly-defined project execution plan” – do you know?

**MR. D. WILLIAMS:** Were those the – no, I wouldn't know. You'd have to ask someone from – best to ask Nalcor or Natural Resources for that.

**MR. BUDDEN:** Okay – yeah.

Let's move on down to paragraph of – to page 42 – and there's another headline there Other New Project [sp Hydro] Developments. And perhaps you could read that first sentence?

**MR. D. WILLIAMS:** “Although the Churchill River has a vast hydroelectric potential compared to our provincial electricity needs, we must continue to study other supply options to ensure adequate supply.”

**MR. BUDDEN:** Okay.

And if we move down to the first sentence of the second paragraph, perhaps you could read that as well.

**MR. D. WILLIAMS:** “The Island system may need more generation before the Lower Churchill and the Transmission Link are completed to supply increasing demand.”

**MR. BUDDEN:** Okay.

So from that sentence second – that second sentence – in particular, does it suggest that any development on the Island system – and then just below, they talk about some fairly small projects such as Portland Creek – were intended essentially to bridge the gap until the Muskrat Falls and the link could be developed? That's not (inaudible) the clear meaning of that sentence.

**MR. D. WILLIAMS:** It said it may – it “may need more generation.”

**MR. BUDDEN:** Yes.

So in that context at least, in this plan, in 2007, any development on the Island just – or it's just the plain meaning of that – seems to be contemplated as a bridge until the Lower Churchill is available.

**MR. D. WILLIAMS:** Well, yes and no, I mean, it says “may need more generation,” and it says

“could potentially be developed,” so they’re indefinites. You know, they’re indefinite words. They’re not can, should, would, could. So they’re not there, as well there’s a – you know, there was a moratorium on small hydro projects in the province at that time, which had been, I think, implemented by a previous government.

**MR. BUDDEN:** Okay.

And taken as a whole, I would suggest, I guess, for your agreement or disagreement, what it seems to contemplate is a lower – a link will be built from the Lower Churchill. If power is needed before that link is in place, we have these other small projects which are there to be developed.

**MR. D. WILLIAMS:** Yeah, well, there are, you know – yes and no, there’s enormous problems with the small hydro projects too, because just from an environmental perspective, from a salmon perspective, you know, there’s a lot of issues that come up when you try to do these small projects. And you know, they’re 36 megs and 23 megs, so they’re not putting a big dent in a need for 300 or 400 megawatts of power.

**MR. BUDDEN:** Fair enough, yup.

**MR. D. WILLIAMS:** But there are problems in getting it done.

**MR. BUDDEN:** Okay.

Well, perhaps we can move down to the next section, which is called Hydroelectric Power Producing [sp Production] Coordination. That’s on the following page, there you go. And what that suggests to me, that essentially was the plan that was ultimately put in place, or had just been put in place through legislation. The legislative plan by which the water management would fall under the authority – the water management for the entire Churchill River system – would fall under the authority of Newfoundland’s Public Utilities Board.

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** Am I correct in how I characterize that paragraph?

**MR. D. WILLIAMS:** That’s right. And that issue was ultimately referred to the Public Utilities Board by me.

**MR. BUDDEN:** Yes. And what happened after that?

**MR. D. WILLIAMS:** The management agreement was ratified and put in place.

**MR. BUDDEN:** Yes.

And after that, of course, an appeal was taken in a court in Quebec?

**MR. D. WILLIAMS:** Yes. Yeah.

**MR. BUDDEN:** Okay.

And that is a decision that went against Newfoundland’s right to regulate power on the Churchill River system?

**MR. D. WILLIAMS:** Like every other –

**MR. BUDDEN:** Manage water rather – yeah.

**MR. D. WILLIAMS:** – reference that had been made to the courts in Quebec.

**MR. BUDDEN:** Yes.

Where does it leave Muskrat Falls if Newfoundland continues to lose that court challenge?

