

Kennedy, Jerome

From: Maclean, Heather
Sent: Tuesday, January 31, 2012 11:29 AM
To: Kennedy, Jerome; Dalton, Diana (Natural Resources)
Cc: Shute, Tracy
Subject: FYI - messages as requested by PO
Importance: High

FYI - PO has requested messages on the following noted below....

Key Messages

**Response to Tom Adams Blog / Manitoba Hydro / Natural Gas
January 31, 2012**

Tom Adams (posed questions about amount of power generated / storage)

Muskrat Falls will generate 4.9 terawatt hours of energy per year – this is based on several studies by reputable engineering consultants.

Legislation requires that a water management agreement is in place (between Nalcor and Churchill Falls Corporation) to ensure that the two producers use available storage.

The utilities have significant storage capacity and can store power for years at a time if need be.

Muskrat Falls and Churchill Falls will operate as an integrated system with access to over 30 billion cubic metres of storage in the Churchill Falls reservoir.

MHI Over Budget on Their Project

We understand that the Manitoba Hydro project is based on export sales - Muskrat Falls is based on the domestic market.

Managing Price Escalation (cost overruns)

Nalcor has completed detailed field and engineering work to mitigate financial risks and support the estimates for the project.

Both the isolated island and the Muskrat Falls project are subject to cost pressures and risks, and Nalcor is taking a best practice approach to managing the project and project risk.

Nalcor has built in a 15% contingency into the cost of the MF project. In addition, a recent independent review ran a sensitivity on what would happen if costs increased by 25%. In this case, the Muskrat Falls development is still better than continuing with the Isolated Island alternative and would be almost \$1.2 billion less expensive over the long term.

MHI Objectivity

- Manitoba Hydro International ("MHI") is a subsidiary of Manitoba Hydro, a Crown owned utility, with over 100 years of experience.

As part of the PUB review, MHI was hired as a consultant (result of RFP) to review and report on the expansion alternatives for the Island which includes the review of all relevant studies and reports and other available info.

MHI has assembled a highly experienced team of experts from within its parent company, from across Canada, and internationally to complete its work on the review.

According to the opposition and critics, there is no one that has the independence and/or expertise to review the Muskrat Falls Project.

MHI was contracted by the PUB independently to do a review of MF.

We assume that the PUB has contracted a company with independence and with the expertise to complete this review on their behalf.

Natural Gas

- LNG is produced by taking natural gas and converting it to a liquid under very low temperature. The LNG is then shipped to end-users. An LNG receiving terminal at Holyrood would require a new jetty, offloading equipment, LNG storage tanks, regasification plant, and a pipeline to the power generation station. The power generation plant would also have to be converted to burn Natural Gas. All of this costs money.

Running Holyrood on LNG will require upwards of \$1.2 billion in capital at the facility not including the cost of purchasing the LNG.

The Holyrood plant is 40 years old and would be less efficient at burning LNG than a new facility. This means that we will have to burn more LNG to get the same amount of electricity. This will only get us to our current level of generation; it doesn't give us room for growth.

A new combined cycle combustion turbine plant to replace Holyrood would be more efficient. But the capital cost is significant and, again we are still reliant on buying imported fuel to burn.

LNG is traded globally and our market is small. With Asian and European markets buying LNG at 5-6 times the cost of production, we would have limited ability to enter into long-term, low cost arrangements with global suppliers.

Heather MacLean

Tom Adams Energy – ideas for a smarter grid

To discuss and debate electricity consumer and environmental issues, with emphasis on policy developments in Ontario and New Brunswick, Canada

About Tom

Thomas (Tom) M. Adams

Summary Bio

Mr. Adams is an independent energy and environmental advisor. He has held a variety of senior responsibilities including Executive Director of Energy Probe from 1996 until September 2007, membership on the Ontario Independent Electricity Market Operator Board of Directors, and membership on the Ontario Centre for Excellence for Energy Board of Management. His guest columns have appeared in many major Canadian newspapers. He has been a media commentator for 20 years and a lecturer in energy studies at University of Toronto. He has presented expert testimony before many regulatory tribunals in Canada on a wide variety of energy subjects. He has made presentations to Legislative Committees in Ontario and New Brunswick, academic, regulatory and trade conferences, the Atomic Energy Control Board, and the Canadian Nuclear Safety Commission. His profile appears in the Canadian Who's Who.

