

# Former PUB chair questions Muskrat Falls

By JAMES MCLEOD

THE TELEGRAM

**D**avid Vardy, a former deputy minister and former chairman of the Public Utilities Board, wonders if there might be a better way to power Newfoundland than the Muskrat Falls project.

In a 21-page paper, entitled "Making the best use of the Lower Churchill: The Muskrat Falls development" Vardy argues Muskrat Falls isn't necessarily the cheapest source of power for the province.

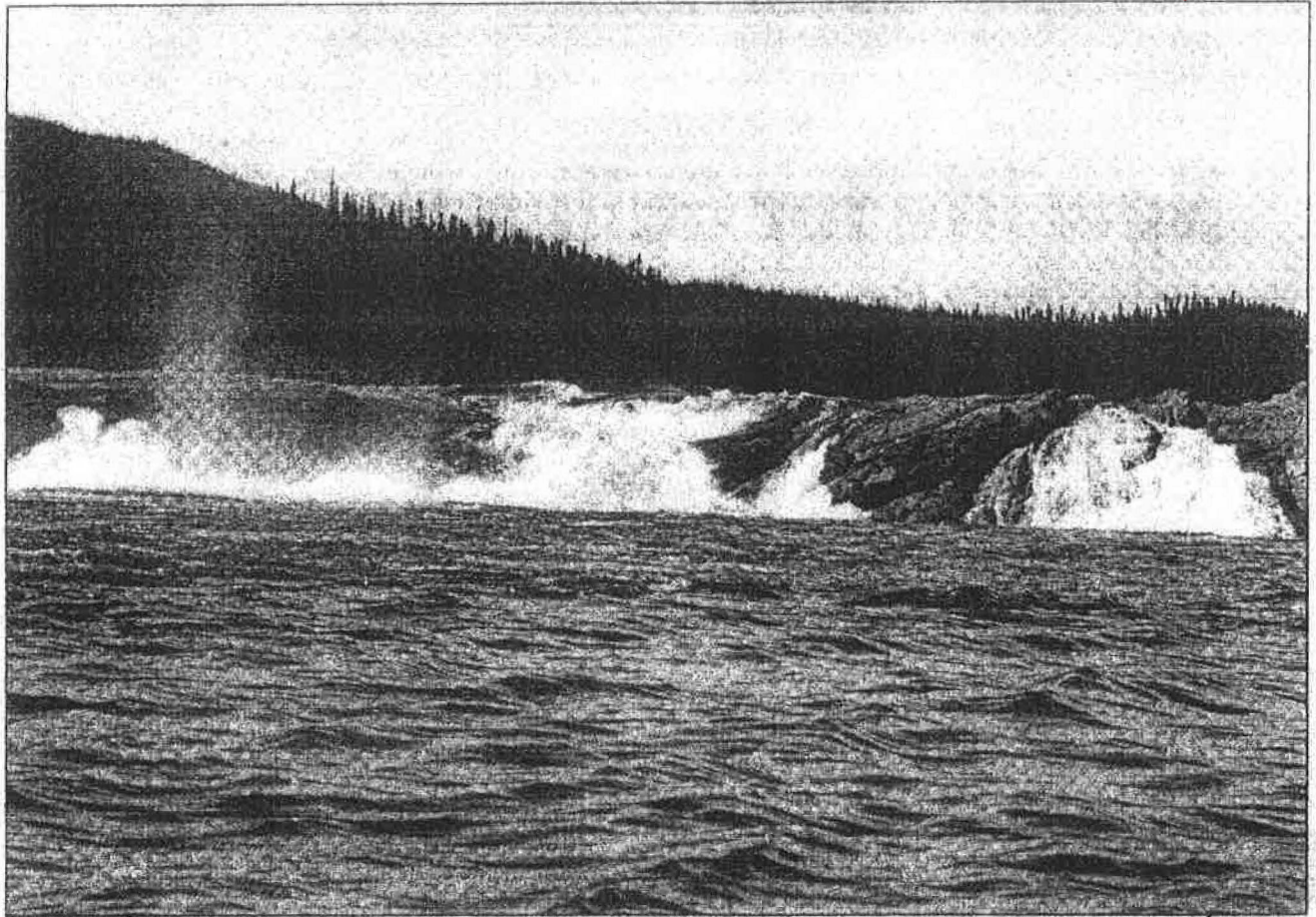
"The Muskrat Falls project is probably a second- or third-best option," Vardy writes.

Better options may include converting the Holyrood thermal generation facility to run on natural gas, or to "more aggressively" control energy use and efficiency until 2041, when the province regains control of the Churchill Falls hydro facility, he said.

Speaking to The Telegram, Vardy said he understands the attraction of hydro power, but he's unsure.

See 'THERE,' page A4





Muskrat Falls. — File photo by Troy Turner/The Western Star

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## *'There might be better options'* ... Continued from page A1

"We all realize that having hydro-electric power is a wonderful thing," he said. "The thing about it is that there may be other options, there might be better options."

"Even though hydro might offer us stable options in the future, we could end up being stuck with prices so high that we're out of step with the rest of North America."

Natural gas is an option that bears a lot of consideration, he said. The U.S. is awash in relatively cheap, easy to extract shale natural gas.

"The U.S. is now exporting natural gas to the rest of the world," Vardy said. "We as a province need to look at this option of natural gas as an alternative to Holyrood, and that's something that's not on the table."

The gas to power it could even come from reservoirs extracted from the province's offshore.

Moreover, the price of natural gas is serving to provide energy in the U.S., driving prices down. Vardy said that could hurt the province as it plans to sell Muskrat power.



David Vardy

Much of Vardy's essay focuses on the original lopsided Churchill Falls contract which sees Quebec reaping nearly all of the profits from that power development.

That deal, he said, may be motivating the Lower Churchill development.

"We were all badly bitten by that Upper Churchill lesson," he said. "We are caught in a situation where we're looking at options like Muskrat Falls, which is a sub-optimal solution."

Vardy said more than anything else, he'd like to see people shy away from the urge to go fast and go big.

"Guys, if we can find a smaller solution to a big problem, rather than a big solution to a big problem, that's where I would want to take this," he said. "A lot of these grandiose schemes, in terms of our history, have gotten us into trouble."

He said he's encouraged by the public debate over Muskrat Falls, and he hopes there will be plenty of discussion as the Public Utilities Board starts to consider the project.

"This is a big project. This has the potential to increase our public debt, and you know, let's really make sure we know what we're doing," he said. "We've got to be very cautious here."