**MR. D. WILLIAMS:** Well you know, again – if the government of Newfoundland right now – you know, I don’t want to get into the merits of that case, because I’m not saying –

**MR. BUDDEN:** No, I’m not asking you to.

**MR. D. WILLIAMS:** – anything but the facts.

**MR. BUDDEN:** Yeah.

**MR. D. WILLIAMS:** All I can say is that, you know, we’ve had legal opinions that were sound on that particular issue, and, as well, we are deliberately not interfering with the Upper Churchill contract. So that’s as much as I can say on that, so the basis of our legal opinions should be fine.

**MR. BUDDEN:** Sure.

Well, I get we're lawyers, we give legal opinions, but ultimately, courts rule. And, so far, the courts – the court ruling that has happened –

**MR. D. WILLIAMS:** Quebec court.

**MR. BUDDEN:** Well, it's the court of binding jurisdiction as was agreed to, I believe, in 1969 by the terms of the contract. So we mightn't like it, but we're – you're not suggesting that Newfoundland has some ability to ignore that court decision, are you?

**MR. D. WILLIAMS:** No, no. I mean, we're bound by the jurisdiction. That was another problem with the Upper Churchill contract is that we agreed to the form in Quebec, and you know, we're stuck with that. But ultimately, there's the appeal to the Supreme Court of Canada.

**MR. BUDDEN:** Yes, but so far we're stuck with it, and we're losing there.

**MR. D. WILLIAMS:** Yeah. We're stuck with it, yeah.

**MR. BUDDEN:** Okay.

Was it not reckless to proceed with a plan to sanction the Lower Churchill development without being able to guarantee a source of water to turn the turbines?

**MR. D. WILLIAMS:** This is, you know, our river. It's our water. It's in our province. Reckless, I don't think so. I wouldn't use that term under any circumstances. Our decision to move forward is based on sound legal opinion.

**MR. BUDDEN:** Okay.

But so far, at least, that legal advice has proven to be incorrect.

**MR. D. WILLIAMS:** No, I wouldn't say that. The Quebec courts have decided that they're not accepting this particular argument, but that's not unusual for the courts of Quebec. Now, I can – you know, I can go further, but I don't really wish to, but that's as far as I'm going to go.

**MR. BUDDEN:** Okay.

I guess when I –

**MR. D. WILLIAMS:** But –

**MR. BUDDEN:** The use of the word reckless is that – I guess, to take the opposite of that, it would've been, would you not agree, completely prudent to wait until the water management issue had been finally resolved before proceeding with the Lower Churchill development?

**MR. D. WILLIAMS:** You know, we took the steps in order to get the water rights from the Lower Churchill Development Corporation, then we amended the relevant acts, then we attempted to get a water agreement with CF(L)Co, then it was referred to the Public Utilities Board, which was the tribunal of competent jurisdiction in order to deal with that, and they approved this agreement, so then we moved on from there, and we had opinions that satisfied that, and we were quite comfortable with that.

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** I mean, if you're going to suggest that they're going to cut off the power on the Upper Churchill and stop the water, well, they stop it themselves, too. So you're not going to stop that water from flowing down the river. The Churchill is a pretty big river, I mean –

**MR. BUDDEN:** However, the issue remains that Newfoundland does not ultimately have control about the water that flows into the Muskrat river power-generating station.

**MR. D. WILLIAMS:** That's what a water management agreement is all about.

**MR. BUDDEN:** Yes.

**MR. D. WILLIAMS:** It's all about managing the people who are using the river to obtain power, so that's why the Water Management Agreement is a reasonable solution. Otherwise, basically, Quebec are coming and saying: Well, you know, we are gonna control your rivers now downstream when we have a project. Now, it's all bad enough, what Lesage said back '65. It's all bad enough what the Régie have said in

2010, to say, you know, we control the plant and we control the transmission and everything else. But to say that they have the rights to control our downriver water – no, I don't buy that.

