

Date : 6/26/2011 4:10:30 PM  
From : "Marshall Q.C., Hon. Thomas"  
To : "Wells, Larry"  
Subject : FW: key messages - muskrat falls (general)  
Attachment : KM - Muskrat Falls may 2011.doc;

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**From:** Wells, Larry  
**Sent:** Friday, June 24, 2011 3:03 PM  
**To:** Marshall Q.C., Hon. Thomas  
**Subject:** FW: key messages - muskrat falls (general)

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**From:** Humphries, Denise  
**Sent:** Friday, June 24, 2011 1:33 PM  
**To:** Wells, Larry  
**Subject:** FW: key messages - muskrat falls (general)

fyi

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**From:** Maclean, Heather  
**Sent:** Friday, June 24, 2011 1:09 PM  
**To:** Humphries, Denise  
**Subject:** key messages - muskrat falls (general)

Heather MacLean  
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## Key Messages

### Development of Lower Churchill: Muskrat Falls

May 2011

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#### Amount of power generated

- 824 megawatts of power

#### How will it be used (three blocks of power)

- 40 percent of the output of Muskrat Falls will be for use on Island portion of the province. (2TWh)
- 20 percent will be provided to Emera for use in Nova Scotia (1TWh).
- 40 percent will be available for industrial development in Labrador and in the meantime export sales to Atlantic Canada and NE. (2TWh)
- The last block will be "clawed back" for use to meet island load unless there is a requirement in Labrador in which case we would look to other sources to meet overall provincial load and this could include Gull Island or other small wind/hydro.
- Muskrat Falls was determined by Nalcor Energy to be the most economic and least-cost option to address the future demand for hydroelectric generation in Newfoundland and Labrador.
- The development of Muskrat Falls is a crucial step in fully developing the entire Lower Churchill Project and further solidifies Newfoundland and Labrador's position as an energy warehouse and places us amongst the world's energy superpowers.
- Electricity demand in the province will increase over the next six years, and by 2019, the existing system will be challenged to accommodate new demand. The bottom line is that we require additional sources of energy to meet future demand and ensure a reliable supply of electricity for the province.
- Muskrat Falls stands on its own merit when it comes to the economic viability of the project. It is a strong financially attractive development that will ensure long-term price stability for consumers and generate a positive rate of return to the province.



- Muskrat Falls will meet the energy requirements of the province and provide sufficient capacity for future industrial development in Labrador and throughout the province. Initially, the development will also produce electricity in excess of what is required domestically.
- The Development will provide significant social, economic, and environmental benefits to the Province
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- Our Energy Plan was clear that we would seek long-term stability for the ratepayers of Newfoundland and Labrador and acquire a secure and environmentally friendly source of power.
- Muskrat Falls will produce the long-term stability and avoid the volatility of oil-reliant power used at Holyrood.
- We are taking action to develop Muskrat Falls to ensure that rates do not continue to rise astronomically if we remain tied to the volatility of oil.
- Muskrat Falls will provide a more reliable service for rate payers.
- Muskrat Falls provides the least cost and most environmentally friendly solution to meet the domestic needs of the Island.
- When Muskrat Falls is on stream and delivering clean, renewable hydro power – some of the cleanest and most economical power available to the province - rates will stabilize and will remain so long into the future.
- This is region-building project which will strengthen the Atlantic and Canadian energy marketplace through the development of a stable, reliable and environmentally responsible renewable energy source.
- Newfoundland and Labrador will have an electricity system that will be greater than 98% carbon free which far exceeds any national or international standard and is supplied by a secure and reliable source.
- The Muskrat Falls development will lead to the retirement of the Holyrood generation station which will result in the reduction of green house gas emissions by over one million tonnes annually, eliminate the province's



dependence on the supply of imported fuel, and remove future volatility in electricity prices.

- The Muskrat Falls Development will provide an estimated 18,000 person years of employment in Newfoundland and Labrador, with 7,500 of those person years occurring directly in Labrador
- Transmission access in Nova Scotia, New Brunswick and through to New England enables the sale of additional power to export markets, and also creates further export opportunity in the future for the other significant renewable hydro and wind resources throughout NL.
- The Muskrat Falls development will create a regional energy marketplace that will provide for greater choice of renewable energy supply, reduce reliance on thermal generation, and increase electricity trade with the US. The availability of clean, stable, renewable energy in the region will be a competitive advantage and will attract investment, thereby further strengthening the region's economy.

***Electricity rates are rising with or without Muskrat Falls:***

- Between 2012 and 2017, electricity rates will rise whether or not the Lower Churchill Project is sanctioned.
- If the Island were to be dependent on oil-fired generation from Holyrood, the cost of power would be much higher over the long term and continue to rise well into the future.
- The rate increases expected over the next six to seven years are inevitable and are due to our reliance upon oil-based power. This is the whole reason we are taking action to develop Muskrat Falls. We are acting in the best interests of the people of Newfoundland and Labrador to ensure that rates do not continue to rise astronomically if we remain tied to the volatility of oil.
- There is nothing secret about the fact that our electricity rates are increasing. Nalcor has been preparing for expansion to accommodate this for some time to ensure they meet the requirements of the Public Utilities Board to provide the least-cost generation scenario for Newfoundland and Labrador.



