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Summary:

VOCM BACK TALK: Paddy welcomes his in studio guests, "Jerome Kennedy", Minister of Natural Resources and "Ed Martin", CEO of Nalcor.

Wednesday, October 31, 2012 02:00PM Item # 01

VOCM - St. John's

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PADDY DALY: Well all right. Welcome to the program. It is Wednesday, October 31st, Halloween. Happy Halloween to those of you who are picking up the kids from school. Hope you had a fun day at their Halloween parties. It's always one day available for no learning. God only knows we can afford a day off, yeah right. And for those of you listening in your office or in your Halloween costume my condolences, it's unfortunate. This is Back Talk, I'm your host Paddy Daly. Producing the program this after Meagan Homer, Patrick Murphy and as advertised yesterday joining me in the studio is the Minister of Natural Resources, The Honourable Jerome Kennedy. Welcome to the program, Minister Kennedy.

MINISTER JEROME KENNEDY: Glad to be here, Paddy.

PADDY DALY: And also the President and CEO of Nalcor Energy Mr. Ed Martin. Ed, welcome to you. Thanks for coming.

ED MARTIN: Good afternoon.

PADDY DALY: Let's get right into this now. When this is all boiled down and announced as our province's hope for power generation the first two questions that were broached and put out for public consideration: Do we need the power and is this the least cost option? Let's go with do we need the power? Today in the Telegram there was a Letter to the Editor written by a fella named Maurice Adams, Maurice, who has been a very vocal opponent to the Muskrat Falls Project. In reference to the need for power the load forecast. He says in its written submission to the PUB, in contrary to Premier Williams' claims, Nalcor itself states that there is no increase in industrial amount forecast past the year 2015 and furthermore in the 2011 energy related plans both the Energy Efficiency Action Plan and the Climate Change Action Plan both state clearly that between 1990 and 2008 residential energy demand did not increase but instead actually decreased by

seventeen percent. Many people who don't support the project point directly to that question as we don't even need the power. So let's start with you, Mr. Martin. How can we, how can we understand why there is a need for power and what's the documentation to back it up?

ED MARTIN: So it's fairly simple. You know, if we look at the demand forecasts, we've had the unfortunate experience over the past several years of some of the mills closing. That being said the demand has continued to pick up as the new homes are being built. Electricity is being put into those homes at an eight-six percent penetration rate and we're seeing a significant increase in demand. In addition to that, and probably one of the more critical points is Vale Inco is opening up their, their new plant. And that is a significant amount of new electricity actually replacing and a little bit more than, than one of the mills. So what we're seeing there is a, is an increase and that increase is projected to continue. We have done an in-depth analysis with that as we've done for the past forty years. MHI has come in and reviewed our work and has indicated that our work over the past forty years has been sound, our work going forward is sound and we are very, very confident in our demand forecast. It's what we've been for forty years. We continue to do it. We absolutely need the power. To your second point I think you also mentioned the fact that there's nothing in the demand forecast for industrial power. And, and that is correct. For, you know, other than Vale Inco there's nothing for expansion in the demand forecast. So that's really a conservative way to approach this, this economic analysis because the more demand we put in actually helps the economics of what we're trying to achieve here. So rather than to do that we left the demand at a place where we understood it, we could put our arms around it. We can't, we can't pick phantom industrial demand if it's not really there. But we also knew it would make the demand forecast more conservative, the economics more conservative. And with the Muskrat Falls option being a low cost option even under that conservative approach what happens there is we, Muskrat Falls actually has excess power available to us for the next, for the next decades. So not only have we been conservative and the economics work, we've also created a situation where we do have power available for industrial development if it does occur.

PADDY DALY: It's confusing how for many people, the two independent, the so-called independent reviews that people point to, the Joint Panel for instance did not come back and say that absolutely we agree, there's a need for this power. So two things on that, this will be for Nalcor's perspective and then for you Mr. Kennedy. When we talk about the need for power there's no documentation supports me for 824 megawatts which is why we have a partner on the mainland where we can indeed sell excess power and what have you. But also a lot of people who are opposed to the project in and of itself they say the demand side management would have been key. We could have spared ourselves billion dollars, billions of dollars of investment if we simply got into demand side management. How aggressively do we do that at Nalcor Energy, Mr. Martin? What have we done currently on the demand side management and where's the road for that to really spare us from any need for new power generation?

ED MARTIN: Well demand side management is, is critical, is very, very important because that is obviously your best option for power if you can get enough of it. So we've

been putting a lot of time into our hydro-wise project in conjunction with Newfoundland Power. We're constantly seeking and introducing programs and seeking ways to conserve and we believe that that is a very important part of our future and we will continue to do it under any scenario. The calculations will show though in terms of what's happened elsewhere historically, what's happening here over the last period of time and see if we can garner some savings from, from that type of conservation. But there's, in no way we will garner enough types of savings to do the things we're trying to do here which is provide power for Newfoundland and Labrador, you know, from now into the distant future as well as replace the plant at Holyrood which is a 500 megawatt peaking plant we use in the winter. There, you are not going to get that kinds of savings from conservation in Newfoundland and Labrador and that's just a fact.

PADDY DALY: Minister Kennedy, the approach to green, renewable energy would also include the conversations surrounding demand side management, conservation, efficiency of programs that could be put in place. So that would be the political piece. Nalcor can only proceed with the mandate given by government. So I know over the number of years there have been efficiency rebate programs and things that been implemented. But so far as the politics of it go, what more can we do with demand side management and how would that affect the actual usage of whatever comes out Muskrat Falls if the firm number is 545 megawatts or something as opposed to the 824 maximum? So what are the politics of it when we come to conservation efficiency, x, y and z?

MINISTER JEROME KENNEDY: I think, Paddy, the first, I want to go back to your first issue, the question of demand. I mean that was the way we framed the, the debate here for lack of a better term is do we need the power? There have been skeptics and critics in terms of that and, so what we, what was done and I certainly didn't direct this but Manitoba Hydro International reviewed the 2012 provincial load forecast that was prepared by Nalcor. They concluded that it was done in accordance with good utility practice. But essentially they determined that it was somewhat conservative. If you read the report, then you'll see that there's no doubt that we need power. That's the first point. The second point though is let's look at it from a practical perspective. Let's look at the economy of this province right now. Let's look at the increase in personal disposable income, the critics will point to the decrease in populations, said we have less people. But we have more homes. It's somewhat counterintuitive that you need more electricity with a, with a decrease in population. But we have eighteen thousand more ratepayers than we had in, a number of years ago. The homes are bigger. There's less people living in the homes. Eighty-six percent of them are using electric heat. We have more commercial and business development. So the question needing the power, without even getting to Labrador yet, there's no doubt. In terms of the conservation I mean that's obviously a key issue. We all want to conserve electricity. We all want to ensure that we can do the best we can. The, one of the programs you talked about in government was the, was the fund which allowed for the replacement of windows and, in basements as we tried to increase efficiencies. So these can go, go hand in hand and, but I think as Ed has pointed out there's no way that the conservation demand management can satisfy the need for power in this province.

PADDY DALY: We'll get into some of the specifics, the merits of the project, the business model and engineering included. But when you immediately refer to the consultant hired, the expert, Manitoba Hydro International, [inaudible] I've been saying that if you're opposed to Muskrat Falls you'll dismiss this report out of hand which is of no value to anyone I would suggest. But Manitoba Hydro International has also had their own demons when it comes to enormous cost overruns, their own problems in house as operating as their own entity. So where is the credibility and credence available to Manitoba Hydro International knowing they've got their own big issues to contend with so far as being the overseer and the rep, the person who's been looked to recommend Muskrat Falls as the right way forward? We'll start with you, Ed.

ED MARTIN: Yeah so first off, you know, one thing that Nalcor does appreciate, we seek reviews, external reviews from independent, you know, assessments. We find that very, very useful. We incorporate all of those thoughts in our reports and not only Manitoba Hydro but we've used others as well. From Manitoba Hydro's perspective they've been in, they've been deep into our numbers. They've been deep into our engineering, every aspect. They've, they've brought forth, very qualified people and, and they've done some really strong testing for us. They've given us some good recommendations and they've been very helpful. As far as their credibility goes, you know, I'm not here obviously to defend Manitoba Hydro, it's not the group that we selected. The province actually selected them to review us. But from my perspective I've known this company for many, many years. I know they operate internationally. They have a tremendous reputation in the industry. And I'm not exactly sure, people are using examples of some of these cost overruns. And one thing I did notice when I looked into some of that myself for personal interest, interesting they, Manitoba Hydro follows a decision gate process and, and my understanding is that some of the numbers people are quoting there are numbers that would have been pre-concept selection, original numbers compared to a final number. But if you look at their DG-3 numbers, their numbers at sanction versus where they ended up, it tells an entirely different story which tells me that they have good processes as well and they did not move ahead on their projects until they had the final estimates, the final engineering and all the type of work that we have done right now. They did not move ahead and commit to the project until that point. So from my perspective, you know, they've been, they've been a strong company to work, you know, side by side, to share our data, they've had good suggestions. And I'd have to ask the Minister probably to comment more on the background because it is actually a government who has brought MHI forward and asked to review our work.