**MR. BUDDEN:** But so far, unfortunately, the Quebec court has.

**MR. D. WILLIAMS:** But, you know, you asked me – and yeah, the courts made the decision –

**MR. SIMMONS:** Mr. Commissioner, if I might.

I'm not sure that Mr. Budden is correctly characterizing the effect of the decision that he's referring to in Quebec. The case he's referring to – to the best of my knowledge – did not address the Water Management Agreement or water rights in any direct way. And for the sake of this examination, I think it's – I just wanted to note that on the record.

**THE COMMISSIONER:** Well, that's an interesting comment because – and I don't want to say too much more about this – but I'm not sure it's correct to say that the decision didn't address the issue of water flowing down that river. So I think I'm gonna give Mr. Budden the leeway – some leeway here with regards to this.

We will deal with water management in the appropriate way at the appropriate time. But I'm not planning on having Mr. Williams and others come back to testify when we're dealing with water management, so I'm gonna basically allow Mr. Budden to go as far as I can let him go. And when I feel he gets to a point where it's not going any farther, you can be assured I'll stop him.

Mr. Budden.

**MR. BUDDEN:** I was only planning to ask one more question, so hopefully you won't have to intervene as you've threatened to.

So I guess to put it this way: Do you believe it would've been more prudent to have waited until that was resolved before sanctioning the Lower Churchill hydro development?

**MR. D. WILLIAMS:** No, you can't hold up every decision of government on any projects or anything else, until they may or may not be appealed to a court of higher jurisdiction, and they're ultimately determined by the Supreme Court of Canada – so no.

**MR. BUDDEN:** Okay.

Well, perhaps we could move down to page 49, the section headed Labrador-Island Transmission Link. And the final paragraph of that – if we can scroll down just a tiny bit further. Would you – perhaps you could just read that – it's fairly short.

**MR. D. WILLIAMS:** “Therefore, we will build new transmission infrastructure to link our electricity systems in Labrador and on the Island. The Labrador-Island link will enable us to meet ... all our electricity demand with clean, renewable electricity, essentially with no emissions.”

**MR. BUDDEN:** And so I would suggest, on the plain meaning of that, it announces an intention to build a link from Labrador to the Island to transmit electricity.

**MR. D. WILLIAMS:** Yeah, I mean this is a forward-speaking document. So it's the intention to pursue this, to look at it, but nothing is cast in stone. You know, there's lots of documents that you'll set out, you know, goals and some lofty goals and some not so lofty. So yeah, we're setting out an intention, this is kind of where we think this might go and – but there are other alternatives.

**MR. BUDDEN:** Sure, but you're announcing that this was the intention. I'm not suggesting that –

**MR. D. WILLIAMS:** This was –

**MR. BUDDEN:** – it was –

**MR. D. WILLIAMS:** This was an alternative, this was an option, this is one of the choices. This whole document is a – you know, there's lots of alternatives, there's lots of material included in that. They give a whole pile of options. That it was intended to be an information document from that perspective, and

also giving an indication of, you know, where government was thinking.

**MR. BUDDEN:** Okay.

Perhaps we could move down to page 50, and – well, actually the section beginning at page 50 – that’s the following page, I believe. And we scroll down a little bit there’s a section there on the – what is essentially, I guess, the Maritime Link. And perhaps we can continue scrolling – I don’t think we need to review this, but we can go to page 52.

Okay. The – just a little more please, Madam Clerk.

I’m particularly interested in the section that – under two export routes are being investigated and pursued. And the – I would suggest to you the first of those options is essentially the – using the tariff process for wheeling rights through Quebec. And the second is the old – what in less politically correct times is called the Anglo-Saxon route –

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** – but –

**MR. D. WILLIAMS:** Right, yeah.

**MR. BUDDEN:** – in modern times we refer to it as the Maritime Link.

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** The first one, I presume, that is the option that the door apparently has been shut by that ruling, which you’ve characterized as the worst ruling you’ve seen in your entire career.

**MR. D. WILLIAMS:** Right.

**MR. BUDDEN:** Okay. But –

**MR. D. WILLIAMS:** And that –

**MR. BUDDEN:** – be that as it may –

**MR. D. WILLIAMS:** – but that hadn’t happened then, that was – this was long before we got that decision.

**MR. BUDDEN:** Of course, yeah. So route number one is for the time being – or option number one is gone. Like, that’s not there as an option as things stand now. Okay.

