

News Releases

Government of Newfoundland and Labrador - Canada

[Government Home](#)

[Search](#)

[Sitemap](#)

[Contact Us](#)



NLIS 3
August 8, 2005
(Executive Council)

Premier announces results of phase one of Expression of Interests process for Lower Churchill development

Premier Danny Williams was joined today by Dean MacDonald, chair of the board of Newfoundland and Labrador Hydro (NLH) and Edmund (Ed) Martin, the new president and chief executive officer of NLH, to announce that phase one of the call for Expression of Interests and Proposals (EOI) for the development of the Lower Churchill hydro resource is complete.

"I am pleased to announce that after careful assessment and evaluation, the Government of Newfoundland and Labrador and Newfoundland and Labrador Hydro have selected three full development proponents from the EOI process to move onto phase two," said Premier Williams. "I would also like to make it very clear that from our government's perspective, the option of the province and Newfoundland and Labrador Hydro developing the project on our own will be given primary consideration. This evaluation will include fully evaluating both sub-sea and land transmission options."

Therefore, including the potential of government and hydro developing the resource independently, there are a total of four development options on the table.

"As well, from the original 25 submissions we have also chosen an additional three proposals as potential financing options," added the premier. "These three financing options will also move into the next phase of assessment as we continue to explore the best option for developing this resource. This process has been extremely effective in determining which of the proponents have the greatest potential to facilitate government's objective of developing the Lower Churchill in the best interest of Newfoundlanders and Labradorians. The caliber of proponents moving forward is very strong, and I am pleased to say that all six proponents have accepted our invitation to move into phase two."

The main development proponents that will move onto phase two are:

- Hydro Quebec/Ontario Energy Financing Company/SNC-Lavalin;
- TransCanada Corporation; and
- Tshiaskueshish Group - a consortium comprised of Macquarie North America, Ltd., Innu Development Limited Partnership, Peter Kiewit Sons Co. and Innu Kiewit Constructors).

Of the three financing options, two are potential equity investors. Once the development concept is further defined, the province will be considering equity participation including:

- Cheung Kong Infrastructure Holdings Limited; and
- Borealis Infrastructure Management Inc.

Finally, an innovative financing option in the form of a royalty trust has been proposed by Altius. This

concept will be explored later in the process.

Dean MacDonald indicated the EOI process to date has yielded great success. "Of the 25 formal submissions received, there were eight full development concepts, two transmissions concepts, two financing source options and multiple offers of services and supplies," said Mr. MacDonald. "We would like to thank all who made submissions in this process, and now anxiously move onto phase two to further assess the potential of the successful proponents from phase one."

"As we move forward, we are keeping our options open in terms of the development configuration and destination of the power. In addition to Labrador and the island, we have several market options including Ontario, Quebec, the Maritime provinces and US Northeast. As we proceed with these proposals, we are also keeping our options open regarding the ownership structure for the development ranging from a 100 per cent NLH owned and led development, to a lease/franchise option, and a variety of equity partnership options," added Mr. MacDonald.

Ed Martin stated that he is excited to lead Newfoundland and Labrador Hydro at such a critical time in the province. "I am very pleased to have the opportunity to contribute to an organization that will work with the province in developing this tremendous hydro resource," said Mr. Martin. "Today, we are narrowing down the field of proponents coming out of phase one of the EOI who we will be engaging as we consider our market and development arrangement options. In addition to the full development concept and financing submissions, the proposals involving services and products will remain on file for future consideration."

The key considerations in assessing the submissions were the proponents' financial and technical qualifications to undertake a development of this magnitude and relevant previous experience. The proposed concepts were also considered in terms of what the proponents could offer to facilitate achievement of government's objectives. Demonstrated awareness of aboriginal and environmental issues and willingness to plan to address these issues were also key factors taken into consideration.

The Premier noted that he has contacted Ben Michel, Innu Nation President. "I indicated to Mr. Michel the province recognizes the importance of resolving outstanding issues surrounding the Labrador Innu land claim and a possible impacts and benefits agreement for the project. We have agreed that we will make it a priority to resolve these issues as soon as possible."

Government has directed NLH to immediately initiate a process whereby the short-listed proponents will be invited to enter into feasibility agreements. Phase two of the process will involve a feasibility review of the concepts and related alternatives, and discussion of commercial principles. Negotiations with the proponents of the most viable development concepts would follow in phase three. Phase four will involve detailed negotiations with the successful proponent. The final objective is the successful negotiation of a development arrangement for the Gull Island and/or Muskrat Falls hydro projects.

The Premier noted government's new approach to attracting development options for the Lower Churchill has been very successful to date, and he is confident that as the process moves forward a development plan can be achieved which yields maximum benefits for the people of Newfoundland and Labrador. "In the context of the significant need for new, clean electricity sources in Northeastern North America, the timing has never been better for the development of the Lower Churchill. However, we are steadfast in our position that we will not proceed if the development does not provide maximum benefits to our province," said Premier Williams.

