

Date : 11/17/2009 4:29:36 PM

From : "Thompson, Robert"

To : "Bown, Charles W."

Subject : Fw: New York Times: Canadian Provincial Leader Seeks U.S. Support for 2 Hydro Projects

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Sent: Tue Nov 17 16:18:01 2009

Subject: Fw: New York Times: Canadian Provincial Leader Seeks U.S. Support for 2 Hydro Projects

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From: Medd, Blair

To: Cheeseman, Josephine; Crawley, Brian; Matthews, Elizabeth; Nolan, Andrea; Power, Glenda; Taylor, Brian W.; Walsh, Doris A.

Cc: Clarke, Lesley

Sent: Tue Nov 17 15:57:10 2009

Subject: New York Times: Canadian Provincial Leader Seeks U.S. Support for 2 Hydro Projects

Canadian Provincial Leader Seeks U.S. Support for 2 Hydro Projects

New York Times

By NATHANIAL GRONEWOLD of Greenwire

Published: November 17, 2009

NEW YORK -- The leader of Canada's easternmost province called yesterday on business leaders and politicians here to help end Quebec's monopoly on electricity exports to the eastern United States.

Danny Williams, the premier of Newfoundland and Labrador, complained that the provincial crown corporation Hydro-Québec was standing in the way of his government's efforts to develop two large hydroelectric projects.

"We believe it's time for more competition in Canadian electricity exports," Williams said. "The state of New York has a direct interest here. Market dominance by Hydro-Québec north of the border is bad for consumers. It is that simple."

Newfoundland and Labrador has applied for access to Quebec's transmission lines under government open-access regulations, but Williams complains that what should have been a nine-month approval process has been bogged down for three years by Hydro-Québec officials.

"Hydro-Québec has not only refused to respect the jurisdiction of the regulator but has refused to provide us with the most basic information on available capacity in their system," Williams said. "As our applications grind through the Quebec bureaucracy, Hydro-Québec's own projects speed along."

Williams' government wants to build two hydroelectric dams on the lower reaches of the Churchill River. A facility at Gull Island would have a generating capacity of approximately 2,200 megawatts, while a second 850-megawatt plant is planned for Muskrat Falls, both to be operated by the province's own corporation, Nalcor Energy.

Of the 3,050 megawatts of capacity, Newfoundland and Labrador would like to export more than 2,000 megawatts to the eastern United States, mostly to New England and the New York-New Jersey area. One possible route sees the power running through Quebec's existing transmission lines, but Premier Williams says Hydro-Québec is loath to let competition in.

Williams says his government has filed complaints with Quebec energy regulators but is upset by the slow pace of negotiations with Canada's second-largest province. Dealing with Hydro-Québec "has been cumbersome, to put it politely, and has slowed our progress to an unacceptable pace," he said.

The premier is asking U.S. investors to apply pressure for a deal, arguing that greater competition in electricity exports from Canada will help keep energy costs down in the United States.

The developer of the Churchill River projects, Nalcor Energy, says the projects would generate enough power for the needs of

about 1.5 million homes. In an interview, company spokeswoman Leona Barrington said construction on both projects should be ready to start by 2010 or early 2011 and could come online as early as 2016 pending the outcome of ongoing environmental impact reviews. But uncertainty over access to the U.S. market could force further delays. Quebec's main independent power regulator will finally hear Newfoundland's complaint early next year.

A second option would have electricity transmitted through undersea cables to Nova Scotia, and then overland to the United States. But Williams said Hydro-Québec is now moving to cut off even this option through a recently proposed acquisition of New Brunswick's chief power supplier, one that the government of New Brunswick is reportedly eager to pursue.

"Quite frankly put, we now have a situation where Hydro-Québec has decided that their current stranglehold on power exports to the United States is still not quite strong enough," Williams said. "In their latest move, they have convinced the government of New Brunswick to sell its utility company, New Brunswick Power, to Hydro-Québec."

U.S. customers should especially be wary of the New Brunswick deal, Williams warned. If allowed to grow through, it would give Hydro-Québec complete control over all overland power transmission to the U.S. Eastern Seaboard. "I can't imagine a worst case scenario for the northeastern United States," he said.

Hydro-Québec officials rejected Premier Williams' allegations.

"For us it's clear that Hydro-Québec's grid is an open access and nondiscriminatory access grid, and we operate in respect of rules from the Quebec energy board or based on [the Federal Energy Regulatory Commission]," said Marc-Brian Chamberland, manager of public affairs and media relations at Hydro-Québec. "The question here for the Lower Churchill project is open access doesn't mean free access."

Hydro-Québec officials say the real issue is Nalcor's unwillingness to pay the high price for delivering 2,000 megawatts across thousands of miles into the United States and over lines that are now fully utilized. New capacity will have to be built, the officials said.

"They asked us to wield an important, massive quantity of electricity through Quebec to reach the United States," Chamberland said. "So, as with everybody, we did a study, and now what they have to decide is if they want to pay for it. That's basically a market rules-based reality."

Chamberland insisted that his company was complying with the open-access provision and application processes as spelled out by the Quebec provincial utility board and the United States' Federal Energy Regulatory Commission. Rather than holding up progress, Hydro-Québec is waiting on Newfoundland and Labrador to specify how they propose to deliver the Lower Churchill projects' electricity to the United States, and to which areas. Chamberland added that his company's existing cooperation with Nalcor and an Ontario power company on other electricity exports proves Hydro-Québec follows the rules.

Energy fuels province's growth

After decades of stagnation lead by a collapsing fisheries industry, Newfoundland and Labrador has recently been one of Canada's fastest-growing economies.

Much of the province's growth has been fueled by the energy sector, mainly offshore oil and natural gas production but also booming demand for cleaner hydropower. The province is now one of the world's largest energy producers on a per capita basis thanks to an industry estimated by Williams to be worth more than \$10 billion.

A year ago, the province hit a milestone when it became among one of the few Canadian "have" provinces, meaning a net contributor of equalization payments, the federal government's scheme to distribute wealth evenly across the country. Newfoundland and Labrador, with a population of a little more than 500,000, now shares this distinction only with Alberta, Saskatchewan and British Columbia.

By comparison, Ontario's 12 million citizens last year became net recipients of equalization funds for the first time in the program's history. Quebec is by far the largest net recipient of equalization payments in the system, drawing in some C\$8.4 billion for 2009-2010, more than C\$1,000 for each citizen and over half the total C\$14 billion distributed.

Newfoundland and Labrador officials now say they are using their oil and gas windfall to boost the development of renewable energy, especially wind and hydropower. Williams said New York should look to his province as a future supplier of clean power, given the city and state's own high benchmarks for accessing energy from renewable sources over the coming decade.

"We can help you get there," Williams said.