

**Speaking Notes**  
**Premier Kathy Dunderdale**  
**Decision Gate 3/MHI Report**  
**Sheraton Hotel, St. John's**  
**October 30, 2012**

Please check against delivery

Good afternoon.

As I committed to the people of the province, I am pleased to be here today to release the Decision Gate 3 cost estimate for the Muskrat Falls hydroelectric project, and the independent analysis completed by Manitoba Hydro International.

Joining me are the Honourable Jerome Kennedy, Minister of Natural Resources and Ed Martin, President and Chief Executive Officer of Nalcor Energy.

The development of Muskrat Falls represents a pivotal opportunity for Newfoundland and Labrador to transform itself from a non-renewable resource economy, to one that will sustain prosperity for generations to come and open the door for future developments.

Muskrat Falls sets the stage for us to finally take control of our destiny and achieve the enviable position of total energy independence in the international marketplace.

Across the country and around the globe, having control of one's own energy resources means having control of your economic future.

Our investment in Muskrat Falls is a wise one that will allow us to secure a sustainable economic base for many years to come, and holds the promise of clean renewable energy for our children and our children's children for generations to come.

The benefits of the project – reliable source of clean electricity, stable electricity rates, direct employment, economic spinoffs, energy self-sufficiency... just to name a few – are tremendous.

This project continues to generate support ranging from renowned international energy experts to the business community and banking institutions, from labour and environmental organizations, to the national municipalities association and all federal political party leaders, including the Federal Government.

And today the release of MHI's independent analysis of the Muskrat Falls hydroelectric project is yet another solid endorsement of the project and the exemplary work done by the professional, highly knowledgeable and skilled Newfoundlanders and Labradorians at Nalcor.

The people who work at Nalcor have 40 years experience in electricity generation and management in this province and are responsible for one of the largest generation stations in the world at Churchill Falls.

They know the industry, they know the work, they know Newfoundland and Labrador and they know all the alternatives. Nalcor's experts are credible, experienced and highly trained.

They determined that Muskrat Falls would be the best alternative for supplying this province's energy needs.

Their expertise has been analyzed and validated by MHI, Ziff, Navigant and Dr. Wade Locke. We are here today to speak specifically to the MHI report.

The independent analysis undertaken by MHI involved the most up-to-date information from Decision Gate 3 on load forecasts, new generation plans and revised cost estimates including, capital costs, operating costs, financing costs, fuel, and interest.

After a detailed and thorough review, MHI endorses the work done by Nalcor and concludes Muskrat Falls is, indeed, the least-cost alternative to supply the power needs of the people of Newfoundland and Labrador.

When we first announced the project almost two years ago the capital cost was estimated to be \$6.2 billion, this included \$5.0 billion for the generation station at Muskrat Falls, the Labrador-Island Transmission Link, and \$1.2 billion for the Maritime Link that will be constructed by our partners in the project Emera Inc.

The updated capital cost for the project is now \$7.4 billion. The cost to Newfoundland and Labrador is \$6.2 billion which includes the capital costs for the Muskrat Falls generation station and the Labrador-Island Transmission Link. The cost of the Maritime Link remains at \$1.2 billion until Emera Inc. completes their cost analysis.

Over the past 18 months between DG2 and 3, Nalcor has been working on refining the design and engineering of the project to ensure a high degree of cost certainty. The capital costs identified in the MHI report are based on the completed work of approximately 50 per cent of the engineering and detailed design work for the project, the results of early site work being completed near Muskrat Falls, and actual bid values for major components, such as turbines, generator sets and the

Strait of Bell Isle Cable. Having all of this information ensures an extremely reliable and sound cost estimate.

This additional engineering work resulted in a number of changes to improve the effectiveness of the project which accounts for the changes in capital costs between the DG2 and 3 numbers:

- The transmission line voltage has been optimized for more efficiency and reliability. As well, concerns were identified and addressed regarding certain areas of the overland line.
- Detailed engineering and modelling determined that the Muskrat Falls powerhouse should be re-oriented on the river to maximize the amount of energy we could generate.
- As well, further testing for structural integrity led the design to be adapted and the dam to be anchored deeper in the riverbed.

The MHI report validates the level of engineering, costs, and project planning completed to date by Nalcor Energy, and supports Muskrat Falls as the least-cost option for electricity generation in the province. The report found Nalcor's work to be "skilled, well-founded and in accordance with industry practice."

The analysis completed by Nalcor Energy and confirmed by MHI demonstrates that after all project expenses are taken into account, there is a \$2.4 billion preference in 2012 dollars for Muskrat Falls over the Holyrood (Isolated Island) option.

MHI stated in its report that "the Interconnected Island option remains the least cost option to meet the needs for capacity and energy to supply the forecasted load in Newfoundland and Labrador."

The decision gate process being followed for this project is one that reflects good industry practice and gathers critical information up-front.

It minimizes uncertainty associated with large-scale resource developments, such as Muskrat Falls and allows us to have a well-informed, more accurate cost estimate in place. This will help support a well-informed sanction decision.

This project will have a tremendous impact on the people of Newfoundland and Labrador for years to come and that is why it is so important for this government to ensure that detailed information about Muskrat Falls is available to the people of the province.

Never before in the history of our province has a project undergone such scrutiny. And so it should have.

A project of this magnitude is complicated by its very nature. The case for Muskrat Falls is sound and robust. It is the right project for Newfoundland and Labrador for so many reasons.

We believe a review of the MHI report will demonstrate that the Muskrat Falls project will:

- Meet the challenge of an energy deficit looming by the end of the decade in the province;
- Provide stable electricity rates for residents and businesses at the lowest possible cost for generations to come;
- Support industrial development and future mining operations in Labrador;
- Break Quebec's stranglehold on our development and allow us to be energy self-sufficient;
- Open a new route to export surplus power into and through Atlantic Canada;
- Eliminate our ties to oil-fired generation from Holyrood and make the provincial grid more than 98% renewable; and
- Situate us to negotiate from a position of power for the development of Gull Island and the sale of Upper Churchill power in 2041.

The project will be self-financed, generating enough revenue to cover its costs including debt repayment. In addition, the construction phase will generate over 3,100 jobs at peak, providing more than \$1.9 billion in total income for labour and business.

The simple fact is, Muskrat Falls stands on its own merit. Its benefits will be felt throughout the Atlantic region, across the country, around the globe, but most importantly, by the people of Newfoundland and Labrador. Our commitment to the sanction decision remains the same.

We will make a decision that is truly in the best interest of Newfoundlanders and Labradorians.

We are fortunate to have vast non-renewable resources in our province in oil and minerals. These resources have propelled us forward and will continue to do so for years to come.

But we also need to remember that non-renewable resources will not last forever. Planning for our future energy needs is essential and has to be undertaken now, and responsible governance demands that we do so.

It has taken a long time to get us to this place. Our history is marked by hardship and struggle, but during the last 10 years, we have made remarkable progress. This is not the time to rest on our laurels. Now is the time to build on our

momentum. Now is the time to write the next chapter in Newfoundland and Labrador's story. We have the vision. We have the plan. The next chapter of Newfoundland and Labrador's story begins with Muskrat Falls.

Thank you.