

**Review of Statements Made in 2002 about the Draft Gull Island Development Project**

Topic/Issue	Statements by then Opposition Leader Danny Williams	2010 Recommended Response
<p><b>Benefits</b></p> <p>Should NL be the primary beneficiaries from the development of the Lower Churchill?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 28: “Can the Premier please confirm that, in fact, most of the design and engineering work on the Lower Churchill will be done in Quebec?”(Grimes Deal)</li> <li>2. HOA, Dec. 4, 2002: “Would the Premier confirm that he told that private meeting that the prefabrication of the turbines and powerhouse components would be done by Quebec companies, in Quebec?” “Why are we entering into an agreement to create numerous jobs and opportunities for Quebecers and only fifty long-term jobs for Newfoundlanders and Labradorians?”</li> <li>3. HOA, Dec. 4, 2002: “...at the end of construction of this multi-billion development of our resource, Newfoundlanders and Labradorians will only get fifty long-term jobs while Quebec will use more of our cheap power to create thousands of new jobs for Quebecers?”</li> <li>4. HOA, Dec. 5, 2002: “...the design and the engineering, and prefabrication of the generators, the transmission towers and transmission cable for the Gull Island project would be done in Quebec, by Quebec companies, and using Quebec workers. If all the work is occurring in Quebec, would the Premier please tell the people what is left for companies and workers from this Province other than the onsite work?” (Grimes Deal)</li> </ol>	<p>1). Clearly, as indicated by our Benefits Strategy all work which can be done in Newfoundland and Labrador will be done in Newfoundland and Labrador including engineering and design work.</p> <p>In fact, the Benefits Strategy clearly indicates that this work will occur in Newfoundland and Labrador and that no less than 1.5 million person hours of work for Muskrat Falls generation and no less than one million person hours of work for transmission will occur in the province.</p> <p>2). This agreement with Emera does not include Quebec or Hydro Quebec and the Lower Churchill Project, as per the Benefits Strategy with Nalcor, will create 21.5 million person hours of construction and assembly work in Newfoundland and Labrador.</p> <p>3). See number 2).</p> <p>4). No less than 6.5 million person hours of work will occur in Newfoundland and Labrador for engineering and project management and 21.5 million person hours of construction and assembly work will take place in Newfoundland and Labrador. Newfoundlanders and Labradorians are the primary beneficiaries of this development – this has been the commitment of our government to the people of Newfoundland and Labrador and we would not have it any other way.</p>

<p><b>Cost Overruns/Loss of Control</b></p> <p>Will NL lose any control over the project if there are cost overruns?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 19, 2002: Does NL lose ownership if there is a cost overrun that it cannot cover?</li> <li>2. HOA, May 8, 2006: "...if there had been an overrun on the project, the last Lower Churchill project that was proposed by the Grimes government, in fact, we could have lost the project; because, if there had been an overrun, we would not have been in a position to be able to finance it."</li> <li>3. News Release, Sep 20, 2004: "The main concern of our caucus and many others was that Quebec would have had too much control over the whole project. This is something that is clearly unacceptable to my government."</li> </ol> <p>It was possible that Newfoundland and Labrador could have lost ownership or control of the project to Hydro Quebec in the event of cost overruns, overruns which could also have affected the province's credit rating. "This, among other issues, confirms our view held at the time that this was a bad deal for our province, one which we must improve upon if we are to consider signing such an important agreement in the future," said the premier.</p> <ol style="list-style-type: none"> <li>4. HOA, Nov. 26, 2002: "Will the Premier please confirm that the financing arrangements for this project will saddle our Province of Newfoundland and Labrador with 100 per cent of the cost overruns?" (Grimes Deal)</li> </ol>	<p>The owner of the project will be responsible for cost overruns without risk of losing control.</p>
<p><b>Decision-Making Process</b></p>	<ol style="list-style-type: none"> <li>1. The Telegram, Nov. 21, 2002: When a proposed deal with aluminum giant Alcoa fell through, Grimes grasped at the first deal that came along, Williams charged.</li> </ol> <p>"Any time, if you're trying to sell a product and</p>	

