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Calling Muskrat into question

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*Minister defends
against
new criticism
around
hydro
development.*

By JAMES MCFOD AND BARR SWEET
THE TELEGRAM

Several prominent experts came out Wednesday to pose some pointed questions about the Muskrat Falls project.

In a letter to The Telegram, former Public Utilities Board (PUB) chairman David Vardy and former Deputy Minister of Justice Ron Penney called for a full review of the project by the PUB.

Vardy and Penney also called for a public referendum on the issue, saying it's "the most important public policy issue ever to have faced Newfoundland and Labrador."

Also Wednesday, the C.D. Howe Institute published a study by MUN economics professor James Feehan questioning the necessity for the Muskrat Falls hydro dam.

The paper argues energy prices are artificially low: if prices were higher, people would use less electricity, which would delay the need for the hydro development.

"The electricity options facing Newfoundland are costly. Making the right choice, getting the timing right and maximizing the net benefits have to be based on the correct price signals," Feehan concluded. "The provincial government should allow efficient pricing and then reconsider the options. Authorizing Muskrat Falls now would be premature and imprudent."

Both Penney and Vardy, speaking to The Telegram, said this was further evidence the PUB needs to have the chance to do a full review of the project.

PUB chairman Andy Wells has asked for a deadline extension until June to complete the review of the plan. The government has refused, saying that his report must be completed by March 31, so it can be publicly debated in the House of Assembly spring session.

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The undersigned write the former Minister of Natural Resources, Shawn Skinner, in May asking him to have the Muskrat Falls project reviewed by the Public Utilities Board. We were pleased that the Minister agreed to refer the project to the Board, even though the reference was limited to comparing the isolated island option with the Muskrat Falls project, and the reference was advisory only.

We have been following the process quite closely since then and commend the Board for its transparent approach, which allows interested members of the public to follow the information flow between the Board and NALCOR. The correspondence demonstrates the frustration experienced by the Board with the timeliness and quality of the responses being provided by NALCOR.

We were therefore not surprised by the request by the Board to have the deadline extended for the completion of the reference until just 30th and fully expected the Minister to provide the extension. We were shocked by the immediate decision of the Minister to deny the request. The stated reason is to allow a debate in the House of Assembly in March but there is no sensible way the House cannot debate this in July, following the completion of the reference.

As pointed out by the Chair of the Board in his letter to the Minister of January 6, 2011 the likely result of this decision will be to reduce the role of the Consumer Advocate and to restrict public consultations to St. John's. We urge the Minister and the Government to reconsider this decision.

The Muskrat Falls project is by far the largest capital works project ever undertaken by the Newfoundland Government and the most important public policy issue ever to have faced Newfoundland and Labrador. It requires careful and comprehensive independent analysis and a public debate spanning the period of the reference. That is the purpose of the reference to the Board and to the Consumer Advocate.

We know there are many knowledgeable people who have strong reservations about this project, but, who, for personal reasons, are reluctant to make their concerns public. It is now vital that the Minister also needs to seek out those informed citizens. He needs to broaden his circle of advisors and not rely solely on NALCOR. This is not to say that those officials are not acting in good faith but there is a natural human tendency to reject alternate views after so much money has been expended.

All parties should set aside pre-conceived ideas and partisan positions on this project in the evidence to determine the final decision. Given the significance of this decision to the present and future generations there should be a vote in the provincial parliament to that effect. Depending on what the Board advises, and the response of the Government on its own, without parliamentary approval or a referendum.

It is vitally important that all options be pursued with vigor, rather than limiting to over the past year such as the use of natural gas as feedstock for the Hollywood Falls population and electrical load growth, among others. Furthermore, we believe that the Board should be authorized in its reference to the PUB.

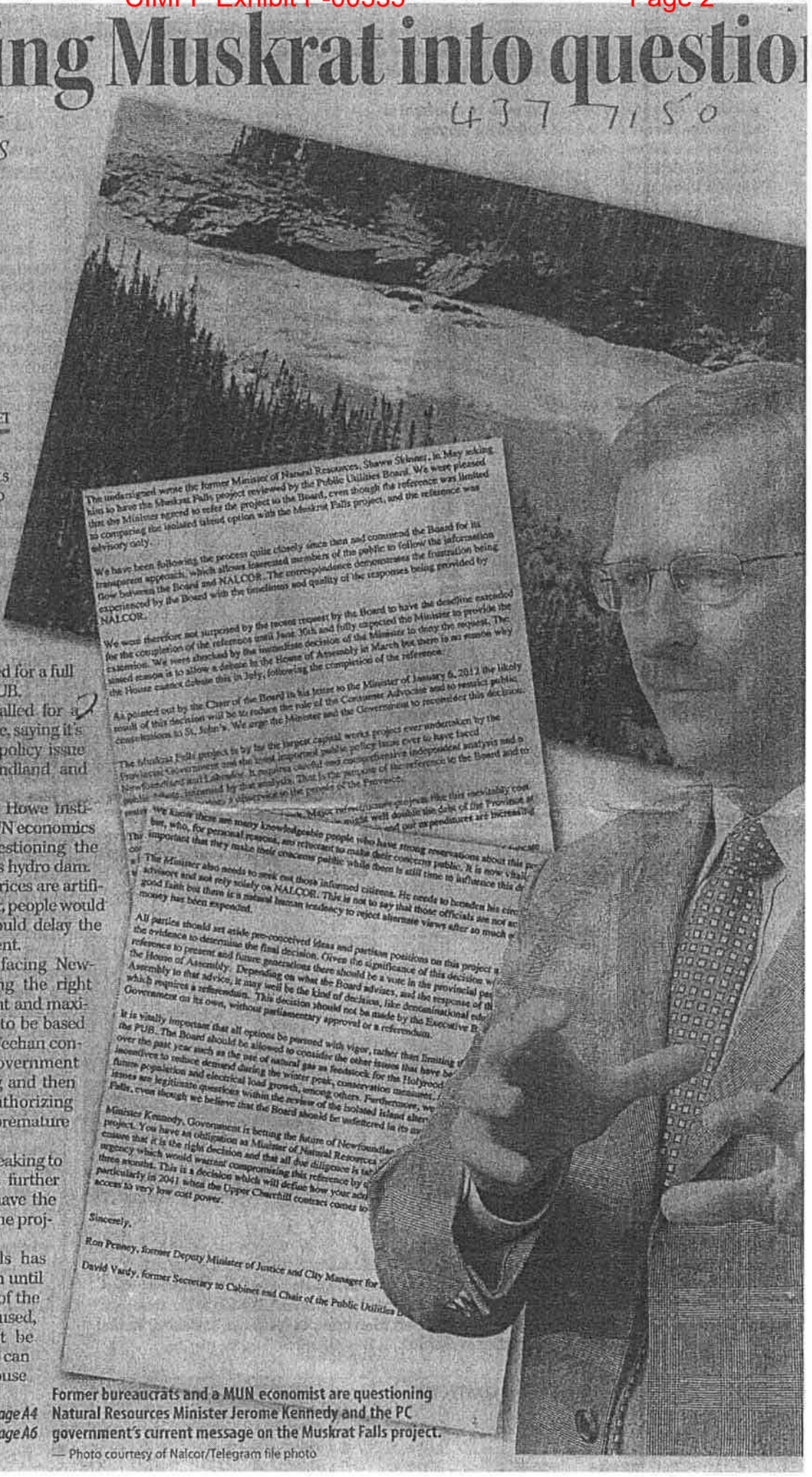
The Board should be allowed to consider the other issues that have been raised over the past year such as the use of natural gas as feedstock for the Hollywood Falls population and electrical load growth, among others. Furthermore, we believe that the Board should be authorized in its reference to the PUB.