PADDY DALY: Right and on that front, Minister Kennedy, people will say regardless if they can give expert status to Manitoba Hydro International, another contention with commissioned reports is that people are simply speaking to those who paid for the report. So when you pay, they go, they're going to give you an invoice so they're going to say exactly what you want them to say and the terms of reference to Manitoba Hydro International were only the two fundamentals: the isolated island option and the integrated option. So on that front, how do you select that company?

MINISTER JEROME KENNEDY: Well . .

PADDY DALY: Speak to the issue that Mr. Martin said and then plus if they're paying, you're paying them, then why would we get anything other than what you want to hear?

MINISTER JEROME KENNEDY: Well let's look at the way, that why we chose Manitoba Hydro International, after the PUB report we felt we had to take certain steps. The public was entitled to and were requesting more information. So Nalcor had had Navigant review their report, because they weren't independent because they had been hired by Nalcor. We had other people involved. There, if they say that Muskrat Falls is a good deal, that appears to be the definition of not being independent in, in this project. So we looked at who can we hire that has nothing to do with us or Nalcor? The, my understanding is the PUB went through a request for proposals process and they chose Manitoba Hydro. So that's why we chose to go along with, with them. You, you look at the issue of who do you find to be an expert, Paddy? SNC Lavalin shouldn't be doing engineering work because of other issues.

PADDY DALY: You, right away, great segways[?] here because the PUB, that's the one voice that some of the most vocal opponents of the project they will say if this was turned to the Public Utilities Board for a cold, sober, independent eyes, then the comfort people need and the protection of the ratepayer is the phrase used quite often, we know there's time involved to go back to the PUB. We know that in the past there was two billion, two million dollars spent and there was no decision offered. But at this point with so much on the line, Mr. Kennedy and the perception that they are there for the protection of the ratepayer, why not go that extra few months, give it to the PUB, let them be the last voice heard from on this issue?

MINISTER JEROME KENNEDY: Before I deal with that, Paddy, I got to go back to your comment about experts, experts, you can't, it's too skeptical and even cynical to say that because you pay an expert they're going give you what you want, that's not how experts make their reputations. As a lawyer I hired experts, you don't hire someone and tell them what to say. You hire them for their objective assessment and their opinion. People have to be paid. You're paid for the work you do. I'm paid for the work I do. So I don't think that that's a, that's a fair comparison to, to criticize experts. However it does go to a question of whether or not they're bias. Now in terms of the PUB the Premier could not had been any clearer yesterday. They were given one or two extensions. We spent \$2 million and we got nothing back. The, the expert that they hired, Manitoba Hydro was able to reach a conclusion. For whatever the PUB chose not to. They knew going in they would have the Decision Gate-2 numbers. Why didn't they tell us that upfront as, as opposed to spending \$2 million? They knew that the decision gate numbers weren't going be available by the time they completed the, when they took this task on. So essentially we're not going back there. They advocated their responsibility in my opinion and we have no reason to go back to the PUB.

PADDY DALY: Past mistakes, past faux pas that are just reference by yourself regarding the PUB. At some point if they are going to be the independent regulator that has to look

at proposals for rate hikes in the future, even if they made a mistake in your opinion on the last look at the DG-2 numbers, that does not preclude the government from going back and what the people wanted some protection that is outside of government's hands and outside the Crown corporation that is Nalcor and their hired consultants. So I still haven't heard and I'm sure people who are listening who want the PUB, they have not heard a reason why it is still not a good idea to go back there. Because time may be important but my electric bill is even far more important, to me and everyone else.

MINISTER JEROME KENNEDY: Paddy, I dis, I can put it this way: go look at the qualifications of the people there, what do they bring to this process that the expert that we've hired don't bring. How many experts do you need? There reaches a point where you become experts reviewing experts reviewing experts. Now our critics can retain and obtain their own experts. We're giving them all of the reports. So it's almost a catch-22 situation. Is that provide us with a report, if you don't provide us with the report, we'll criticize you but give us the report, go to the PUB. It's not on.

PADDY DALY: We are going take our first break here in the day but it's important to note that just because we have a couple of guests and I have a laundry list of questions, it's like everyday here on Back Talk. We're encouraging the listener to call in with your specific question for either Ed Martin, Minister Kennedy or both. That includes everybody. Those who have been frequent callers to the programs over the last eighteen, twenty months as a vocal critic, as someone who is opposed to, curious or concerned with anything surrounding Muskrat Falls today is a prime opportunity to speak to our two guests this afternoon. Also if you'd like to submit a question or a thought on Twitter, we're there. We're VOCM Back Talk. You can follow us here and share whatever information, questions or perspective you have for either of the gentleman and obviously toll free number available. Those of you who listen on vocm.com thank you for joining us today and a special hello to communication directors nation-wide. We're taking a break and then we're coming back. [Commercial Break]

PADDY DALY: Welcome back to the program. Joining me in the studio of course is the Minister of Natural Resources, the Honourable Jerome Kennedy and the President and the CEO of Nalcor Energy, Ed Martin. Let's go to the phones. Line number five. Hello, Mark Lane. You're on the air.

MARK LANE: Hey, Paddy. How's it going, buddy?

PADDY DALY: Top shelf today, man. You?

MARK LANE: Good. And hello to the minister and Mr. Martin.

JEROME KENNEDY: Hi, Mark.

ED MARTIN: Hi.

MARK LANE: How's it going? Just wanted to call in and express my certain support. As you know, Paddy, I served on municipal council in Holyrood for quite sometime. I've been a resident there since I was a young child back in 1980. You know, I look at this and I congratulate the government and Nalcor for having that vision to foresee and look into the future and see what we will be left with long after all four of us are probably long gone. And with the information that I reviewed, I'm quite confident that Muskrat Falls is a win-win. You know, the Decision Gate 3 numbers from yesterday, you know show it's the lowest cost option, including wind, which I read a release on earlier this morning, which is quite interesting and quite reassuring. And the fact that Manitoba Hydro has concluded the energy will be required by industry and residents and that it will be stabilized in the long term, you know, it's a win-win. In terms of myself being a resident of Holyrood, you know just a quick math. My math is. . . I'm not a mathematician, but if you calculate, I read somewhere, I think it was on the Nalcor website that the Holyrood Generating Thermal Station, Mr. Martin, burns about 6000 barrels per day on average. Is that correct?

ED MARTIN: That's correct.

MARK LANE: So I've lived in Holyrood since 1981, and so that translates into 55.5 million barrels of Bunker C crude oil and millions and millions and millions of tonnes of sulphur dioxide and carbon dioxide being dumped on not only Holyrood. We always talk about it as Holyrood Thermal Generating Station. Yes, it's located in Holyrood, but it's at the far east end of Holyrood, and so all this pollution, depending upon which way the wind blows, it's spreading into not only CBS, tens of thousands of people in CBS, but also Conception Bay North and the City of St. John's. And I as one, who was quite close to this when I served on the Hydro Citizens Committee and on council, I'm in full support and I congratulate the government and you, Mr. Martin, for having the, you know the fortitude to push on with this, have the facts, to engage these professionals and to get the job done.

PADDY DALY: I appreciate the call today, Mark. I'm sure the lads appreciate the support.

MARK LANE: All right, thank you very much, Paddy, for your time. Thank you, Minister. Thank you, Mr. Martin.

PADDY DALY: So let me ask a question as if I was a resident of Holyrood. How long before the plant is down? People talk about it as it will exist for years and years to come, continued reliance on thermal generated energy. So when will Holyrood shut down?

ED MARTIN: So right now we're looking first power for Muskrat Falls in 2017. So that means that we would look to shut the operation of the plant, actual operation of the plant down in that same timeframe, 2017-2018. We will maintain the plant, you know, in a ready status for a period of two to three years and looking to start to, you know, dismantle the parts of the plant that we do not need in the future in the 2020-2022 timeframe. The reason I give a range is that it's going to depend upon on how first power goes and how

things happen. And actually, you know, the sooner that we can dismantle Holyrood, you know, we will. But we won't be rushing at the time until we ensure we have operating smoothly with respect to the link.

PADDY DALY: Let's go back to the phone. Let's go to line number one. Hello, Adam. You're on the air.

ADAM: Hello.

PADDY DALY: Hi.

ADAM: How you doing, man? My question to Mr. Martin and Minister Kennedy is this. In your report, you analyzed Muskrat Falls and cost benefit analysis in comparison to things like wind power and everything else. However, when you analyze it vis a vis wind power, you analyze it against a massive wind and thermal project and you ignore smaller scale wind projects that could theoretically be operated by municipalities. Was this not considered as an option and if so, why not, because I think you guys made a mistake in not suggesting that as a possible alternative because that could cost less, that could theoretically cost less than \$7 billion. And I wonder how maybe a request made to the Public Utilities Board or perhaps even a referendum, you could give other people, (inaudible) in their opinions before we go ahead and spend \$7 billion of everybody's money.

