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Subject : UPDATED SN - Minister Kennedy

Attachment : SN - Minister Kennedy.doc;

**Decision Gate 3/MHI Report
October 30, 2012**

Thank you Ed and good afternoon.

I am pleased to join Premier Dunderdale, Minister Marshall and Ed Martin to provide up-to-date project cost information which validates Muskrat Falls as the best project to deliver the lowest-cost power to homes and businesses in Newfoundland and Labrador and respond to our province's growing energy needs.

Time and time again independent energy experts have concluded that Muskrat Falls is the best solution to provide a new source of power to address rising electricity demand.

Planning for future electricity needs is critical. We need the power and it is incumbent on us as a government to ensure we have reliable, affordable electricity for the people of Newfoundland and Labrador.

MHI's analysis, which assessed the project's feasibility and financial merits, reaffirms that Muskrat Falls is the least-cost option for electricity generation.

The analysis shows that Muskrat Falls with the Labrador-Island Link will improve the reliability of the existing electricity system and stabilize electricity rates.

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

Through extensive planning, detailed design and 50% of the engineering work complete, Nalcor has clearly refined the scope of Muskrat Falls for Decision Gate 3 and established an informed high-quality cost estimate.

The structured process identified by Nalcor gathered critical information up-front which minimizes the level of risk and uncertainty associated with large-scale resource developments, and allows us to have a well-informed, more accurate cost estimate in place.

A number of alternative practical supply options have been examined and the evidence supports the development of Muskrat Falls.

As outlined in the MHI report, the costs associated with both the Interconnected Island option or Muskrat Falls and the Isolated Island option or Holyrood, have increased proportionately as a result of cost escalation and improved scope definition.

The analysis completed by Nalcor Energy and confirmed by MHI demonstrates that after all project revenues and 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 preference for Muskrat Falls is clear. Muskrat Falls will save money for ratepayers on the Island, facilitate industrial development, stabilize rates and facilitate long and short term economic benefits to the province.

As we move towards the debate in the House of Assembly, we have a responsibility as a government to ensure the most accurate information is available to inform Newfoundlanders and Labradorians about the project.

We will be releasing a comprehensive package of information in the coming days including information on natural gas and wind to better inform the public and our approach as we look ahead to making a formal decision on project sanction will be to consider all questions, recommendations, and the information available.

Muskrat Falls, as our Premier has stated numerous times, will provide a secure energy future for Newfoundland and Labrador that will benefit the people of our province today and generations down the road.

As a government, we will be guided by two simple questions – do we need the power and if so, what is the best option to meet that need? MHI

establishes unequivocally that we need the power. They also conclude that Muskrat Falls is a cheaper option than the Isolated Island Option. In the next few days, we will clearly establish that natural gas and wind are not viable options.

Our government is confident in the project engineering completed to date, the rigorous evaluation being done and the cost estimates presented to us. We remain confident that Muskrat Falls is the least-cost option for electricity generation in our province.

Muskrat Falls is the best project on every level. It will meet domestic needs; stabilize rates; encourage economic growth and development; secure employment; generate new revenue for the province; and position us as renewable energy leaders.

There's never been a better time. The time is now to move on Muskrat Falls and capitalize on the many benefits this project can provide for Newfoundland and Labrador.

Thank you.