Minister Kennedy, Government is betting the future of Newfoundland on this project. You have an obligation as Minister of Natural Resources to ensure that it is the right decision and that all due diligence is taken over the next three months. This is a decision which will define how your access to very low cost power.

Sincerely,
Ron Penney, former Deputy Minister of Justice and City Manager for St. John's
David Vardy, former Secretary to Cabinet and Chair of the Public Utilities Board

Former bureaucrats and a MUN economist are questioning Natural Resources Minister Jerome Kennedy and the PC government's current message on the Muskrat Falls project.

— Photo courtesy of Nalcor/Telegram file photo



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"The idea that it's not going to be properly reviewed, and this idea as well that there's going to be some sort of debate in the House of Assembly, but not a vote, I just don't understand," Penney said.

"If the government doesn't change its mind, we're going to have basically a half-assed report and it's not going to be helpful in terms of informing debate."

Natural Resources Minister Jerome Kennedy said the public has had plenty of opportunity to have its say, despite the fact the government has turned down the PUB extension.

Kennedy said there was an environmental assessment process, Nalcor had more than 20 open houses last year and there has been numerous opportunities for commentary in the media.

"At the end of the day, the (PUB) public presentations, I'm not sure what they will add," Kennedy said.

As for the PUB's concerns Nalcor has been dragging its feet on filing information, which has left the PUB in a bind, he said the report from outside experts Manitoba Hydro International later this month will review all technical aspects.

"What the PUB is being asked is a very specific question. The answer in my mind can be yes, no, maybe or we don't have enough information," Kennedy said, referring to the least-cost option for electricity.

"We need to wait and see what is in the Manitoba Hydro International report. That will give us a better idea and will give me a better comfort level at that time as to whether or not the PUB has the information



David Vardy

they require."

The PUB is also concerned information it got from Nalcor is only current to December 2010, but Kennedy said the government will have all the up-to-date costs and estimates and other data when it comes to making the final decision on sanction of the Lower Churchill deal.

Asked whether he's concerned about the perception he and his government will be remembered for rushing a decision if the project is deemed a failure in the future, Kennedy said unlike the Upper Churchill deal of the 1960s, the government is allowing



Ron Penney

debate in the House this time around.

"We have to learn from the mistakes of the past and especially the Upper Churchill," Kennedy said.

"As politicians, we have to look at all the facts in making our decision and while no one certainly wants to be the new Joey Smallwood, also we can't be afraid of making decisions because of that type of issue."

Kennedy said the NDP and Liberals can debate Muskrat Falls during the speech from the throne debate, in question period and during budget debate. While he didn't signal there would be a special debate on the proj-

ect, he said the government is prepared to debate it all night if it has to.

"We feel the best and proper place for this to be debated and to allow for full debate is in the House of Assembly," Kennedy said.

Commenting on the letter written by Vardy and Penney suggesting opponents are afraid to come forward, Kennedy accused Vardy of refusing to represent his side of the argument in a discussion next week with economist Wade Locke at the Harris Centre.

"I find it odd that these individuals are engaged in letter writing and criticism and yet when push comes to shove and he's given the opportunity to get out there, he refuses to do that," said Kennedy, adding he is encouraging the public to attend the discussion.

Both opposition parties blasted Kennedy for refusing to wait for a fully conducted review by the PUB.

"It's quite obvious to me that government does not want an open process around the review of this particular deal," Liberal energy critic Yvonne Jones said. "If they did, they would certainly grant the time that was necessary to do it appropriately."

NDP Leader Lorraine Michael said it was "disturbing" that the PUB won't be given the time it feels it needs to complete a full report. If need be, she said, the debate should be delayed until the summer or the fall.

"I want my full discussion in the House, but I want full information," she said. "It's only government that's saying the full discussion in the House has to happen this spring."

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