	<p>you have two people who might be interested, if one walks away from the table you're vulnerable," Williams said.</p> <p>"What I think happened here is the premier turned around and basically grabbed at the first deal that came along and, as a result, we have a deal that is not going to be acceptable to the people of Newfoundland and Labrador."</p>	
<p><b>Electricity Rates</b></p> <p>Should the development of the Lower Churchill necessarily lower the residential electricity rates throughout the province? Commercial/Industrial?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 20, 2002: What about all Newfoundlanders and Labradorians who consume electrical energy in their homes? Why is electricity more than twice as expensive in Goose Bay and Corner Brook than it is in Montreal?"</li> <li>2. HOA, Nov. 21, 2002: Rates in NL towns and cities such as Corner Brook will pay 40% more for electricity than in Quebec cities such as Montreal.</li> <li>3. News Release – Nov. 28, 2002: "...cheap power from our resource should be used to reduce the price we pay for residential consumption," Williams said</li> </ol>	<p>1). – 3). The development of Muskrat Falls will not have an impact upon the electricity rates paid by residents of Labrador.</p> <p>Our government has made a concerted effort to ensure that electricity rates for Labrador residents are reasonable and we have undertaken significant work to ensure this remains so.</p> <p>We committed to a review of Labrador isolated commercial rates in conjunction with the development of the Lower Churchill Project. These commitments were echoed in our Energy Plan, with the additional commitment to continue to review the costs of interconnection with the Labrador Interconnected Grid.</p> <p>Industrial power rates in Labrador are not regulated by the Public Utilities Board (PUB), which is the only exception in the province.</p>
<p><b>Financing</b></p> <p>Should the province "go it alone" to develop the Lower Churchill?</p> <p>Will LCP borrowing affect our credit rating?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 19, 2002: <ul style="list-style-type: none"> <li>• "The province of Quebec – our great benefactors, the Province of Quebec – are generously providing financing for the project..." (Grimes Deal)</li> <li>• "Why can't the Government of Newfoundland and Labrador do this</li> </ul> </li> </ol>	<p>1).</p> <ul style="list-style-type: none"> <li>• This agreement with Emera does not include the province of Quebec who have missed a wonderful opportunity on this agreement.</li> <li>• We have requested a loan guaranteed from the Government of Canada as well as</li> </ul>

	<p>project ourselves, with a guarantee from the Government of Canada?</p> <ol style="list-style-type: none"> <li>2. HOA, Nov. 21, 2002: Would the Premier give the people of Newfoundland and Labrador an ironclad guarantee that there is nothing in this documentation that could affect our credit rating or our ability to borrow when our financing practices are already considered to be unsustainable?</li> <li>3. HOA, Nov. 28: “Speaker, could the Premier please table the most recent request he has made to the federal government, and/or federal Minister Gerry Byrne, to help finance the Lower Churchill project for the benefit of the people of Newfoundland and Labrador.” “Why can’t the Premier of our Province convince the Prime Minister that Newfoundlanders and Labradorians are also Canadians, and that we deserve federal assistance to develop our power project just as much as Manitoba and Ontario? And why is it that the Premiers of Ontario and Manitoba can progress their energy plan with Ottawa when our Premier simply cannot?” (Grimes Deal)</li> </ol>	<p>applied for funding from the federal agency PPP Canada. With or without such support we are continuing with this project for the benefit of the entire country.</p> <ol style="list-style-type: none"> <li>2). This project will have an excellent financial return and will be welcomed by financial markets.</li> <li>3). Our position on involvement with the Government of Canada has been very clear in that we believe this to be a project to benefit the entire country and a loan guarantee from the Federal Government would play a significant role in bringing the project to fruition.</li> </ol> <p>We have requested a loan guaranteed from the Government of Canada as well as applied for funding from the federal agency PPP Canada. With or without such support we are continuing with this project for the benefit of the entire country.</p> <p>That being said, we have a partner in Emera who is willing to work with us to make this project a reality and the market demand for this resource certainly makes the economics of this project viable and attractive to investors.</p>
<p><b>Governing Law (Dispute Resolution)</b></p> <p>Which province’s law will govern contracts?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 19, 2002: Would NL or Quebec courts settle a financial dispute over the project?</li> <li>2. HOA, Nov. 21, 2002: the courts of Quebec will decide major financial matters under this contract;</li> <li>3. The Telegram, Nov. 20, 2002: Williams also wanted to know whether Newfoundland or Quebec courts would have jurisdiction in the event of legal disputes.</li> </ol>	<p>NL law will govern LCP contracts.</p>

