

NLIS 4  
Natural Resources  
June 17, 2011

### **Public Utilities Board to Review Lower Churchill Project**

As part of the comprehensive evaluation process to move the development of Muskrat Falls and the Labrador Island Link projects to final sanction, the Provincial Government has asked the Board of Commissioners of Public Utilities (PUB) to provide a supplemental review of the process used to determine that Muskrat Falls represents the least-cost option for the supply of power to Island Interconnected Customers compared to the Isolated Island development option.

“The Lower Churchill project is the most significant electrical generation and transmission project undertaken by this province in 50 years, and it is important to engage the PUB in a review of the fundamental question about developing the least-cost option to meet our energy needs,” said the Honourable Shawn Skinner, Minister of Natural Resources. “Our government chose to request this review to provide another perspective on the soundness of the assumptions and principles used in the analysis. This review is one element of fulfilling best practice processes aimed at ensuring this investment decision benefits from rigorous input from multiple sources prior to sanction.”

The PUB will initiate a review on the development of the Muskrat Falls generation facility and the Labrador-Island Link transmission line as the least-cost option to supply power to the Island compared to the Isolated Island development option, and will establish the process for this review including public engagement. The report will be submitted by December 30, 2011, in time for input into the sanction decision, and will be made public as part of the sanction decision process. The terms of reference are noted in the backgrounder below.

Consumer advocate Tom Johnson has been appointed to represent consumer interests during the PUB review.

“The Consumer Advocate will play an invaluable role in supporting an independent and transparent review, and we look forward to Mr. Johnson’s participation,” said Minister Skinner. “We have made a commitment to be open, transparent and accountable to the people of the province, and want to ensure they are engaged, informed and confident in the decision to develop the Lower Churchill.”

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## **BACKGROUNDER**

### **Terms of Reference and Reference Question**

In the Energy Plan, 2007, Government committed to the development of the Lower Churchill hydro resource. It has been determined that the least-cost option for the supply of power to the Island interconnected system over the period of 2011-2067 is the development of the Muskrat Falls generation facility and the Labrador-Island Link transmission line, as outlined in Schedule “A” attached hereto (the “Projects”), as compared to the isolated Island development scenario, as outlined in Schedule “B” attached hereto (the “Isolated Island Option”), both of which shall be outlined further in a submission made by Nalcor Energy (“Nalcor”) to the Board of Commissioners of Public Utilities (the “Board”). It is contemplated that Newfoundland and Labrador Hydro (“NLH”) would enter into a long-term power purchase agreement and transmission services agreement with Nalcor, or its subsidiaries, the costs of which would be included in NLH’s regulated cost of service with the full cost of the Projects being recovered from NLH’s Island interconnected system customers (the “Island Interconnected Customers”).

Pursuant to section 5 of the *Electrical Power Control Act, 1994* (the “EPCA”), Government hereby refers the following matter to the Board:

#### **The Reference Question**

The Board shall review and report to Government on whether the Projects represent the least-cost option for the supply of power to Island Interconnected Customers over the period of 2011-2067, as compared to the Isolated Island Option, this being the “Reference Question”.

In answering the Reference Question, the Board:

- shall consider and evaluate factors it considers relevant including NLH’s and Nalcor’s forecasts and assumptions for the Island load, system planning assumptions, and the processes for developing and comparing the estimated costs for the supply of power to Island Interconnected Customers; and
- shall assume that any power from the Projects which is in excess of the needs of the Province is not monetized or utilized, and therefore the Board shall not include consideration of the options and decisions respecting the monetization of the excess power from the Muskrat Falls generation facility, including the Maritime Link project.

Where Nalcor or NLH determine that any information to be given to the Board for this review is commercially sensitive as defined in the *Energy Corporation Act*, it shall advise the

Board, and the Board and its experts and consultants may use such information for this review but shall not release such information to any party.

For the purposes of this review, a consumer advocate shall be appointed pursuant to section 117 of the *Public Utilities Act*.

Any costs of the Board in respect of this review, including the costs of the consumer advocate, shall be paid by Nalcor.

The Board's report shall be provided to the Minister of Natural Resources by December 30, 2011. The Minister shall make this report public.

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11:30 a.m.