MINISTER JEROME KENNEDY: Yeah, thank you, Adam. In terms of the, excuse me, the hydro, the way this works is that the isolated island or the Holyrood refurbished option includes refurbishing Holyrood, developing small hydro and wind. Earlier on there had been a smaller amount of wind considered based on the fact of what we knew at the time. Manitoba Hydro has confirmed Nalcor's position that 10 percent of wind can be integrated into the system. And so what we have now in terms of the isolated island option, is the integration of 279 megawatts of wind. The reason that we went and examined the bigger or the larger wind option, there were critics or there were proponents, call them what you like, of wind who said that you can use large scale wind. You can replace Holyrood with wind. When Manitoba Hydro International looked at that, they looked at what was going on in Ireland and other parts of the world and they concluded that you can only integrate 10 percent. But they theorized two large wind, large scale wind projects that would involve thermal and battery and concluded at the end of the day that you would need 1100 megawatts of wind and the cost was just too high. So from our perspective, we didn't restrict them in terms of what to look at. We asked them, we knew where small wind could go. . . smaller amount of wind could go. We looked at the larger wind. Ed?

ED MARTIN: I think that's a very good summary. So just to reiterate, is that, you know, I look at it in terms of smaller scale wind and larger scale wind. We looked at smaller scale wind, we have actually incorporated, as the minister said, 279 megawatts of that into our isolated plan. When we compare that to Muskrat, even with that wind, that amount of

wind in, Muskrat is still the winner by a significant margin. Separate from that, we looked at the larger hydro. The minister and the government brought someone in independently to look and check our work on that as well on the very large hydro and the check confirmed our view that the large hydro, very, very significant hydro to replace Holyrood is just not a viable option from a technical perspective nor an economic perspective.

PADDY DALY: Adam?

ADAM: Okay. I'm just, you know, one idea that I brought in there, you know, I understand technically it makes more sense and I can appreciate that. I . . .but you know, have you guys considered though, you know, small scale wind, not necessarily operated by a private company but operated say by a municipality that could generate their own community based power. That, you know, that could generate some revenue for the municipalities that could potentially not cost quite as much and could potentially generate money as well as economic growth in rural areas. I mean that's seems like it would be an idea that I think you. . .that may have been omitted during this process.

ED MARTIN: Adam, actually I think it is a good idea, and we've actually done that. And if you look back, I guess point number 1. Muskrat Falls and the Labrador-island link and the Maritime link is the low cost option and as soon as we proceed with that, that does not mean that we will not consider doing more wind because now we have, you know, additional opportunity for export. So when we looked at Muskrat Falls, Labrador-island link with the Maritime link, it actually increases the amount of potential wind that we could do, provided we could get, you know, a proper price for it in the marketplace. That's point number 1. Point number 2, we do have two wind farms in operation right now and the program we've followed for those particular two is that we had an open bid process and in that bid process, you know we allowed any entity to come in, whether it be a municipality, a private sector company and we evaluated those bids and we selected the two best at the time. Those are the two wind operations that are in operation as we speak. Going forward, we're certainly not precluding doing more wind. We're certainly not precluding Nalcor doing it themselves. We're not precluding municipalities, we're not precluding private sector individuals. We'll see at the time when the development occurs what the best option is, but whatever it is, it will be done in the most economic fashion.

PADDY DALY: Adam, you get your answer?

ADAM: Yeah. Appreciate that, guys.

PADDY DALY: I appreciate your call today. Stay in touch, brother.

ADAM: All right. Thank you.

PADDY DALY: Okay. Bye-bye.

MINISTER JEROME KENNEDY: Thanks, Adam.

PADDY DALY: Before we get to another caller here because we don't have a whole lot of time. I do want to make sure we get to some of the real key specific questions that people have. In 2010 when the numbers first came out there was a cost overrun contingent of \$1.1 billion, yesterday when the numbers were re-released given the fact the commentary was 50 percent of the engineering is done, there's some more firm work that would have been subject to potential cost overruns. Now the overrun contingency is \$730 million, mega-projects historically in North America over the last number of years have gone over budget by a long shot certainly more than what is allocated for in this particular project. Why so little now given the fact that everyone has had such a hard time coming in on budget on these big construction projects Ed?

ED MARTIN: First off I'd just like to point out the fact that when you say why do little Ed, I don't think I'd look at it that way. If you're talking \$730 million that's a lot of money it works out to in the range of 14 to 15 percent of the base estimate which is a significant amount of contingency, once again, Point 1. Point 2 you once again made a statement, sort of a global statement that every project you know, has very last cost overruns and I'd just like to step back from that and say across the world there's a range and there's a lot of information out there and there's a lot of companies that we have accessed and a lot of independent assessors we've accessed to say come and talk to us, show use the projects that did not do very well, show us some projects that did very, very well and give us a listing, an understanding of what are, we call them the best practices – what are the things you should do, what are the things you shouldn't do and we have incorporated all that into our planning and that has driven us to do things such as over 50 percent of the engineering which is a very large amount of engineering to have done at this stage in any project world wide. It's driven us to get bids in on significant areas of the project that we know we could have the most problems on and we have those bids in, we've also focused the engineering on areas we know are most critical to potential cost overruns so if some of the engineering averages 50 percent there is much more engineering done on the critical components. We understand, we are going to understand by the time we finalize where our labour rates are and what our productivity factors are going to be so we put all that in the mix and we brought in folks to work with us to say how does this stack up world wide? How does this stack up against the right amount of a growth allowance they have on top of this? This is what we are advised, what we believe in internally, we believe it's the right number and at that stage I'm in a situation to say and I've learned from long experience you don't put more in, you don't put less in, you go with what the facts say and that's where we are today.

PADDY DALY: Minister Kennedy the protection of the ratepayer, there is a few things on that front and cost overruns would be a big worry for many. If indeed \$730 million is adequate and satisfies any potential overruns and that's one thing, if there are some unforeseen circumstances were to drive that number up why can't the government give people some protection by saying those cost overruns will be covered by oil royalties, anything but a hike in my bill that was not seen now as something that we couldn't understand in our numbers that we could deal with today. Why can't the government be

involved strictly in their own coffers with covering the potential costs overruns over and beyond \$730 million.

MINISTER JEROME KENNEDY: Yeah that's certainly not something that we've considered to this point Paddy because we are trying to determine the actual cost of the project I mean, the steps have been taken by Nalcor to try to define and refine the cost certainly infuse it with some confidence. Your point is well taken however I would suggest to you and to others when you actually see our rate charts next week when we release the paper on electricity rates you'll see that people don't have to be as scared as what they are, the biggest increase in rates actually took place Paddy between 2000 and 2011 and people didn't even notice it because no one was raising it. What you will see with these rates next week is that in essence without Muskrat Falls your rates will go up twice as much so Muskrat Falls coming on 2017 will actually reduce rates.

PADDY DALY: The calculator on the new website, the website is slick people have already questioned the calculator because without all the numbers in, without all the specifics regarding the loan guarantee it doesn't look like the calculator reflects the true cost of the project. That's the commentary I'm receiving. We'll talk about that after the break. If you want to speak to either one of these gentleman, you know what to do, you give us a call. If you want to share a question on Twitter, you can do so by following us at VOCM Back Talk. Emails welcomed, backtalk@vocm.com. We are taking a break and then we're coming back. [Commercial Break] Welcome back to the show. Let's go to line number three. Hello, Kevin, you are on the air. Kevin?

KEVIN: Hello, Sir.

PADDY DALY: Hello there.

KEVIN: How are you?

PADDY DALY: Good, Man, how about you?

KEVIN: You're top shelf like you always says.

PADDY DALY: That's, Man, I'm at top shelf today and hope you are as well. Do you have a question for Mr. Martin or Mr. Kennedy?

KEVIN: Yes. I've been hearing stuff about the, the wind energy. But I'm just curious about like have you guys actually looked at the Wreckhouse area like look at the amount of wind that goes, that can be generated for wind power from there. Has there been as much money spent on this Muskrat Falls as, or the research of it as the Wreckhouse area or for all of Newfoundland I mean? Like can there be enough energy generized from the Wreckhouse area for all of Newfoundland as well as Muskrat Falls?

MINISTER JEROME KENNEDY: Thanks, Kevin. It's Jerome here. Interesting, thaThanks, Kevin. It's Jerome here. Interesting, that's interesting question because in the Manitoba Hydro International Report, which is available on-line or we can get you a copy of it, they looked at wind and everyone recognizes that Newfoundland has very good wind and good wind is the, is looked upon I think about forty percent you're able to, to access. But they look at with the 1100 megawatts of wind that would be needed to replace Holyrood they looked at two areas but one was in Corner Brook, around the Corner Brook area and one was on the Avalon. So now that you say it, it's the first time I've recognized it, with all the winds in the Wreckhouse that that wasn't identified as, as the major areas. That's quite interesting. I don't know the reason for that. But they had identified a 600 megawatt wind farm around Corner Brook. Ed, do you know exactly why they would have . .