This EOI process was open to all interested parties and invited any range of proposal concepts, including the use of power in Labrador, on the island, for export or some combination of these options. The submissions were assessed by two committees with representatives from government, NLH and two consultants. Phase two will commence upon reaching agreement with the short-listed proponents on the terms for undertaking phase two feasibility review and discussions.

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**Backgrounder on Lower Churchill Hydro Development
Completion of Phase One
Expressions of Interest and Proposals
August 8, 2005**

MAIN PROPONENTS

Hydro Quebec/Ontario Energy Financing Company (OEFC) /SNC-Lavalin (SNC-L)

Hydro Quebec

Hydro Quebec is a major producer, transmission provider and distributor of electricity. It is one of the largest hydroelectric producers and developers in the world. The company owns 52 hydropower stations, five thermal and one wind farm, with a total installed capacity of 34,000 MW. It also conducts research and development activities in the areas of energy and energy transformation and conservation, as well as other energy-related fields. The Government of Quebec is its sole shareholder.

Ontario Energy Financing Company (OEFC)

OEFC, a Crown agency of the Province of Ontario, is a statutory corporation and the legal continuation of Ontario Hydro. OEFC manages the outstanding debt and derivatives portfolio, financial risks and other liabilities of the former Ontario Hydro. The OEFC performs additional functions as required by the Government of Ontario.

SNC-Lavalin

Is a leading engineering and construction company based in Canada, with operations world-wide. SNC-L provides engineering, procurement, construction, project management and project financing services to a variety of industry sectors including power, mining and metallurgy, infrastructure and chemicals. SNC-L has extensive experience providing engineering procurement and construction contracts to the power industry.

TransCanada

TransCanada is a publicly-traded North American energy company, headquartered in Calgary. TransCanada is focused on natural gas transmission and power generation and marketing in Canada and the United States. TransCanada currently owns, operates and/or controls, including projects under development, approximately 5,700 MW of power generating capacity in North America.

Tshiaskueshish Group

Tshiaskueshish Group is a consortium comprised of Macquarie North America, Ltd., Innu Development Limited Partnership, Peter Kiewit Sons Co. and Innu Kiewit Constructors.

Macquarie North America Ltd.

Macquarie North America Ltd., a Canadian incorporated company, is a member of the Macquarie group (Macquarie). The Macquarie group includes Macquarie Bank Ltd., a top 20 company listed on the Australian Stock Exchange with a market capitalization in excess of

C\$12 billion. Macquarie is a recognized global leader in the infrastructure sector, as an advisor, financier manager and developer. Macquarie manages approximately \$C28 billion of equity invested in important community infrastructure assets around the world. These assets include toll roads, airports, power generation, transmission and distribution assets, as well as communications and social infrastructure.

Innu Development Limited Partnership

Innu Development Limited Partnership (IDLP) is a 100 per cent Innu owned partnership, established in 1998 by the Mushuau Innu First Nation, a registered band council representing the Innu residents of Natuashish, Labrador, and the Sheshatshiu Innu First Nation, a registered band council representing the residents of Sheshatshiu, Labrador. IDLP has an operating office in Goose Bay, Labrador and has ventures including: air transportation, remote camp and catering, construction, fishing, environmental consulting, industrial supply, information technology, shipping and property development and management.

Peter Kiewit Sons Co.

Peter Kiewit Sons Co. is the Canadian operating arm of the Kiewit Construction Company, a large contractor in North America. The company has a long history in hydroelectric construction and turn key engineering procurement and construction (EPC) contracts. The company has had major project experience throughout Canada, particularly in Newfoundland through major contracts for the Hibernia oil production platform, the White Rose Topsides contract and civil works in Labrador at the Voisey's Bay.

Innu Kiewit Constructors

A partnership between IDLP and Kiewit for the pursuit and implementation of significant EPC and general contracting work in Labrador.

OTHER EQUITY INVESTMENT AND FINANCING OPTIONS TO BE INVESTIGATED LATER IN THE PROCESS:**Cheung Kong Infrastructure Holdings Limited**

A large diversified infrastructure company that is listed on the Hong Kong Stock Exchange. Its core businesses include electricity and natural gas investments in Hong Kong, Australia, United Kingdom, China and Thailand. Cheung Kong Infrastructure Holdings is a member of the Cheung Kong group of companies, a large business group in Hong Kong with worldwide business interests in property, energy banking, shipping, aviation, telecommunications, retailing and infrastructure investments.

Borealis Infrastructure Management Inc.

A subsidiary of the Ontario Municipal Employees Retirement System, one of Canada's largest pension plans. Borealis is a large infrastructure investor with infrastructure investments in Canada, the US and UK, and experience in the energy sector in Canada.

Altius

A Newfoundland and Labrador based royalty and mineral exploration investment company focused on the resource development of Newfoundland and Labrador.

Proposing to create a royalty trust that would hold a gross electricity sales based royalty interest in the Lower Churchill development.

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[Back to Government](#)

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