And the option number two, of course as we said, that was the old Maritime Link, the old Anglo-Saxon route, now called the Maritime Link.

Perhaps we can now go to Exhibit P-00008, which would be Mr. Churchill’s report, which you’re familiar with. And perhaps once we’re there we can go to page 6.

**MR. D. WILLIAMS:** What tab is that, Mr. Commissioner?

**THE COMMISSIONER:** That’s a good question. I’m not sure we have that here.

**UNIDENTIFIED FEMALE SPEAKER:** It’s page 6.

**MR. BUDDEN:** It’s page 6 of Exhibit-00008.

**THE COMMISSIONER:** Just one second now, I’ll see if I can help you out.

**MR. D. WILLIAMS:** Okay.

**MR. BUDDEN:** Dr. Churchill’s report is what it is.

**MR. D. WILLIAMS:** Right, I don’t know, is that in our exhibits? I don’t know if it is or not. I don’t think it is.

**THE COMMISSIONER:** I’m not sure it’s in any of the binders that Mr. Williams has. Had we known you were going to ask about that, it would have gone in the binder.

So we can bring it up on the screen.

**MR. BUDDEN:** Okay, and I can hit the key point of it, once we turn to page 6 there’s a section there, I believe, it’s actually headed The Anglo-Saxon Route.

**THE COMMISSIONER:** Okay, are we able to bring this up on the big screen here or is it ...?



**MS. O'BRIEN:** It's on – sorry, Commissioner, it's on the monitors. (Inaudible.)

**THE COMMISSIONER:** Okay, all right.

**MR. BUDDEN:** Okay.

What I'll suggest to you, Mr. Williams, is that what this is, is this, of course – was a historical paper, and he's discussing or recounting the events from 1964, 1965 where your predecessor, Premier Smallwood, faced with frustrations – which you would no doubt probably sympathize with – about getting the power out of Labrador, thought about, well, what about a route that bypasses Quebec, the Anglo-Saxon route.

And the part there that I'd particularly like to draw your attention to is the very last sentence of – if we scroll on a little further, a little further still. Yeah, that's good.

The – yeah, the last sentence of the second last paragraph. I'll just read it to you, quote: "In short, the Anglo-Saxon route was not economically feasible either for sale into the international market or for domestic consumption." So that was the state of the thinking in 1965; a long time ago.

Are you aware of any similar study by a consultant or perhaps Newfoundland Hydro, or some other entity, at any point between 1965 when it was considered non-economic until 2007, the time of publishing the Energy Plan where there was an alternate view arising out of study?

**MR. D. WILLIAMS:** Not that I'm aware of, unless there's (inaudible).

**MR. BUDDEN:** Okay, so if we go back to – I'm sorry to be doing this, but I'd like to flash back now to Exhibit P-00029. And if we go back to page 52, paragraph – numbered paragraph 2 on that page. A little further – yes. That, of course, as we've discussed – describes the Maritime Link, as we now call it. Would you agree that that is sort of a general description of what the link would be, citing other examples from elsewhere in the world, but does not quote any expert knowledge or report to suggest that that would be feasible or economically feasible?

**MR. D. WILLIAMS:** I can't tell you what went into that statement; it is what it is. I'm just –

**MR. BUDDEN:** Yeah.

**MR. D. WILLIAMS:** – kind of, looking at something isolated –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – in the abstract here but, it says what it says. I don't get your point, I'm just – maybe I'm not –

**MR. BUDDEN:** What's that again?

**MR. D. WILLIAMS:** – maybe I'm misunderstanding.

**MR. BUDDEN:** I guess my point is that there's nothing in there. It sets out that this would be – this is an option, but it does – and it says it's being investigated and pursued – but as of this point, 2007, all these investigations, I would suggest to you for you to confirm or challenge, had not proceeded to the point of a full economic or engineering workup to see about whether this was a feasible option to get power out of the Lower Churchill.