KEVIN: Well there was, I mean as you guys know I mean there's been transport trucks turned over over there with the amount of wind.

JEROME KENNEDY: Yeah.

KEVIN: So why, what really bugs me, I mean I'm not saying, I mean I like you as a person, you're a good lawyer and everything. But what really bugs me is all the taxpayers' money that's being wasted into this stuff and you guys don't even look at the Wreckhouse area. I mean look at, I'd say there's enough wind to, for all of Newfoundland for the wind energy from that area.

ED MARTIN: Now Kevin, now this is Ed Martin here. I would like to clarify one thing, I think what the Minister was talking about was MHI did a study on very large wind and picked a couple of areas. But coming back to Nalcor's investigations, we have considered the Wreckhouse area, we've considered many, many areas in Newfoundland and Labrador. There are reasonably good high level wind records. But the important piece is to test these areas with respect to details analysis and the way we did that was, as I mentioned earlier, we went out with RFPs or request for proposals from people for the two wind farms that we have in place. And, and what we do is let the, let the folks who are interested and they're knowledgeable in the wind area find the best wind regimes, come in and bid into us for that. So I wouldn't want you to think that that hasn't been investigated at all. I think what we've done is considered wind throughout the province and primarily for a technical reason we can only input approximately ten percent of the system. We have put that into the analysis and when we put that into the analysis Muskrat Falls in the long run still comes out to be the low cost option.

KEVIN: So I mean, just, just as concerned as a taxpayer: are you guys sure beyond a reasonable doubt, you're willing to stake your lives on it that Muskrat Falls is the lowest cost option for our future energy, well, reusable resource energy?

MINISTER JEROME KENNEDY: Kevin, I, in a number of speeches I've done recently I've compared to this to being a lawyer and preparing your case and we're going bring

our case to the jury which is the public of Newfoundland and Labrador. And my closing line each time has been: I will, I am satisfied that we can establish beyond reasonable doubt that Muskrat Falls is the lowest cost and best option for the people of this province.

KEVIN: Yes, but I mean in, in ret, I mean our, our bills are going be rising considerably anyway. I guess but it's going be more if we stay with the Holyrood option.

MINISTER JEROME KENNEDY: That's correct, Kevin, yes.

PADDY DALY: Kevin, there you go, Man. I appreciate your call today, Man. Stay in touch.

KEVIN: All right, Sir, thank you.

PADDY DALY: Thanks very much. Minister Kennedy you said that exactly there that you are going to take it to the jury, the people of Newfoundland and Labrador but that's not true. People are calling for a referendum on this say that the true test of whether or not people will accept it is if you give them a vote and that means referendum and you say you are going to take it to them. Does that mean that you are going to have a referendum?

MINISTER JEROME KENNEDY: We had....from our perspective we had a referendum in October 2011. We had an election on the issue of Muskrat Falls. It was front and centre. You will remember the allegations that power rates will double and Nova Scotia will get free power. It was front and centre and the people of this province gave us a majority to make the decisions that we need to make as a government. There's...we have the evidence here now, we are putting it out to the public. I am putting forward here. The people can decide for themselves but what we are trying to go Paddy is ensure that people have the information that they require. All I am saying is that this is my position, you determine for yourself but if you look at all the evidence you will see that what we are saying is correct.

PADDY DALY: What's the downside of a referendum?

MINISTER JEROME KENNEDY: We don't have time Paddy, this has been ongoing long enough. How many extra reports do you need to say Nalcor aren't experts. We have to get on with this project. We have been four years at this Paddy with the Lower Churchill development. In 1980 Vic Young recommend that they proceed with Muskrat Falls. We have to get going here and make a decision one way or the other. There are practical and economic concerns that Ed can refer to here but it is time to make a decision one way or the other.

PADDY DALY: How much time does Nalcor have, Mr. Martin, so that their numbers are still accurate on all fronts?

ED MARTIN: So, Paddy, where we are right now, we're driven by the economics and the

business case. So we continue to inform the government from that perspective. From us it's a fairly simple calculation. You go out to win this project that's coming in service which is projected to be mid 2017 and that's an important date because in service in mid 2017 and into the end of 2017 full power. That means that we do not have to burn oil at Holyrood in the winter of 2017-2018. Now that could be in the range of \$300 million for starters that we don't have to spend in that year. In addition to that, you know, there's carrying costs if there's a delay as well. And the numbers begin to add up. So from a business economic perspective more so than even the increased capital from waiting, we're advising the government from a commercial business perspective, you know, if we hit our, our schedule, there's a big prize at the end of this from a Holyrood oil perspective. And we're saying to meet that, we really have to begin, you know, significant construction on this project well prior to year end here.

PADDY DALY: Let's keep going on the phones. Let's go to line number two. Hello, Ron, you're on the air.

RON: Oh hi I'd like to propose the question and if I'm wrong, please feel free, Mr. Kennedy, to interrupt and straighten me out. If I rem, if I can remember correctly Quebec recently brokeraged a deal with one of the New England states for twenty or twenty-five years of power at I think it was five, five cents per megawatt. I understand that we could have had the same thing, correct me if I'm wrong. And if we did have it and we paid Quebec five cents per megawatt of power over a period of twenty to twenty-five years, at which time would bring us very close to the renewal of 2041, how much more would this have cost than the project of Muskrat Falls? Could you tell me how much more that, that, that scenario would cost in relation to Muskrat Falls?

MINISTER JEROME KENNEDY: Are you talking about, Ron, buying power from Quebec?

RON: Yes.

MINISTER JEROME KENNEDY: Okay. Now I'll have Mr. Martin speak to this but this is an issue that we, we had examined and we've looked at the, at that. But essentially what people have to realize is that buying power from Quebec means that we're buying Upper Churchill power that never leaves the province. So essentially power that we're selling to Quebec for \$2.50 a megawatt hour we would be buying back, if they sold it to us, at twenty, thirty, forty yeah, forty times more. So but forget the political unpalpability of all .

RON: No, no I'm not talking . .

MINISTER JEROME KENNEDY: Let's forget the . .

RON: . . . about the political at all. I'm talking about money.

MINISTER JEROME KENNEDY: No that's what I'm saying.

RON: I wouldn't cut my nose despite by face. This is only going go on until 2041 when we're going have 5000 watts of power that we're not even going know what to do with. With question Mr., Mr. Martin or, is to, you know, what is the savings regardless if we're buying our own power? I'm looking at my light bill and the cost to the province or the cost to the people that, that is going to be, going to be placed on us over the next fifty years. And you know, if, if we're buying our own power and it's cheaper than Muskrat Falls, so be it. I'd just like to know how much more, more must, because you people have said that this is the, by far the lowest cost option, how much more would the Quebec power had cost than what you, than Muskrat Falls?

MINISTER JEROME KENNEDY: Okay, Ron, before you get, I was going to, what I was going to say was forget the political aspect, let's look at this objectively and from an economic perspective.

RON: Yeah that's what I'm getting at.

MINISTER JEROME KENNEDY: And I'm going pass it over to Ed now and tell you what he's done to, what Nalcor has done to explore that option and dealings they've had with, with Quebec.

ED MARTIN: Yeah so it's a very good question and we're also on the same page as, you know, what is the lowest cost option. When we screened out the Quebec option at Decision Gate-2 buying power from Quebec was, it was a pretty simple calculation actually. We looked at it, you know, in three ways. The first way is that, you know, what would Quebec sell us the power for if they were very friendly to us. I think it's fair to say that they would sell us the power for what they, what they could get for it in a market elsewhere. They're not going lose money selling to us. They would sell what they could make. When we ran those numbers, obviously, we'd have to add to that number transmission from Churchill to Muskrat Falls and from Muskrat Falls to Soldier's Pond. In other words, go from Churchill Falls all the way to Soldier's Pond . .

RON: Right.

ED MARTIN: . . . in that, in that example. That would have to be built anyway.

RON: Yeah well I mean . .

ED MARTIN: And when, and when you add on the power that, you add on the cost of the power that we would have from Quebec, Muskrat Falls still beats that option.

RON: How much?

ED MARTIN: I actually don't have the, at my fingertips right now. But, but . .

RON: But how, how would Muskrat Falls, I mean you, you, the only thing you'd have to build is a, is a transmission line. You'd have no dam.

ED MARTIN: Yeah so, so that's correct. So all your build is a, all we would build would be a transmission line . .

RON: Right.

ED MARTIN: . . . from, from Churchill Falls to Soldier's Pond in, on the island okay.

RON: Yeah.

ED MARTIN: Which, you know, you're in, you still remember you're in the \$3 billion range for that number one. That has to happen.