	<p>"This is our resource, this is our project. ... The jurisdiction should be the courts of Newfoundland and Labrador," he said outside the House.</p> <p>"The courts are to be impartial and they're to be fair, but there always is a leaning in favour of the home province."</p>	
<p><b>GHG Credits</b></p> <p>Should NL receive all GHG credits as the owner of the resource? Should the purchasing partner receive some/all credits?</p> <p>Should the province proceed with the Lower Churchill project without knowing which jurisdictions will receive GHG credits in any future GHG credit regimes?</p>	<p>1. News Release – Nov. 7, 2002: (Ottenheimer) it would be reckless and irresponsible to sign a Lower Churchill deal with Québec without knowing whether the Kyoto Protocol will credit provinces like ours that produce clean hydro power or simply credit provinces like Québec, in this case, that end up using the power.</p>	<p>Under deal with Emera, Nalcor will own GHG credits.</p>
<p><b>Industrial Development</b></p> <p>Should a portion of power from the Lower Churchill development be reserved to attract industrial development to NL?</p> <p>Should the province only develop the Lower Churchill if electricity from the project can be sold at a cheap enough price to attract industrial development?</p>	<p>1. News Release – Nov. 22, 2002: "...before pursuing an agreement with Québec, we must first seriously examine the option of moving forward with this project on our own so that we can use cheap hydroelectricity to attract new industrial development to Newfoundland and Labrador."</p> <p>2. News Release – Nov. 28, 2002: "Cheap power from the Lower Churchill should be used to attract new businesses to Newfoundland and Labrador so that it can create jobs for Newfoundlanders and Labradorians," Williams said.</p>	<p>1). – 2). Industrial development in Labrador is a key factor in this regions growth and future prosperity. Through both the Energy Plan and the Northern Strategic Plan our government recognizes the potential for Labrador and has a plan to ensure development occurs and that Labradorians receive maximum benefits.</p> <p>While current transmission lines in Labrador meet the electricity needs of the areas they are adjacent and industrial development in the region has power supply, we must plan ahead to meet the needs of industrial development in Labrador which our government is actively pursuing.</p> <p>As outlined in the Energy Plan, new infrastructure will be constructed as needed and funded through</p>

		<p>the Labrador rate system with costs allocated to those customers who benefit.</p> <p>With the addition of the new transmission lines as part of this agreement the economics of adding transmission capacity to the Lake Melville area has improved and will reduce the resulting rate impacts of industrial development.</p> <p>Development of the Lower Churchill Project will no doubt have a positive impact upon Labrador's ability to attract industrial development to the region and thus create economic opportunity for the people of Labrador.</p>
<p><b>Labrador</b></p> <p>Should those adjacent to the resource (i.e. customers in Labrador) have access to Lower Churchill power?</p> <p>Should the province only allow the project to proceed if it lowers electricity prices for Labrador residents?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 20, 2002: "Will recall power be specifically targeted for those current needs of Labrador; the 500 megawatts requested for the Goose Bay area as requested by the mayor; the power for Southern Labrador as requested by the MHA, and also for domestic and commercial use in the rest of Labrador as requested by the Member of Parliament for Labrador, Lawrence O'Brien?" (Grimes Deal)</li> <li>2. HOA, Nov. 20, 2002: "Mr. Speaker, the Premier has quit on the Province of Newfoundland and Labrador. He is now specifically quitting on Labrador itself and says there has not, and there will not be, any use for that power (inaudible)."</li> <li>3. HOA, Nov. 20, 2002: "The truth is we won't be able to attract any new business. The fears of Mr. O'Brien, Mr. Hickey and the Member for Cartwright-L'Anse au Clair are well-founded.</li> </ol>	<p>1). – 3). Transmission to the North and South Coasts of Labrador would cost approximately \$375-400 million. With only 3,500 customers, this is equal to over \$100,000 per customer.</p> <p>We believe it is still in the best interest of the province to continue to support the communities through subsidies on diesel-generated power rather than construct power lines. We will continue to monitor and evaluate the cost of transmission versus diesel generation.</p> <p>If, at some point, the situation changes and other factors come in to play, we will reevaluate and move forward with the lowest cost option. Our goal is to provide the most affordable power to these communities which we can.</p> <p>Government has met its commitment to provide a rebate to residential customers in Labrador coastal communities. Commercial rates will be reviewed in</p>