**MR. D. WILLIAMS:** Yeah, I don't think at this point it had but you'd have to ask someone from Nalcor as to whether there's something internally that had been done.

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** At one point a member suggested that, you know, there was no subsea routes going anywhere. But that just wasn't the case because I remember it was proven out that there were.

**MR. BUDDEN:** Yeah.

**MR. D. WILLIAMS:** But as to the detail of any engineering, I can't tell you but I'm sure there's someone from Nalcor could.

**MR. BUDDEN:** Okay.

So two export routes are being investigated and pursued; we've just discussed those two. There's an obvious third one, which is to sell power to

Hydro-Québec as was done in 1969. And I believe you've already suggested that was not an option that was attractive to you.

**MR. D. WILLIAMS:** You know, and we pursued it – I mean, you know, we tried to do what we could. If we gave it to Quebec, you know, and gave them the full control of the project as it was done – it was going to be done by the Grimes government, well then sure. They'd (inaudible) say – they'd have full control, and we technically own it as we own the Upper Churchill – but they would get all the benefits. They'd get the jobs, they'd get the financing, they'd get the build, they'd get the equipment, the turbines and generators and it would all be done through Quebec.

So if it was on their terms, yeah, it was no problem, because you could do a deal with Quebec, there was no ....

**MR. BUDDEN:** Okay.

You spoke about the – I guess, talks may be a stretch but certainly the communications you had with Premier Charest when he came to Newfoundland. And do I understand you correctly – and again, correct me if I'm wrong – that you believed redress of the 1969 Upper Churchill contract was a necessary part of any talks about exporting, or rather, selling power to Quebec from the Lower Churchill?

**MR. D. WILLIAMS:** If we were going to do a deal with Quebec, I felt redress was a very important piece, and I was – and I felt it was important to the people of the province, too. I talked – Mr. Simmons talked about, you know, public – public policy. From a Newfoundlander's and Labradorian's perspective, that's very important, that we get redress on a very, very bad contract.

**MR. BUDDEN:** Okay, so you saw it not just in a – I guess, pure economic terms, but also in the sense of what it meant for Newfoundland, as a province, to deal with another province on what you regarded as equal terms?

**MR. D. WILLIAMS:** No, I saw it in pure economic terms, as well. You know, if we had gotten 25 per cent redress, if they had 75 and we

had 25 instead of 95-5, that would be enough to pay cash for Muskrat Falls.

**MR. BUDDEN:** Yeah.

**MR. D. WILLIAMS:** That's how significant it is. So yeah, economically, it's – it was very important, and, like I said before, if we hadn't given away that entire project, we'd be in a different position as a province now and would have been a have province for a long, long period of time. So the dollars are very important.

And you know, we explored lots of opportunities; like I said, you know, we went to judge – Mr. Justice La Forest, and got opinions on seeing whether we could actually recall some of this power, get some of that back, on a legitimate need for power in the province, so if we could get 800 megs or 1,000 megs, then that's – that would've been a big chunk of power and a big chunk of change for us.

And he felt, no, that, you know, that wasn't valid, we – not that it wasn't valid – we couldn't pursue it because the consequences would be too high, and we'd have to – you know, the bottom line was we'd have to pay the going rate. So therefore, we couldn't get our 25 cent –

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** – power.

As well, we explored 92A, and then there were other – we also even went to Quebec with our – we went with a good faith argument, which was the en prévision argument, which is that Quebec contracts are governed by bargaining in good faith, and we explored that, and of course, the Quebec government – and ultimately, that was declined too.

So you know, we exhausted every single possibility that we could, even from a legal perspective, to try and get some redress. And that was driven by principal, yes, but also by economics. These are big numbers.

**MR. BUDDEN:** Oh, yes. And we're not challenging that.

**MR. D. WILLIAMS:** No.

**MR. BUDDEN:** Newfoundland has committed considerable resources, at the highest levels we can, to challenging the – what was done legally in 1969. However, I'm talking about something different here now.

