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**From : "Matthews, Elizabeth"**

**To : "Matthews, Elizabeth"**

**Attachment : Key Messages.doc;NR Emera.doc;SN DW.doc;**

Elizabeth Matthews

Director of Communications

Office of the Premier

Government of Newfoundland and Labrador

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**Key Messages**

- This project is worth \$XX billion, will result in XX jobs for the people of the province and \$xx in economic spin offs. In addition, it finally puts us in the game as a supplier of clean, renewable energy to the North American market.
- The benefits for Labrador will be enormous. Not only will we see XX jobs in the region, we will also see the benefits associated with the New Dawn Agreement (upon ratification). In addition, immediate surplus capacity from Muskrat Falls can be recalled as needed for industrial development in Labrador. That is in addition to the recall that currently exists from the Upper Churchill agreement.
- Nalcor are mandated to provide to the PUB options for lowest cost power for the people of the province. In that context, development of Muskrat Falls to displace Holyrood provides the best prices with long term stability for consumers.
- Without this development and based on international projections of the price of oil, electricity costs to consumers in Newfoundland and Labrador will rise dramatically over the course of the next several years. Projections estimate that in 20 years the costs if stay with an isolated island system would be \$xx, but with the development of Muskrat Falls will be \$xx.
- Once we use the power necessary to displace Holyrood and supply the island requirements, we then needed to decide the best options for the remainder of the power. Without question, the strategic benefits of a partnership with Emera combined with a very attractive price for selling some of the power to Nova Scotia provided the best option for the remainder of the power.
- Due to the cost of building transmission and the blending of this power with existing energy on the island, our initial cost would be approx. \$160/kwh. The power we sell to Nova Scotia will be cheaper at approx. \$120/kwh. The reason for this is the greater costs associated with building transmission on the island and the lower costs energy sources available to Nova Scotia. But make no mistake, the \$120/kwh is still a tremendous price. By comparison, right now we sell the Upper Churchill power to Quebec for \$2/kwh. Similarly, the Grimes deal would have garnered approx \$xx for this power. If we did not sell this additional power to Nova Scotia, it will would simply be spilled and wasted.
- This development eliminates Quebec's stranglehold on this province and allows us to access the Maritime and New England markets gaining a fair and competitive price for our clean, renewable power.

**DRAFT**

Government of Newfoundland and Labrador  
Government of Nova Scotia  
Nalcor Energy  
Emera Energy

### **Lower Churchill Project to Become A Reality; Province Signs Partnership Agreement With Emera Inc. for Development of Muskrat Falls**

Signaling the commencement of the long-awaited Lower Churchill River hydroelectric development, the Government of Newfoundland and Labrador today announced a partnership between Nalcor Energy and Emera Energy. The partnership will result in the development of Muskrat Falls, with power being transmitted from Labrador across the Strait of Belle Isle for use on the island of Newfoundland. Nalcor will then transmit surplus power to Nova Scotia Power, a subsidiary of Emera, across the Cabot Strait into Lingan, Nova Scotia.

The announcement was made in St. John's today by the Honourable Danny Williams, Premier of Newfoundland and Labrador, the Honourable Kathy Dunderdale, Minister of Natural Resources, Ed Martin, President and CEO of Nalcor Energy, Chris Huskison, Chair and CEO, Emera Inc. and XX, Gov of NS. The Honourable Darrell Dexter was also present for the announcement.

"This is an extremely exciting and proud day for our province as we move forward with plans to develop the Lower Churchill project; the most attractive clean, green energy project in North America," said Premier Williams. "The benefits of this project for our province will be enormous including thousands of jobs and billions of dollars of economic activity. From day one, our government has taken a long-term, strategic approach to developing this project. Our priorities have remained steadfast; that is to achieve maximum benefits for our people, and to secure stable markets with a good return for the people of this province. This agreement achieves these goals and also solidifies a mutually beneficial partnership with Emera Inc. and the province of Nova Scotia. Today marks the beginning of a new era of Atlantic Canadian cooperation and together we are telling the marketplace both in Canada and the United States that badly needed competition in the hydroelectric marketplace is on the way."

The Lower Churchill River system is comprised of Muskrat Falls with 824 megawatts of power and Gull Island with 2250 megawatts. Phase two of the project will be the development of Gull Island for which construction is expected to start in several years.

QUOTE FROM EMERA, GOV NS, ED MARTIN, DUNDERDALE

“Our Energy Plan clearly stated our desire to provide the people of Newfoundland and Labrador with a clean, reliable source of power which ensured the long-term stability of power rates,” said Minister Dunderdale. “By concluding this agreement we have accomplished these goals along with putting us into the energy marketplaces of Atlantic Canada and New England. Most importantly, the people of Newfoundland and Labrador will see an excellent return on this resource and will be able to partake in a world-scale mega-project.”