Consulting, Instruction and Research

2007-present

Tom Adams Energy: Environmental and energy consulting in private practice
2007

Sessional Lecturer, University of Toronto Faculty of Arts and Science, Department of Geography, Course taught: GGR333 Energy and Society

2005-2007

Member, Ontario Centre of Excellence for Energy Board of Management

2001-2010

Director, REAP Canada

1997-2001

Investigator, Environmental Bureau of Investigation

1996-September 2007

Executive Director, Energy Probe

1991-October 2007

Senior Consultant, Borealis Energy Research Association

1999-2001

Independent Director, Ontario Independent Electricity Market Operator (IMO)

1998-1999

Member, Ontario Electricity Market Design Committee (MDC)

1989-1996

Utility Analyst, Energy Probe

May-August 1988

Research Assistant, Electricity Planning Technical Advisory Panel (Reviewing Ontario Hydro's Demand/Supply Planning Strategy for Ontario Cabinet Office)

Administrative Law Experience

2007-present

Interventions on behalf of consumer organizations before the Ontario Energy Board on LDC rates, the IPSP, and OPG regulated assets.

1989-2007

Interventions on behalf of Energy Probe before the Ontario Energy Board, New Brunswick Public Utilities Board, Manitoba Public Utilities Board, Ontario Joint Board, Ontario Environmental Assessment Board. Expert witness appearances or evidence presentations before the Ontario Energy Board, New Brunswick Public Utilities Board, and the Manitoba Public Utilities Board on matters related to benchmarking gas utility meter reading costs, gas DSM economics, pricing mechanisms to guide gas transmission system expansion and related market design issues, system gas pricing and contracting, statistical modeling of nuclear power output, electric LDC PBR, benchmarking electric LDC transition costs associated with commodity liberalization, and nuclear refurbishment economics.

Civil Law Experience

1997

New Brunswick Power Corporation and James F. Hankinson vs. Atlantic Institute for Market Studies, Thomas Adams, et. al. (successfully defended defamation action)

1989-1996

Energy Probe, Rosalie Bertell and the Corporation of the City of Toronto vs. the Attorney General of Canada, Ontario Hydro and New Brunswick Power Corporation (unsuccessful constitutional challenge of the federal Nuclear Liability Act)

Prosecution Law Experience

1997-2002

J. Fletcher v. Canada, Province of Ontario, Kingston Region (City's conviction on related pollution charges)

1998-2001

T. Adams v. Canada, Province of Ontario (Ontario government acquitted on pollution charges related to the Deloro Mine site)

1997-2001

J. Fletcher v. Canada, Province of Ontario (Ontario government acquitted on pollution charges)

Academic Publications

2009 (coauthored with Francois Cadieux)

Wind Power in Ontario: Quantifying the Benefits of Geographic Diversity, Engineering Institute of Canada, 2nd Canadian Climate Change Technology

Conference May 12-13, 2009 McMaster University

2001

Changing the Energy Climate: Clean and Green Heat from Grass Biofuel Pellets, R. Jannasch, R. Samson, A. de Maio, T. Adams, and C. Ho Lem, Presented at "Climate Change 2: Canadian Technology Development Conference, Canadian Nuclear Society

1996

Comments on "The Future of Ontario Hydro: A Review of Structural and Regulatory Options," by R. J. Daniels and M. J. Trebilcock, in Ontario Hydro at the Millennium: Has the Monopoly's Moment Passed? edited by R. J. Daniels

1995

Comment on: 'Changing Canadian Electricity Markets and the Future Role of Government', in Energy Studies Review, Vol. 7, No. 1

1993

Ontario Hydro's Fatal Condition: Implications for Canadian Public Policy, in Canadian Business Economics, Vol. 1, No. 3

1989

Review of: Nucleus: A History of Atomic Energy of Canada Limited, in Energy Studies Review, Vol. 1, No. 1

Selected Publications

1998-present

Guest editorialist, National Post

2000

Coauthor with Mark Mattson and Myriam Beaulne, The Citizen's Guide to Environmental Investigation and Private Prosecution, published by the Environmental Bureau of Investigation.

1996/10/9

"New Brunswick's Power Failure, Choosing a Competitive Alternative" presented to the New Brunswick Legislative Assembly, sponsored by Atlantic Institute for Market Studies

1995-1999

Guest Editorialist, Energy Analects

1995/07/08

Shockingly Successful Privatization of Britain's Electricity Monopoly, Financial Post 1990/11/13

"Hardening of the Nuclear Arteries" Globe and Mail Education

1990

Master of Environmental Studies, York University

1984

Bachelor of Science, University of Guelph

Other Distinctions

2002-present

Canadian Who's Who

Numerous presentations to Legislative Committees in Ontario and New Brunswick, CAMPUT conferences, trade conferences, academic events, the Atomic Energy Control Board, and the Canadian Nuclear Safety Commission.

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