- Current electricity rate increases are not related to the development of Muskrat Falls or the Labrador-Island transmission link. The cost of this project will not be included in electricity rates until power from Muskrat Falls is brought to the Island in 2017. In 2016, NL Hydro plans to apply to the PUB for new rates for 2017 based on electricity supply from Muskrat Falls over the Labrador-Island link.

***Electricity rate impacts and what's driving rate increases (Holyrood):***

- Electricity rates on the Island Interconnected system are expected to increase by approximately 40 per cent from 2012 to 2017. This increase is primarily driven by: increased use of the Holyrood Generating Station due to increasing demand for electricity on the Island and increasing fuel prices.
- Demand for electricity will increase over 12 per cent over the next six years. Hydro has to meet this demand to ensure a reliable supply of electricity for consumers. Electricity demand is growing and even if we develop all the potential energy projects on the island we cannot meet our domestic needs without electricity from Muskrat Falls.
- Between 15 and 25 per cent of the Island's annual electricity comes from the Holyrood Generating Plant. In peak production, the Holyrood Generating Station burns approximately 18,000 barrels of oil a day to meet the electricity needs of the island - emitting nearly a million tonnes of greenhouse gases a year.
- If you are paying \$291 per month now to heat your home with electricity, you will be paying \$400 in 2017 – an increase of approximately 38 per cent. This increase is attributed to burning oil in Holyrood which will supply your electricity until the in-service of the transmission line from Muskrat Falls.
- Between 2017 and 2025 when Muskrat Falls is supplying power to the Island, the same household would likely see an increase of only four per cent over these eight years, or about a half per cent per year increase.

***Benefits of Muskrat Falls and Island-Transmission Link:***

- The development of Muskrat Falls with a transmission link to the Island will provide consumers with long-term value through rate stability and tremendous economic and employment benefits.
- The development of Muskrat Falls is the least-cost alternative to supply electricity for the island and will stabilize rates for the foreseeable future.
- Our Energy Plan was clear that we would seek long-term stability for the ratepayers of Newfoundland and Labrador and acquire a secure and environmentally-friendly source of power. Muskrat Falls accomplishes this and will produce the long-term stability and avoid the volatility of oil-reliant power used at Holyrood.
- Even though consumer electricity rates will also increase initially under the Muskrat Falls – Labrador Island Transmission Link option, once the facilities are built and in operation, electricity prices will be stable.
- The Muskrat – Labrador option completely avoids the volatility and uncertainty associated with the long-term price of oil and the major negative impacts fossil fuel dependence entails for electricity consumers and the environment.
- Residents of Labrador will see tremendous benefits from the development of Muskrat Falls. This development will provide a source of power for industrial development in Labrador and also ensure that after the Innu Nation, Labradorians will receive first priority for the many jobs and service and supply work required for the project.

***Rates in Labrador:***

- Electricity rates on the Labrador Interconnected system (consumers in Labrador East and West) are the lowest electricity rates of anyone in the Province. Residential customers in L'anse au Loup pay the second lowest rate in the province.



- Government currently provides almost two million dollars annually to subsidize electricity rates along the coast.
- Through the Northern Strategic Plan, the Rate Deferral Subsidy for Diesel Service Areas and the Enhanced Home Heating Rebate, Government has worked diligently to keep rates in Labrador, particularly in the region's isolated coastal communities, as low as possible and comparable with the Labrador Interconnected residential rate.
- Upon sanction of the Lower Churchill Project, Government is committed to reviewing commercial rates in Labrador's coastal communities and introducing a comparable rate still stands.
- Electricity rates in Labrador are lower than other comparable communities in other parts of the country such as Ontario, Quebec, BC, Manitoba and the Yukon due to a significant subsidization of electricity rates in these communities.
- The Muskrat Falls development will not impact rates on the Labrador Interconnected System unless some of that power or some of the assets were required to service needs within that system. Right now there is no requirement to use MF power in Labrador as there is enough power from the upper Churchill to serve the needs of Labrador residents and industry and that power is at a very low cost which means low electricity rates for those customers who benefit from it.
- Newfoundland and Labrador Hydro's engineering assessment estimates the cost of running lines to the north and south coasts of Labrador at approximately \$370 million to service 3,500 customers. This is over \$100,000 per customer to run between 10 to 15 megawatts of power into these communities. This would impose a significant rate increase on those customers in coastal Labrador communities.
- Diesel generation continues to be the least-cost option to provide electricity to customers in coastal Labrador.
- Hydro is a regulated utility and the cost for electricity are approved by the Public Utilities Board. Any infrastructure that Hydro builds has to be paid for by the



ratepayers who use that infrastructure. The cost that would have to be charged for this power to be transmitted to coastal Labrador communities is far greater than the current cost of diesel generation. Government does not want to impose a greater cost to the residents of the coast.