Newfoundland and Labrador Hydro, a subsidiary of Nalcor Energy, is mandated by the Public Utilities Board (PUB) to forecast electricity requirements in the province and bring forward the lowest cost option for meeting these requirements. Nalcor has estimated that an energy capacity deficit will emerge in the province by 2015, and an actual energy deficit will emerge by 2019, even taking into account the surplus power available from the closure of two pulp and paper mills. Therefore, Nalcor evaluated alternatives to develop new generation sources to avoid this deficit. Nalcor assessed five realistic alternatives and found the Muskrat Falls project with a transmission link to the Island to be the lowest cost alternative. The Muskrat Falls option is also more environmentally acceptable than maintaining an “isolated” island power system, which would retain Holyrood in operation as a major source of greenhouse gases. Once the Muskrat Falls development is operational the energy price structure in the province will be stable and lower cost for consumers over the long-term and the province will avoid the volatility associated with the price of oil.

Highlights of agreements:

- 8600 person years of work on the project within the province between 2011 and 2017, with 5400 of these person years occurring in Labrador.
- Adding the indirect and induced economic impact, there will be 18,400 person years of work in the province, and 47,800 person years in the whole country; [with peak employment of approximately 2200 people];
- surplus capacity from Muskrat Falls can be recalled as needed for industrial development in Labrador
- The generating station at Muskrat Falls will be 100% owned and operated by Nalcor Energy;
- Total transmission systems (the Labrador-Island Link plus Maritime Link) will be majority owned by Nalcor Energy (51 per cent) and minority owned by Emera Inc. (49 per cent); this ownership structure will be assigned to assets as follows: [Nalcor will hold 75 per cent of the Labrador-Island Link, while Emera will hold 25% of the Labrador-Island Link and 100% of the Maritime Link];
- At the end of the 35 year agreement ownership of the Maritime Link will revert back to Nalcor Energy for \$1;
- All engineering for the generation and the Labrador-Island link will be done in the province;
- First consideration for jobs at Muskrat Falls and on the Labrador-Island Link will go to the Labrador Innu as outlined in the New Dawn Agreement, then to Labrador residents, and then to residents of our province generally.

- Of the total 4.9 terawatt hours per year of power being produced, 1.9 terawatts will be used right here on the island to displace expensive, dirty bunker “C” oil used in Holyrood;
- 1.0 terawatt hours per year, or 20% of the output of Muskrat Falls, will be provided to Emera Inc. for use in Nova Scotia. In exchange, Emera will invest \$1.2 billion, or 20% of the overall capital cost of the project, and will be responsible for 20% of the operating costs for the 35 year life of the contract. As an additional investment, but not associated with a power sale, Emera will invest [\$500] million towards island transmission;
- The remaining power will be sold into the Maritime Provinces and New England market place. Nalcor Energy will be able sell power in these jurisdictions as a result of gaining existing transmission rights from Emera Inc. The total transmission capacity Nalcor Energy will acquire under this deal is XX;
- The total cost of the project will be approximately \$6.3 billion;
- Average annual dividends to Nalcor/NL will be approximately [\$540 million];
- With Muskrat Falls, the Newfoundland and Labrador electricity system being run on 98 per cent renewable, emission-free energy;
- Nalcor Energy will attain enormous strategic value in the acquisition of certain transmission rights outside of Newfoundland and Labrador;
- Nova Scotia’s main benefit is a stable supply of renewable energy to meet its renewable energy targets. Nova Scotia will also benefit from construction activity, particularly from the Maritime Link. It is estimated that 1,900 person years of employment result for Nova Scotians, \$164 million in income will flow to Nova Scotia workers and businesses, and \$24 million in taxes will flow to the Government of Nova Scotia due to construction activity.
- Emera Inc. will benefit from regulated rates of return on its investments in the Maritime Link and other transmission assets.

Today’s announcement is a historic milestone in the development of the lower Churchill resource. Milestones that remain before the project is sanctioned for construction include: the release of the generation project from environmental assessment; final ratification of the New Dawn Agreement; conversion of the Nalcor/Emera term sheet into a formal legal agreement; and completion of pre-front end engineering work.

## BACKGROUNDERS

**DRAFT**

**PREMIER DANNY WILLIAMS  
LOWER CHURCHILL ANNOUNCEMENT  
NOVEMBER XX, 2010  
*PLEASE CHECK AGAINST DELIVERY***

Good morning everyone and thank you for being here today.

I want to particularly thank my colleague and friend Premier Darrell Dexter of Nova Scotia for being here; and of course Mr. Chris Huskison (??) of Emera Energy and Mr Ed. Martin, President and CEO of Nalcor Energy.

Coinciding with our event here in St. John's, Minister of Natural Resources Kathy Dunderdale and Minister of Labrador Affairs John Hickey are also hosting an announcement in Happy Valley Goose Bay.

Today, is an extremely exciting and proud day for our province as we move forward with plans to develop the most attractive clean, green energy project in North America, the Lower Churchill project.

This has been a long time coming, but from day one our government has taken a long-term, strategic approach to developing this great project.

Our priorities have remained steadfast; to achieve maximum benefits for our people and to secure stable markets with a good return. This agreement achieves these goals and also solidifies a mutually beneficial partnership with Emera Energy and the province of Nova Scotia.