Had you contemplated, basically, saying, look, we'll set aside the Upper Churchill, deal with that another day, and see if we can arrive at an economically – perhaps, a mutually beneficial agreement on the Lower Churchill of – whereby we could sell our power to Hydro-Québec?

**MR. D. WILLIAMS:** Yeah. Well, I can't say I totally ruled it out, but I – you know, I would've been – I give a – I would've been 90 per cent there that I would have to have it. If Quebec had given us a very, very good deal on it, and we were able to basically recover, in the alternative to redress, a significant amount of money, you'd have to look at it. You would not dismiss it unilaterally. You know, I can't say how you'd do that, but, however, from my own personal perspective, I always felt that we needed to get redress. I felt it was just and it was fair.

**MR. BUDDEN:** Okay.

So that's why there's an absence of a third option there, which is the one of selling power to Hydro-Québec? Okay.

**MR. D. WILLIAMS:** It would have just been a carbon copy of the Upper Churchill deal. That's the reason.

**MR. BUDDEN:** That was your feeling, and that wasn't based on –

**MR. D. WILLIAMS:** That was – you know, that was based on the deal that was virtually being done by the Grimes' government, you know, what they were prepared to sign. And, you know, if it hadn't been for the uprising at the Nalcor board or the Hydro board of directors at the time, that was a deal they were prepared to do. And that was no different than the Upper Churchill deal, just give it away and let Quebec take it all.

**MR. BUDDEN:** Sure.

**MR. D. WILLIAMS:** And so I had been vocal on that and been outspoken on it. So, certainly, I'm not going to go back and put, you know, the Grimes' alternative back into this alternative.

**MR. BUDDEN:** Okay.

Of course, there might also be an option for an improved alternative. You would – you – conceptually, you wouldn't dispute that.

**MR. D. WILLIAMS:** No, hypothetically, it just depends. But, I mean, it's becoming pretty apparent at this time, too, you know, as to where Quebec was going. I mean, even Premier Lévesque years ago had come out and said, you know, we could get along without the Upper Churchill, but we couldn't live the good life, was the term he used, right? These are the kind of flippant comments that are coming out of the leaders of Quebec.

So, you know, in negotiation, you know, you're up against it and there's no – they're not – there's no give and they are not moving at all. There's a point where you've got to try and at least keep the options open, but they're probably going to shut it down too.

So that's why we had all these parallel processes going in order to keep giving us options as we move forward. Because, you know, we were looking at a capacity crunch in 2015 and then again in '19.

**MR. BUDDEN:** Okay.

And no point in going to them and saying: Look, we're serious about this. We're actually going to pull the trigger if you don't come to the table with a reasonable attitude.

**MR. D. WILLIAMS:** You know, those kind of overtures were made all the time, I mean, in the sense – I mean, you know, I can't speak for Mr. Martin and what he – any discussions he had with Thierry Vandal at Hydro-Québec because he was the boss at the time. But it was quite obvious from Premier Charest's behaviour that they were doing everything they could to block us.

I mean, you know, and – you know, and when I go to the governor's conference and I'm trying

to promote Newfoundland and Labrador energy and sell it, and we don't exist on a map. I – you know, it doesn't get much more blatant than that. So how far do you go?

It made the overture in the beginning. We had written a letter prior to the – one of the court actions asking them if they'd reconsider. So, I don't know what else we can do, you know. We just keep turning the cheek and keep getting smacked –

**MR. BUDDEN:** Okay.

**MR. D. WILLIAMS:** – on either side of the face.

**MR. BUDDEN:** Sure.

**THE COMMISSIONER:** Is this a good place, we might break then now, Mr. Budden?

**MR. BUDDEN:** Oh, yes, it is.

**THE COMMISSIONER:** Okay. So it's 4:30 now, so we'll break now 'til tomorrow morning at 9:30. And you'll be back tomorrow morning at 9:30.

**MR. D. WILLIAMS:** Thank you.

**THE COMMISSIONER:** Thank you.

**CLERK:** All rise.

This Commission of Inquiry is concluded for the day.