RON: Okay.

ED MARTIN: In addition to that, then you got to buy, buy power from Quebec. So the question becomes can you buy power from Quebec at a cheaper rate than it would be the cost to build it, to build Muskrat Falls dam?

RON: Right.

ED MARTIN: Exactly. So the answer is this we looked at what Quebec would be getting for their power elsewhere.

RON: And how much would that be?

ED MARTIN: Once again I'd, I'd have to get the numbers out. I've learned not to just give you numbers if I don't have them in front of me. But I will tell you this . .

RON: I, I appreciate that.

ED MARTIN: . . . we compared that number, we compared that number on a projection from an independent group in terms of what electricity prices are elsewhere that Quebec could get and we compared that to the cost of the plant at Muskrat Falls.

RON: But you don't have the figures as to, as to the difference of one million, two million, three in front of you, do you?

ED MARTIN: I don't have that in front of me, yeah.

RON: Okay. I'd like to, I would like to know. Maybe you'll make it public. And I'll, I'll just ask one more question and you can pass on to the Min, to the minister, why would, as in Nova Scotia the PUB are allowing the people to have, bring in witnesses, why would, or, you know, people to come in and, and make expression. Why would the government here not allow the opposition the same benefit as the PUB are offering in Nova Scotia to bring in people, their experts so-called in, to, to in my estimation not to disprove but to get you're hearing another, another recommendation, you're hearing another opinion. And I think that would open up a more legitimacy. Get, not in any way saying there's anything wrong with Nalcor. But I would like to know why the government would refuse that privilege that Nova Scotia are doing. And on that I'll, I'll just hang up.

PADDY DALY: Ron, I'll tell you what I appreciate your call. You and I always have a good conversation. I'm going ask Mr. Martin to forward me those numbers that you're looking for. We'll talk about it tomorrow. I'll, I'll give them out on the air.

RON: That would be great. I appreciate that.

ED MARTIN: I didn't have a chance to finish what I was saying there as well.

PADDY DALY: Okay go ahead.

RON: Oh, oh, go ahead.

ED MARTIN: Yeah just, I just wanted to keep building on that. So if you remember I said the first option was if, you know, Quebec and ourselves felt friendly towards each other and they would give us, you know, they would give us a cost of power that, that is equated to what they could get elsewhere. But certainly that's not the way that the electricity business works. What will happen is that, and we do this elsewhere as well, we done it with Nova Scotia. They come into our jurisdiction and say interesting what is your next best option Newfoundland and Labrador. And, and so that's what they're going sell your power at. And we would say well can't you sell it to us for what you can get elsewhere. And they're saying what's your alternative. You know, that's the way it's done. So really what would happen and it happens everywhere else in the industry they would come forward to say okay what is your alternative. Our alternative without, you know, without the Muskrat Falls bill is isolated island. Our numbers are totally published, everyone knows them because we've, we've . .

RON: Yeah.

ED MARTIN: . . . put every dime of expenditure, you know, on the airwaves for everyone to see. So they know what our, what our next option is. And obviously what's going happen is that you're going get a price closer to what we would have as an alternative rather than what they're going do as a favour for us and give us what they could get elsewhere. So you factor all of that in and it's very clear that, you know, what we could get

for Muskrat, in exchange for Muskrat Falls, Muskrat Falls is cheaper. And you know, it makes sense because Muskrat Falls and Gull Island are two projects which should have been done forty years ago just after the Upper Churchill. They're the two best projects in the country and the two best projects in North America. These things are high-end, great projects, really economic as far as the generating station goes. And to me that makes sense.

RON: Thank you for your, and I look forward to hearing, to getting the numbers.

PADDY DALY: I'll get you the numbers, Ron. We're going take a break and let Mr. Kennedy answer your question about the appearance of witnesses as per the question of the opposition and how that would actually add to the PUB type comment. Is that okay with you?

RON: More than, that's wonderful.

PADDY DALY: Always appreciate the call, Ron. Thank you.

RON: Thanks, Paddy.

PADDY DALY: Bye-bye.

RON: Bye.

PADDY DALY: We are indeed going to take that break. When we come back Minister Kennedy will finish off answering Ron's question. Then we're hoping to speak with you as well. Don't go away. [Commercial Break] Welcome back to the program. Second half. Another part of Ron's question is still out there regarding the opposition parties, the liberals in particular want witnesses in the debate in the House of Assembly as would be part of the process that Emera is undertaking with their regulator Jerome?

MINISTER JEROME KENNEDY: Yeah I think there's some confusion here, witnesses did appear before the PUB, there were lots of witnesses appeared, they put forward their positions, they put forward submissions and what we're doing and saying in the House of Assembly however is that there have been two special debates that we're aware of in the last number of years where there was a template laid down. It's not as much the substance of the debate as a template was laid down where the speaking times were allotted, there would be questioning only on the issue such as Muskrat Falls. In terms of the debate in the House of Assembly look, the opposition asked for a debate we initially said no, then after the PUB's failed report we said okay we'll do it, we'll have a debate. Now do they really want a debate that's what I'll say to the opposition? That's what I'll say to the opposition, come in and debate us, do the job you were elected to do because you know something Paddy? To this day I don't know what the NDP position is on Muskrat Falls, here they are representing St. John's with a significant benefit coming to the Avalon region and to the

St. John's area and I don't know what their position is. The liberals position, again I don't know so what the House of Assembly will force them to do is to state their position and to be either for or against the project.

PADDY DALY: That's an interesting one because today you say that the opposition parties have asked good questions but it wasn't so long ago you said you were disappointed in their performance that some of the reasons why there are no standing committees is the quality of opposition being offered but today you're saying that they are offering good question and that's why the debate is a good idea. So which is it?

MINISTER JEROME KENNEDY: Yeah, what it was and I said this earlier today, 6 or 7 months ago I perhaps wasn't as objective about this project as I thought I was being and so when people were criticizing the project I was taking a little bit too personal. Now what's happened over the last number of months, I'm taking in everything that's coming out and I'm saying okay does this make sense, does that makes sense and I've been in the House of Assembly with the opposition for 5 years now and that comment perhaps was unfair and made a long time ago. They can ask their questions they can put forward their position, they can do what they were elected to do.

PADDY DALY: We are out of time for the first hour of the program today. The President and CEO of Nalcor Energy Ed Martin in the studio as well as the Honourable Jerome Kennedy, the minister of Natural Resources. Lots of good questions from those of you who have taken the opportunity to call in. We are going to open the phone lines again of course in the second hour. And I want to get to some of the key questions that people have provided to me to make sure that we speak to the partnership with Emera, what happens if that goes away, the opportunity to sell it, what happens to that revenue, the benefits for Labrador, the mining interests, all those things that you've been telling me we're going pose to the gentlemen who joins us in studio. We're taking a break for the 3:00 news and then we'll be back. [Commercial and News Break]

PADDY DALY: Welcome back to the program. Let's go to line number four. Hello, Ray. You're on the air.

RAY: Hello.

PADDY DALY: Hi, Ray.

RAY: Well good afternoon, gentlemen.

ED MARTIN: Hi, Ray.

RAY: I am a supporter, I'll start off by saying that, of the project, very strong supporter. But for this afternoon in sort of looking at the picture and hearing what's going on and so on I've, you know, I'd like some information on job creation as well as electricity creation.

And I know jobs are very important to Newfoundlanders. We've evidenced this in the last week or so with the situation in Fortune and the 110 jobs that these people are fighting for. And I know governments over the last number of years have been coming up with stimulus projects to improve the economy. So in line with that, my question would be what are the opportunities that you people see as far as jobs are concerned for Newfoundlanders and to improve our economy?

MINISTER JEROME KENNEDY: Thank you, Ray. It's Jerome here. That's a, that's a good question. And as you've stated employment's always been a big issue. In fact, some will argue that some of our megaprojects in the past have been driven by employment as opposed to economics. And in this particular case, in the Muskrat Falls case the, the peak employment is around 2700 people if I remember correctly. And that will span a number of different trades. Could be up to sixty or seven different occupations and trades. But very significantly the Resource Development Council, which is the oversight group for sixteen unions in the province is supportive of the project. So we know that there's going to be a lot of opportunity there. Also what took place today though Ray that's, that's a good announcement is that Bull Arm the announcement today of the opening of, and the living quarters. That's going to be another very significant piece of employment. So we're, we're creating employment throughout the province. It, it's important. But these projects will be driven by economics. What we're looking at is do these projects make sense so that we will at the end of the day benefit as a people as opposed to simply creating jobs. So there's lots of job, hopefully we'll have all the people to fill them. I recently attended the Energy Ministers Meeting in PEI. Saskatchewan, Alberta they're all having the same issue with finding people to fill the, fill the jobs.

RAY: That sounds good to me.

PADDY DALY: I appreciate your call and thanks for your patience for hanging tough there, Ray.

RAY: Yeah thank you.

PADDY DALY: All the best. Bye-bye.