		<p>conjunction with this decision on Lower Churchill development.</p>
<p><b>Need for debate</b></p> <p>Should the arrangements for development of the Lower Churchill be open for public debate prior to binding arrangements being reached with customers and lenders?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov 18, 2002, “Everything is being done in secret. Make all the information available, have a full debate. Before the deal is signed.”</li> <li>2. HOA, Nov. 26, 2002: “...I challenge you today, to present this deal and all the detail before this House, to this House, to the people in this House of Assembly, before a deal is signed, so that myself, you and the Leader of the New Democratic Party can have a full and open televised debate on all the issues, clause by clause, section by section, and let’s see if you really have the answers.”</li> <li>3. HOA, April 11, 2006: “That was very secret, no disclosure, no information whatsoever. The former Premier - most of you were in the Cabinet at the time - the big celebration, the big announcement was all done. All the media was all done. All the public relations were all done. We were going to get it rammed down our throats. We stopped that, and fortunately we saved the Lower Churchill from being given away after the Upper Churchill had been given away by a Liberal government.” (Grimes Deal)</li> <li>4. The Telegram – Oct. 25, 2002: “Pledging that a Tory government would consult with its Opposition, Williams said Thursday he wants to help Liberal Premier Roger Grimes reach the best possible deal for Newfoundland and Labrador.</li> </ol> <p>"Unfortunately, because (the deal) is being</p>	<ul style="list-style-type: none"> <li>• The plan for the Lower Churchill project has been well known. The EIS contains a full project description. Plans have been made public in filings with the Regie de l’Energie in Quebec. We have informed the public about the P3 application for a Maritime link. and...</li> <li>• The arrangements being made public now are the Decision documents of Nalcor Energy and the Term Sheet negotiated with Emera. These represent a further evolution in our planning.</li> <li>• We are making these documents public as a basis for public discussion and debate in the House of Assembly.</li> <li>• This process is markedly different than 2002.</li> </ul>

	<p>negotiated in secret, we know very little about this deal and therefore are not able to provide constructive thoughts and suggestions as to how it can be improved," he said.</p> <p>5. The Telegram, Nov. 20, 2002: "It goes back to the Voisey's Bay deal," he said. "We get blindsided, we don't get any information at all, the people of Newfoundland and Labrador don't get any information, then we're forced to react to some imminent deal that's backed up by some very expensive ad campaign."</p> <p>6. The Telegram, Apr. 5, 2005: "In fact, when we reach a stage whereby we enter serious negotiations for the development of the Lower Churchill, I will be the first to invite public scrutiny. I happen to know that lack of public scrutiny nearly resulted in a very poor deal in 2002."</p>	
<p><b>Open Access</b></p> <p>Will LCP avail of open access in other jurisdictions?</p>	<p>1. PC Opposition News Release – Aug. 1, 2002: "...since Canada has become part of the North American Free Trade Zone, Québec is obligated to give Newfoundland and Labrador wheeling rights to export power across its grid to markets elsewhere. Therefore, the government has to explain why this project is not being developed solely as a Newfoundland and Labrador project so that the power can be sold at market value for the best prices on the North American market." (Grimes Deal)</p> <p>2. News Story – Sep. 13, 2002: "Why can't we sell the electricity directly to the United States and benefit from the competitive elements of the open market?" (Grimes Deal)</p>	<p>We have seen the actions of Quebec, Hydro Quebec and the Regie de l'Energie when it comes to allowing our province access to transmission lines to bring power to the markets of Canada and North America. It is unfortunate Quebec is attempting to block LCP and essentially force NL to sell its energy to Quebec.</p> <p>Our new strategy uses a maritime link to gain access to markets that are open and fair, going around Quebec for the first time ever.</p>
<p><b>Ownership / Project Management</b></p> <p>Should the province solely own and manage all</p>	<p>1. HOA, Nov. 19, 2002: Will the province manage 100% of the project?</p> <p>2. HOA, Nov. 21, 2002: there is no guarantee of</p>	<p>1). – 3). The agreement we have with Emera is one which is fair to the province of Newfoundland and Labrador, provides us access to appropriate markets</p>



