

NLIS 5
Executive Council
December 2, 2009

The following is a joint release by the Government of Newfoundland and Labrador and the Government of Nova Scotia.

Premier Williams and Premier Dexter Send Letter to the Premier of New Brunswick

The Honourable Danny Williams, Premier of Newfoundland and Labrador, and the Honourable Darryl Dexter, Premier of Nova Scotia, jointly released a letter today that they have sent to the Honourable Shawn Graham, Premier of New Brunswick. The letter addresses concerns about the Memorandum of Understanding between New Brunswick and Quebec and asks for a response regarding open access for transmission.

“The previous statements made by the Premier of New Brunswick are not sufficient to give us confidence that reliable open access will be available across New Brunswick to the Maine border after the deal with Quebec is consummated,” said Premier Williams. “This situation requires clear and explicit clarification and certainty.”

“We are seeking assurances that the best interests of Nova Scotia and the best opportunities for our region are protected,” said Premier Dexter. “It is important that Premier Graham recognizes that an agreement on a new interprovincial transmission line is best for all our provinces.”

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Letter:

December 2, 2009

Honourable Shawn Graham
Premier of New Brunswick
P.O. Box 6000
Fredericton, NB E3B 5H1

Dear Premier:

Atlantic Canadians are well served when our provincial governments work together to gain the best possible opportunities for the region as a whole as well as the separate interests of each province. This is particularly true in the energy field, where better connections improve the economic opportunities for each and all provinces in Atlantic Canada. It is why our two governments favour a significant improvement in transmission capacity with New England and thus the rest of North America.

We were pleased that the recent Council of Atlantic Premiers meeting in Churchill Falls provided an opportunity for all four premiers to discuss potential impacts of the Memorandum of Understanding (MOU) between the Government of Quebec and the Government of New Brunswick.

We are writing to seek further clarification and to make two specific requests.

We understand your position that New Brunswick's open access transmission tariff (OATT) will continue to be offered in a fair and nondiscriminatory manner after the transaction with Quebec is completed. In this regard, you suggest that other Atlantic Provinces will have the same open access to and through the New Brunswick transmission system as we do today.

Assurances that the Federal Energy Regulatory Commission (FERC) of the United States will enforce the OATT and ensure non-discriminatory access to New Brunswick's transmission infrastructure do not allay our concerns regarding open access. It is through New Brunswick's regulatory authorities, which have jurisdiction in the Province, that this access can be guaranteed and any issues resolved expeditiously. That is why our governments seek an outline of the process and mechanisms that New Brunswick will employ to guarantee this access.

How will New Brunswick assure other energy producers in New Brunswick and in the other Atlantic provinces that they will have the same level of open and non discriminatory access to the NB transmission system (i.e., to existing surplus capacity or existing capacity with appropriate system upgrades), and to new energy corridors?

Reviewing the MOU, we are concerned with the provisions that eliminate a truly independent system operator, require conformity to the Quebec regulatory system, create difficulty in changing these laws in the future, and narrow the scope of the energy hub from

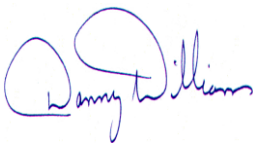
the region to the province. These provisions may enable Hydro Quebec to hinder transmission development, whether it is expansion of the existing system or the development of a new corridor if it is not seen to be in Hydro Quebec's own interests.

Newfoundland and Labrador's experience of dealing with a system operator that is imbedded within Hydro Quebec has show that this model can significantly delay decisions (4 years or more) even under an OATT process. It is this experience that leads us to believe the proposed move by Hydro Quebec to take over the NB System Operator (NBSO) role will likely lead to similar outcomes.

I trust this information helps you to understand in greater detail our concerns about the future of open access in New Brunswick, and its effect on development of Atlantic Canada's renewable energy resources. That is why we are asking the New Brunswick government to:

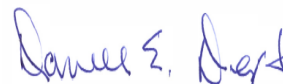
- 1) finalize an agreement, by February 2010, prior to signing of the definitive agreements between New Brunswick and Hydro Quebec, subject to normal environmental assessment and permitting, to construct a new interprovincial transmission line through New Brunswick to the Maine/NB border, separate from the existing NB grid; and
- 2) ensure that existing open access applications will be handled by NBSO under existing NB OATT rules until the process is complete and service agreements have been offered to Nalcor Energy or any other Atlantic Canadian companies that may seek such access before the signing of the definitive agreements between New Brunswick and Hydro Quebec next Spring (i.e., grandfathered and handled by NBSO under current rules).

Thank you for your consideration on this matter.



DANNY WILLIAMS, Q.C.

Premier of Newfoundland and Labrador



DARRELL DEXTER

Premier of Nova Scotia

cc. Premier Ghiz

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5:40 p.m.