RAY: Bye.

PADDY DALY: One thing on the job though, gentlemen, there's of course complaints coming from Labrador that there are not enough Labradorians working in the pre-sanction opportunities at Muskrat Falls and on-site. There is a benefits agreement in place but when you speak to those folks who are concerned today and they want their fair shake because as many people will say who are from Labrador they generally got the short end of the stick in a lot of these things. So what do you say to that to both of you gentlemen because that's going to be an important part of sharing the wealth, especially in job creation.

MINISTER JEROME KENNEDY: Yeah it's, I understand what, what people are saying

but the benefits agreement will, will govern and it's my understanding that the way it's structured is that the Innu are given and other aboriginal groups are given first, first choice. And then we have residents of Labrador and then people on the Island. So it's a, it's an issue of finding the proper mix, Paddy, and trying to ensure that we have, we have people with the, with the trade, with the skills that are required. As for what's going on in the, in the pre-days, I guess I'll get Ed to speak to that.

ED MARTIN: So obviously, you know, there is a very, very detailed agreement in place and, you know, to date from an overall perspective we've been adhering closely to that. For instance we were also required to have, you know, essentially all the engineering done here in the province, which we've done and, however it's a good example because if you look at the very, very early days in engineering, you know, we likely would have had, you know, a few more people from away here. But as we've beefed up and as we've hit the peak periods with engineering now we have one hundred percent of the engineering essentially in Newfoundland and, you know, in Labrador. Going back to the work that's going on at the site right now it's very, very early days. It's, it's significant work but it's a, it's a fairly small contract in, you know, in comparison to what's coming and obviously if you bring in a smaller contractor on a road build for instance that contractor brings in their own supervision, their own management, some of their own people to get started and they supplement those with, obviously aboriginal people and Labradorians. So the, I agree the mix is not there right now at this particular point. But just think we're going this 2700 people at peak. And that's what we have to be looking to and at that point is when you're going see, you know, the vast majority of, of jobs that can be filled by Labradorians and aboriginal people. There'll be more than enough jobs at that particular point to be able, to enable us to meet the, these adjacency agreements that we have.

PADDY DALY: A repeated question I'm getting on Twitter and in my email is back to the cost, let's go to the business model. Specifically people want to know what is the new cost given the updated numbers at Soldier's Pond, per kilowatt hour and does the calculator on the new website reflect what is, whatever cost you're going tell us, including all the loan guarantees. Explain how that calculator works because for a lot of people it doesn't add up. I plugged in my own bill today I didn't, it didn't feel like it reflected the numbers. Now feel got nothing to do with math but it's, people are going do it and they won't know the, the explanation behind it. So how much is Soldier's Pond and talk about the calculator please, Ed.

ED MARTIN: Yes so, I mean let's talk about the calculator, the, you know, we obviously have a rate group that have been in place for, for decades. These are the people that calculate and prepare the bills that Hydro sends out to their customer base. We, so we obviously know and understand how the actual rate calculations work. The rate calculator is designed based upon those principles and basically you put in your monthly bill and what it does it shows you in 2017, and it's several periods past that all in everything and I'm talking about Bay D'Espoir, Granite Canal, the wind farms that we have in operation right now, Muskrat Falls, Labrador-Island link, financing costs, operating costs, maintenance costs – you name it it's all in. And what that does it produces the rate that, that will actually be charged and it turns that rate into a monthly bill. So it's all in and,

and you know, people talk to me about, you know, cents per kilowatt and, you know, for example if you, if you turn that into an all in rate and make the comparison, in 2017, you know, with the Holyrood operation you're expected to be at 15.1 cents per kilowatt hour and with the Muskrat Falls option you're expected to be at 15.2 cents per kilowatt hour. So it starts off approximately the same and then by 2030 which is a good, it's a long enough time to give us an idea what the differences would be: with the Holyrood option you'd be at 19.5 cents per kilowatt hour and with the Muskrat Falls option you'd be at 16.6 cents per kilowatt hour.

PADDY DALY: So that, that's the blended cost at Soldier's Pond is it, Ed? Is it what that 16.6 is?

ED MARTIN: That's exactly right.

PADDY DALY: So what's the real cost to get it there? On top of the blended rates, what it will appear on my bill, but what's the actual cost to delivery to Soldier's Pond.

ED MARTIN: Uhm, uhm for Muskrat Falls itself you mean?

PADDY DALY: Yes, yeah.

ED MARTIN: So let me just, so let's just, it's a little bit details but you know, the questions been asked enough that I want to get into and explain it.

PADDY DALY: Okay.

ED MARTIN: So bare with me if you can.

PADDY DALY: Go ahead.

ED MARTIN: I'd like to open just by repeating again because the most important people I believe with respect to these calculations are the people who are paying the actual power bill. So I want to make that clear upfront before I get into more detail and repeat again for Muskrat Falls all in, including all of those things on their electricity bill it will be 15.2 cents in 2017. So no matter what happens from hereon in I want people to know that. So, so if I move on from that point, and I'd also like to make the point that all costs that we use, all data, all rates, everything that we present all comes out of the exact same database. So there's, there's no separate databases for these things. It's all pulled off the same, the same information. So we look at the delivered cost of Muskrat Falls, you know, versus the, say a Holyrood plant itself and, you know, the actual burning of a, of oil and, and diesel either in Holyrood or in a thermal operation. When we compare these alternatives on the same basis over a period of time we have to make sure that if one alternative is being expressed say in terms where you escalate, you start here and you grow you have to make sure you're expressing the other one in the same fashion so you have an apples to apples

comparison. If you want to do it flat, then you have to make sure both are flat to give you the comparison. And, and I'll come back then. I'm trying to give several examples here to make sure we have each piece of data out there for comparable, for comparison sake. So if you look at a comparison of Muskrat Falls on an escalating equivalent, delivered to Soldier's Pond, so you start at a particular point and you escalate two percent, it's 12.8 cents per kilowatt hour delivered at, at, at Soldier's Pond. In 2030 that number grows to 16.6 cents. So that's Muskrat Falls on an escalating basis. The comparable for a Holyrood burning fuel in 2017 it's 22.3 cents and that grows to 30.3 cents in 2030. So that's a comparison, both numbers escalating. Let's look at it on a flat basis, say we just calculate what it is flat for every year . .

PADDY DALY: Uh-hum.

ED MARTIN: . . . from here til 2030. For Muskrat Falls it's 18.2 cents per kilowatt hour, on a flat basis. So instead of escalating every year you can say it's 18.2 cents. The Holyrood, burning fuel at Holyrood comparable option would be 35.6 cents every year. If you look at in the depths of the rate calculation we've actually taken Muskrat Falls and we have put it into the rates, taken a higher, a higher cents per kilowatt hour at the outset and we decrease it significantly overtime. So it's going down overtime is the way we put it in the rates. And that enables us to help flatten out the rates for the consumer and make sure that we have them on a consistent basis, very limited growth overtime as that grows. And if you look at it from that perspective it, Muskrat Falls goes in to the rates at 20.8 cents in day one but it drops to 16.6 cents by 2030. Okay so it drops significantly: from 20.8 to 16.6 and that were compared to Holyrood starting say at 22.3 but growing by 30.3 cents.

PADDY DALY: Right.

ED MARTIN: So that's the, you know, that's the three ways to look at it and it's always important to take a look at it in those three ways so you have an apples to apples comparison.

PADDY DALY: When you say something is all in does that include Newfoundland Power's cut?

ED MARTIN: Now in this particular one, no. This was, so the first numbers I gave you for that people see on their, on their actual bills, that was Newfoundland Power in as well.

PADDY DALY: Okay.

ED MARTIN: Everything.

MINISTER JEROME KENNEDY: Paddy, can I just put . .

ED MARTIN: But what I just gave you was Muskrat Falls delivered at Soldier's Pond

only.

PADDY DALY: Yeah and I'm clarifying for the obvious reasons because people know that that also plays a role. Go ahead, Jerome.

MINISTER JEROME KENNEDY: Can I put in for you, put this in perspective okay because the whole rate thing in terms of kilowatt hours gets to be complicated. But if you look at between 2017 and 2030 without Muskrat Falls your bill will go up \$82 or 38 percent. With Muskrat Falls your bill will go up \$38 or 18 percent. So your increase without Muskrat Falls will be twice as much.

PADDY DALY: Anybody here who would like to dig further into those numbers, if you want to pose that question, I'm already getting some feedback on my Twitter account. We're VOCM Back Talk you can follow us there. If that question was not answered to your satisfaction, I tell you what we will do, with all things that we hear here today because there's a lot of complicated matters in, certainly when we talk about money and cost per kilowatt hour, all follow-up questions that you provide to me today I will send along to the Minister's Office and to Mr. Martin's office and we will get those answers for you for sure. We're taking a break and then we're coming back. [Commercial Break]

PADDY DALY: Welcome back to the show. Right to line number one. Hello, Pete, you're on the air.