<p>aspects of the project?</p>	<p>100 per cent ownership of the project by Newfoundland and Labrador (Grimes Deal)          3. News Release, Sep 20, 2004: "The main concern of our caucus and many others was that Quebec would have had too much control over the whole project. This is something that is clearly unacceptable to my government."</p>	<p>and puts us, Newfoundland and Labrador, squarely in the driver seat for the design, management and construction of this project – not to mention the beneficiary of the massive employment related to it.</p>
<p><b>Pre-Release Costs</b></p> <p>Should the province disclose its expenditures on negotiations and other related aspects leading up to the Lower Churchill deal?</p> <p>Should the province invest public funds in investigating, negotiating or marketing project development terms before the agreement is announced or sanctioned?</p>	<p>1. HOA, Dec. 4, 2002: "Will he confirm that Lower Churchill negotiations, dating back to the Tobin Administration, have cost the people of the Province or Hydro approximately \$50 million; \$35 million of which was spent under the Tobin Administration, and approximately \$15 million since this Premier became Premier? Can he confirm that is how much this Administration has spent on Lower Churchill negotiations and that approximately \$3 million of that has been spent on needless public relations campaigns?"</p>	<p>1). In order to conduct the business associated with reaching a deal of this magnitude the Provincial Government and Nalcor have had to allocate financial resources. None of this money was used wantonly nor was it used on needless public relations.</p> <p>We are providing the financial information on this agreement with Emera along with whatever financial information we can make available so that the people of Newfoundland and Labrador can see the totality of this agreement and not be saddled with some unknown expense later on down the road.</p> <p>If information anyone wishes to receive is not yet made available I recommend they contact the Provincial Government, Nalcor or make an Access to Information request.</p>
<p><b>Third Party Role in Project (e.g. Quebec in 2002 deal)</b></p> <p>Does the deal with Emera give it control over key aspects of the LCP?</p>	<p>1. HOA, Dec. 5, 2002: "...I have never ever seen a contract in which one party - in this case Quebec - acts as the banker, acts as the customer, acts as the supplier, acts as the manager, is potentially an owner, and has control of capital costs, borrowing costs, and the price of the product. Mr. Speaker, could the Premier please show the people any other project in Canada in which one party to that contract has such a controlling and dominant interest?"</p>	<p>1). I can assure the people of Newfoundland and Labrador that the only partner in this deal who may have the upper hand is them, the people of Newfoundland and Labrador who own this resource.</p> <p>This is our resource, our project and <b>we have final say</b> in all aspects and this project would not occur in any other way other than our terms.</p>

<p><b>Recall</b></p> <p>Does the agreement on Lower Churchill development allow us to recall the power for NL use?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 20, 2002: “Would the Premier please tell the people of Newfoundland and Labrador - the mayors, the MHAs and the MP for Labrador - the details of such recall power? What notice do we have to give for that recall power and what limitations, if any, are on the amounts that we can recall over the entire life of the contract?”</li> <li>2. HOA, Nov. 21, 2002: we can only recall our own power at a price greater than we sold it to Quebec in the first place (Grimes Deal)</li> <li>3. HOA, Nov. 26, 2002: “Would the Premier confirm, for the people of Labrador, that the recall notice will be short enough and there will be sufficient guarantees of power available immediately to satisfy the demands of leaders like Lawrence O’Brien and the Mayor of Happy Valley-Goose Bay?”</li> </ol>	<p>Except for the 1TWh being sold to Emera, all the remaining power is available for NL needs. 2 TWh will be used in 2015, building to 3.9 TWh by 2041.</p>
<p><b>Redress for Upper Churchill</b></p> <p>Should any agreement on the development of Lower Churchill include provisions for Upper Churchill redress?</p> <p>Should the province only develop the Lower Churchill if it includes a deal with Quebec on Upper Churchill redress?</p>	<ol style="list-style-type: none"> <li>1. HOA, Nov. 18, 2002: Any deal on the Lower Churchill should redress Upper Churchill [LC is NL’s only lever for redress.] (Grimes Deal)</li> <li>2. HOA, Nov. 18, 2002: “By 2010 the Government of Quebec is forecasting a shortage of power that will leave them unable to meet their commercial obligations. Quebec’s shortage of power would put our negotiating team in the driver’s seat during negotiations on the Lower Churchill. With such obvious negotiating power, could the Premier tell the people why he did not use the Lower Churchill as a bargaining lever to address the inequities of the Upper Churchill contract? Would the Premier explain why he quit on the objective of every single Government of Newfoundland and Labrador since the deal was signed over thirty years ago?”</li> <li>3. HOA, Nov. 21, 2002: “there will be no form</li> </ol>	<p>1).-3). As this agreement does not involve Quebec redress is not applicable here.</p> <p>CFLCo currently has an action against Hydro Quebec pertaining to “good faith” in the implementation of contracts.</p>

	<p>of redress for the Upper Churchill (Grimes Deal)</p> <p>4. The Telegram, Oct. 25, 2002: While prominent Newfoundlanders have urged that any Lower Churchill deal address the Upper Churchill, Williams said Grimes views them as separate entities.</p> <p>"I don't accept Premier Roger Grimes's position," Williams said. "It's something you would expect to hear from quitters and we are not quitters."</p> <p>5. HOA, 3 Jun, 2008: "...the (Grimes 2002) Lower Churchill project... ..was going to extend beyond the Upper Churchill. So it was basically going to compromise our ability to obtain redress on the Upper Churchill."</p>	
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