Today marks the beginning of a new era of Atlantic Canadian cooperation and together we are telling the marketplace both in Canada and the United States that badly needed competition in the hydroelectric marketplace is on the way.

As we all know, Nalcor Energy is mandated by the Public Utilities Board to forecast electricity requirements in the province and bring forward the lowest cost option for meeting these requirements.

Nalcor has estimated that an energy capacity deficit will emerge in this province by 2015, and an actual energy deficit will emerge by 2019, even taking into account the surplus power available from the closure of two pulp and paper mills.

Therefore, Nalcor evaluated alternatives to develop new generation sources to avoid this deficit. Nalcor assessed five realistic alternatives and found the Muskrat Falls project with a transmission link to the Island to be the lowest cost alternative. This is true even if we simply spilled surplus power over the dam.

In addition to being by far the most cost effective, the development of Muskrat Falls is clearly the most environmentally preferable arrangement. And so, Nalcor Energy has been pursuing the best options for this development.

And of course, we have done this with a view to not simply spilling the excess water but finding markets for this lucrative, clean energy.

And today, Nalcor Energy on behalf of the Government of Newfoundland and Labrador are signing an Agreement in Principle with Emera Energy to develop the first phase of this project, Muskrat Falls.

Gull Island will, of course, follow at a later date.

Our new partnership with Emera Energy will result in the development of Muskrat Falls, with power being transmitted from Labrador across the Strait of Belle Isle for use on the island of Newfoundland. The province will then transmit surplus power across the Cabot Strait into the Maritimes at Lingan, Nova Scotia.

Mr. Martin and Mr. Huskisson can speak to the mechanics of how this will work, but generally speaking we will build transmission across Labrador, an underwater cable to the island, additional transmission on the island and finally an underwater cable link to Nova Scotia.

Some of the highlights of this agreement include:

- 8600 person years of work on the project within the province between 2011 and 2017, with 5400 of these person years occurring in Labrador.
- Adding the indirect and induced economic impact, there will be 18,400 person years of work in the province, and 47,800 person years in the whole country; [with peak employment of approximately 2200 people];
- surplus capacity from Muskrat Falls can be recalled as needed for industrial development in Labrador
- The generating station at Muskrat Falls will be 100% owned and operated by Nalcor Energy;
- Total transmission systems (the Labrador-Island Link plus Maritime Link) will be majority owned by Nalcor Energy (51 per cent) and minority owned by Emera Inc. (49 per cent); this ownership structure will be assigned to assets as follows: [Nalcor will hold 75 per cent of the Labrador-Island Link, while Emera will hold 25% of the Labrador-Island Link and 100% of the Maritime Link];
- At the end of the 35 year agreement ownership of the Maritime Link will revert back to Nalcor Energy for \$1;
- All engineering for the generation and the Labrador-Island link will be done in the province;

- First consideration for jobs at Muskrat Falls and on the Labrador-Island Link will go to the Labrador Innu as outlined in the New Dawn Agreement, then to Labrador residents, and then to residents of our province generally.
  - Of the total 4.9 terawatt hours per year of power being produced, 1.9 terawatts will be used right here on the island to displace expensive, dirty bunker “C” oil used in Holyrood;
  - 1.0 terawatt hours per year, or 20% of the output of Muskrat Falls, will be provided to Emera Inc. for use in Nova Scotia. In exchange, Emera will invest \$1.2 billion, or 20% of the overall capital cost of the project, and will be responsible for 20% of the operating costs for the 35 year life of the contract. As an additional investment, but not associated with a power sale, Emera will invest [\$500] million towards island transmission;
  - The remaining power will be sold into the Maritime Provinces and New England market place. Nalcor Energy will be able sell power in these jurisdictions as a result of gaining existing transmission rights from Emera Inc. The total transmission capacity Nalcor Energy will acquire under this deal is XX;
  - The total cost of the project will be approximately \$6.3 billion;
  - Average annual dividends to Nalcor/NL will be approximately [\$540 million];
  - With Muskrat Falls, the Newfoundland and Labrador electricity system being run on 98 per cent renewable, emission-free energy;
- Nalcor Energy will attain enormous strategic value in the acquisition of certain transmission rights outside of Newfoundland and Labrador.

I will leave to Premier Dexter and Mr. Huskilson to speak to their respective benefits.

This Agreement in Principal will be fully open debate and questioning both in the public domain and in the House of Assembly. In fact, I have always said that anytime this government ever signs an agreement, passes legislation, whatever the case may be we are open to constructive and positive criticism and ideas.

If there is one person who can make this agreement better, than we welcome the idea. But I have to tell you that as it stands right now, this is just a wonderful agreement for our people and our province.

The issues associated with climate change and environmental stewardship and increasingly important globally, and the need to face these associated challenges head on are not going away. Indeed, they will become even more pronounced over time as we see increasingly innovative solutions to deal with climate change and green house gas emissions.

That is where the beauty and simplicity of the Lower Churchill comes into play. We are talking about the development of tried, tested and true technology. We are talking about a clean, renewable energy source. And we are talking about a project whose time has come.

It more important than ever before that we seize this opportunity to partner with our Atlantic Canadian neighbours and get this project underway.