PETE: Hi, good afternoon, men, how are you?

PADDY DALY: Doing fine. Thank you for calling. Question for the minister or Mr. Martin?

PETE: Well it could be for either I guess, Paddy.

PADDY DALY: Okay.

PETE: A concern that I see in doing Muskrat Falls is we open ourselves to a bit of a global economic construction boom and what I mean by that and the question I got is if, if we get a slowdown in the global economy, like happened in China a little ago before they put their stimulus package in and iron ore and the price of iron ore, etc drops a level that some of these mines in Labrador, which we're expected to sell a lot of power to, if they don't become feasible anymore than we, we're not selling that power. In my opinion we don't have much opportunity to export the power because of the size of a cable that we're putting across to Nova Scotia. Then who's left holding the bag? Are we, is there any mechanism in place to make sure that these mining, the mining industry is buying a certain amount of power or are we totally left holding the bag as a ratepayer?

PADDY DALY: Okay, gentlemen?

MINISTER JEROME KENNEDY: Thank you very much, Pete. That's a, actually a very good question. One that we've been exploring in detail. It's amazing how in Newfoundland and Labrador in this small island in the middle of the North Atlantic we're so dependent on China right now. The price of iron ore in China depends what's going happen to a great extent with the mines in Labrador. The, how much oil or the growth in the Chinese economy is determining how much oil the world is, is going burn and thereby affecting the price of oil. So to answer your question we're going be releasing tomorrow a Labrador mining paper which reviews in detail each proposed mine in Labrador. We look at whether or not they're in pre-feasibility, feasibility, in construction. We look at different scenarios as to how much power they might need. So we're not developing muskrat Falls on the basis that these projects will proceed. We're also next week then, Pete, going to be outlining or delivering a paper on Gull Island. And the reality is if that all of the projects proceeded and we had access through Quebec to get to Ontario we could develop Gull Island. So there's a real issue here as to where we're going. So we're being conservative in terms of our outlook. We do fully expect that some of these iron ore mines will proceed. We have also, let not forget Grand River and Iron Sands in Happy Valley-Goose Bay. We have Voisey's Bay, expansion to go underground and we have [Inaudible] Aurora. So there, we're going release this paper. It outlines in great details, an analytical, factual paper out to the, where these mines are. And I think that'll be a help to people as, as we move along. So if the mines don't proceed, what happens to the power? Well that's the importance to the link. And I'll pass that to Mr. Martin now that he can, if you have any questions on the mining feel free, do you have any questions on the mining before I pass you over to Ed to talk about the export markets?

PETE: No, I was just wondering, you said you're not building it on the premise of the mining going ahead. So if we get excess mining up in Labrador do that mean that your calculator on your website, what you've got out there now, would that mean that the ratepayers, if they're buying, if you have more mining going on than expected, will there, will the ratepayers, will our rate go down for an average Newfoundlander?

MINISTER JEROME KENNEDY: What we've, what's been stated in the past on this point is that essentially you have excess energy which is running down the river. The, the project is based upon forty percent of the power being used by the, the people on the island of NL and twenty percent going to Nova Scotia. That leaves forty percent power. That power is available for mining industries if needed. And that will be based upon industrial rates which would have to be comparable to Quebec in order to attract business. Or it will be available for export. What the Premier has indicated in the past and the Minister of Finance have indicated that if any monies or revenues generated from excess power will go into the, into the treasury and into general revenues. I think though, Pete, when you see again our rates next week and the charts that we put out, I think when looked at in conjunction with the rates calculator you will see that the rates are, are better with Muskrat Falls than they are without. Ed, do you want to talk about the export markets?

ED MARTIN: Yeah just a couple of points there. You know, as, as the Minister noted with

respect to the export markets, they do exist. We have transmission access, you know, with the Maritime link into Nova Scotia, into New Brunswick, PEI and into New England. And the way we've done the economics on this particular project though to be conservative is to assume as a first decision that we have no revenue for the excess sales. And that's the basis of the comparison to the isolated island. Muskrat Falls is a better option even if we get no extra revenue for the sales. We did that to make it a pure utility decision based upon we stand alone, we can handle our own, our own power requirements. So what you have then, what we have left then is power that, you know, over the long run, and we have to look at these projects from now until as we said these are fifty year arrangements with Emera as well. And you look at what's going happen, what the projects are over the long run in the export markets we have power that we can move into those markets. We won't lose on it the way we have arranged it. There's no way we can because we have all of the, all of the basis covered with respect to not having to sell if the price is not what we want. But over the next fifty years the projections are going show that we're going do very, very well on the sale of those excess power. One other comment I'd like to make is you mentioned about the global economic slowdown potential, and you need, you know, everything is a double edged sword in this business. You know, with a global economic downturn over the next four or five years, certainly I'm not speaking for all of the industries and all of the businesses in the country or anything else but looking at it from Muskrat Falls perspective, if you're talking about falling commodity prices for a period of three, four, three or four years, falling labour prices for three to four years, available workforce for three to four years remember that's very good for a construction job over the next four or five years and that could, that piece of it can only be helpful to us.

PADDY DALY: That does pose an interesting part of the arrangement we have with our private sector partner on the mainland Emera. The Maritime link was key, it gave us the option to finally be able to get connectivity with the mainland, potentially sell on the clearing markets. What happens when they possibly exercise their opt-out or opt-in, however people want to refer to that particular option that Emera has because there goes that connectivity. And then all of a sudden we have all this surplus power Mr. Kennedy says and it's what we all understand. Forty percent of the Island, twenty percent for Emera, forty percent for potential sale but no access for sale and no opportunity to get it to the clearing market. So this Emera piece people have slopped it off but what happens if they bail out, given those two key points?

ED MARTIN: Well that's, I mean first off I mean let's look at it from a business commercial perspective, this arrangement is a win-win arrangement for Newfoundland and Labrador. It's a win-win arrangement for Emera in Nova Scotia. And when you go into these business arrangements both parties are, are gaining something very valuable and we have to look at it from that perspective, if you, you know, you look at it we are going ahead with this arrangement and that's the basis of doing the deal. That being said, you know, we always have to take a look at the outside risk that something changed and I agree with that and the way we've covered that off and I keep coming back to it is that we have done the economics on this particular project assuming there is no Emera, assuming there is no Maritime link, not because we don't believe it's going happen, far from it. But once again to protect the, to protect the people of Newfoundland and Labrador we did not

want to go into, evaluating a project assuming everything was going to be just perfect, everything happened. We pulled back, had conservative assumptions and we've based this decision on if everything went the wrong way we're still in really, really, really good shape with respect to the lowest cost power option for Newfoundland and Labrador. But once again turn it around, you know, these arrangements are win-win for both parties. It's great for Canada and you look at, you look at what, what every, all of us are getting from this particular arrangement and I'm highly confident it's going to proceed.

PADDY DALY: Elaborate on the clearing market potential. The, the numbers that the power is still for down there, three to five cents, depends on when and what day of the week it looks like sometimes. But also there's three different tariff regimes that have, that you have to go to and you say we won't sell it if we don't get the number we need. What's the number we need and what about all of the tariffs that could be applied en route?

ED MARTIN: Yeah if you look at the way we protected, once again we protected the downside for the province and for Nalcor and we have access for the first time in our history to the upside. So it's the exact opposite of what we have in the Upper Churchill where, this exact opposite of what we have happening in Churchill Falls right now where we didn't take any of the control, any of the risk and we get a flat rate and we don't take the upside. We're, we're different here. We've taken control. We've taken the arrangements that we do have access to the upside. And the way it will work is this and here's how we've protected the interest. Number one we have a, we have a water management agreement with, with CFLCo, with Churchill Falls. That means we can store the water when we want to and we don't have to flow unless the price suits us. The second thing is we went into Nova Scotia, you look at the Maritime link we have access to the excess power and there's 330 megawatts plus on that link for zero cost. So now we're landing in Nova Scotia if we want to for zero. We have arranged with Nov, with Emera that they have interest in Nova Scotia, New Brunswick and New England and we will pay a tariff through those, through those jurisdictions only when we flow. So if we don't flow, we don't pay. So let me give you this example: we got into the spot market, you know, on a Tuesday morning and for some reason at 11:00 say that the rates drop for that hour because there's not much usage and you know, it's a really mediocre day, no heat, no cold and it drops, let say the price drops, we don't have to flow for that hour. Why? We can store it in Churchill. We can wait. We're not paying any tariffs and we can sit and wait. Say supertime the heat goes up and everyone's cooking and the price spikes, we can then walk into that market and we can say we want to flow, we're bidding in and we go through. We pay when we go through but we know we're making money. Second point, let me talk about a clearing market, there's been a lot of talk about this market business, you know, in New England and in New York. We're trading it all the time now. So our people, we have a trading block, we're trading it all the time, we understand this market deeply. But I want to just folks briefly know how that market works and why they call it a clearing market. What happens in that particular market is that you can go in, in any hour and, and people start bidding in. So as each, as each, as people turn on their lights in the morning and electricity demands start to grow obviously the lowest cost power gets purchased first and you bid in and bid in and bid in. And if things get, the air conditioners go on, it ends up that you start firing up oil plants in New England and the really high

priced power comes in, someone bids in and whoever bids the highest price to meet that hour's demand everyone who bids in gets the highest price. So if we bid in at, you know, at some, you know, at three cents and it ends up that the last person in has to bid seven cents or nine cents to finish that last piece of power, everyone who bid in including us gets the seven or nine cents. It's called a clearing market.

PADDY DALY: People have been confused about it and if that satisfied your curiosity about it, our access to the markets, some people consider them non-existent but the fact remains they sell power every day. We are on Twitter. People are sharing their commentary, offering some questions there. Please feel free to do so as well. We're VOCM Back Talk, follow us there; backtalk@vocm.com is our email address. And certainly we have another half hour left in the program for you to voice your question live on air to Ed Martin and Minister Kennedy. We're talking a break and then we're coming back.
[Commercial Break]

PADDY DALY: Welcome back to the program. Let's go down to line number ten and speak with the Liberal Member for Cartwright-L'Anse au Clair Yvonne Jones. Hello, Yvonne Jones, you're on the air.

LIBERAL MHA YVONNE JONES: Oh good afternoon, Paddy. Good afternoon, Minister Kennedy and Mr. Martin.

MINISTER JEROME KENNEDY: Hi, Yvonne, how you doing?

ED MARTIN: Hi.

LIBERAL MHA YVONNE JONES: I'm doing great. And nice to see you guys on the airways taking questions from the public and I'm sure there are a lot of concerns out there as it relates to this particular project and obviously it brings me to my call today. I know I'll have an opportunity to raise these issues in the House of Assembly. But I wanted to raise some issues today in advance of that as it relates to Labrador in particular. I know that there has been, you know, some support in Labrador from the business community but there are many other Labradorians that are certainly feeling that they're not seeing any long-term benefit from this development. And we've had a history I guess in Labrador of being bulldozed over by major development projects. And we, we want to hope that this project is going to be different and there's going to be long-term and lasting benefits for Labrador people. One of the things I guess I'd like to know is what's happening with regard to meeting future energy needs for, for Labrador as a whole. We know that the catalyst for Muskrat Falls is being able to meet the future needs for the Island portion of the province. But I have never seen anything that has told me what the future needs for Labrador is going to be or how those needs are going to be met?

MINISTER JEROME KENNEDY: Okay, Yvonne, it's Jerome here. I'll start with that question and one of the issues that I know you're, you're certainly aware of and have been on top of in the House of Assembly is the issue of power for Labrador mining. We are

releasing a paper tomorrow, Yvonne, that will re, it reviews from a factual or imperial basis each Labrador mining development, where it stands and its potential need for power. We look at pre-feasibility, feasibility, in construction and then the potential needs for power. So that what we're seeing is that, that forty percent of the power that would have been, that would have been available for export markets will be available to companies in, in Labrador for, for their needs in terms of the mining industry. Now the mining industry, again as you're well aware doesn't only affect Labrador West obviously. We have Grand River Iron Sands in Happy Valley-Goose Bay.

PADDY DALY: Yes.

LIBERAL MHA YVONNE JONES: We have Voisey's Bay underground and we have Aurora [inaudible]. So that's one way that if, if the power is needed the demands of Labrador, or the issues in Labrador will be met. In order of providing electricity then, of course, if Voisey's Bay goes underground and if Aurora proceeds then there will be power needed to, for these facilities up to fifty, it could be up to fifty megawatts for each, would allow us then to connect some of the other communities in Labrador. So we're looking at it like that. There's going to be significant employment, economic benefits in the area and I know particularly you're concerned, as we've spoken about in the past, about your, your district and we know there's concerns in the north coast so we're trying to address all of those concerns.

LIBERAL MHA YVONNE JONES: Okay well I'll certainly wait to see the report that you're going to release tomorrow. But I think, you know, meeting the future energy demands of Labrador is going to be very important to, to all the interest in Labrador no doubt. The other piece as you said is, is more district related and you and I have discussed this many times and it relates to the diesel generation of power in, in the north and south coast of Labrador and the costs that people pay for commercial energy right now. I mean they pay four times more commercially for power in my district than they would pay in Happy Valley-Goose Bay for instance. You know, that, I don't see that as a, as a future for the people that I represent right now and I'd like to know what's going to be done to one address those high power costs for commercial customers and as well to look at what is the alternative to diesel generation down the road. You know, if it's not acceptable for the people on the island portion of the province and the people of Holyrood area, then it shouldn't be acceptable for the people of my district either.

MINISTER JEROME KENNEDY: Yeah, thanks, Yvonne, and again that's an issue that we certainly have to look at. Now the development of Muskrat Falls doesn't, if it's sanctioned, doesn't preclude smaller hydro developments. And you're aware of studies have gone on in the south coast in terms of the, the issues of small hydro and wind. I mean these are all great resources that we can, we can try to utilize to address the needs of the individuals in each area. The power as I understand it and Ed can speak to this in more detail is that transmission lines are built and the transmission lines are generally paid for by the, by the consumer or the ratepayer. So the issue of the use of diesel is one that, that obviously causing us all concern but we have to look at is diesel right now the cheapest

way to provide power. I'm certainly open to discussing this, discussing this at any time as is Nalcor because we'd, we'd love nothing better than be able to provide electricity if it's economically feasible to all of the people in our province.

LIBERAL MHA YVONNE JONES: Okay well I'm certainly there on that one. And I guess . .

PADDY DALY: Yvonne, do you have another specific question so we can get some of the electorate also to get on the program this afternoon.

LIBERAL MHA YVONNE JONES: Ha. Ha. Thank you, Paddy. I'm not going tie up the line any longer. I'm sure you have a lot of calls and I guess for me, you know, it's very frustrating in Labrador and that's the point I wanted to make to Minister Kennedy and to Mr. Martin today that when you're driving over gravel roads into a district that's paying exorbitantly high rates for electricity still and we're seeing major developments that are occurring at our doorstep and the benefits that are really going be long term reaching somebody else, it does become frustrating and I would ask that you turn your attention to the Labrador chapter as you move forward with this and, and look at long-term benefits for Labradorians.

PADDY DALY: Thank you very much for your call . .

MINISTER JEROME KENNEDY: Thank you.

PADDY DALY: . . . today, Yvonne. And certainly congratulations. The longest serving female MHA. That's cool stuff. I think you've been in there for seventeen years. You and I will have lots of opportunity to talk again in the future and I look forward to it.

LIBERAL MHA YVONNE JONES: Absolutely. Thank you, Paddy.

PADDY DALY: My pleasure. Thank you. Bye-bye.

MINISTER JEROME KENNEDY: See you, Yvonne.

PADDY DALY: Yvonne Jones, Liberal Member for Cartwright-L'Anse au Clair. Now let's keep rolling. We'll get another one in before the break. Where am I going here. Line number, let's go to line number there. Hello, Derek, you're on the air.

DEREK WINSOR: Hello, Paddy, how are you?

PADDY DALY: Top shelf today, Brother, how are you doing?

DEREK WINSOR: I'm doing good.

PADDY DALY: Good.

DEREK WINSOR: Derek Winsor here, Paddy.

PADDY DALY: Oh Derek Winsor, terrific. I saw your question, I'm glad you called to pose it yourself.

DEREK WINSOR: Yeah. Well that was one question. Before I start I want to say that I'm a very liberal minded, social democratic conservative thinking person.

PADDY DALY: That's like everybody else b'y.

DEREK WINSOR: All right so just to make sure I have all my political parts covered there.

PADDY DALY: Good enough.

DEREK WINSOR: I just wanted to I guess talk with Jerome and Ed about I think the message is, is very twisted is that, probably the best way to use it and con, and complicated for the ordinary person to listen to. And I'm just wondering is there a way that we can bring this back to basic, to a basic business and talk about where the margins are on this for individuals, the profit margins that they will see coming back to the province and back to Newfoundland Hydro or Nalcor and I wonder, you know, has there been a review done on the spin-offs of this project both from the construction standpoint. And, and what's that of, what effect that will have on the bottom line of the province on our general account. Jerome, has there been any, much work done on that on the Provincial Government level or from Nalcor to, to figure out what really the net amount of all of this is going to be versus what the cost of the project and what we're going benefit from all of this kind of work?

MINISTER JEROME KENNEDY: Yeah, thanks, Derek and keep up the good work. But one of the issues I think that, and because I know you're involved and out there in the community. One of the issues that people have to realize in a province like ours is that it's the oil industry and the other industries which are providing us with the money to be able to continue our social programs and to be able to fuel the, the need that we have here in both education and health. So that's an important point. I'm going deal with one issue. Then I'm going pass it over with Ed to talk about the economic, the net, the net economic benefits. But Derek, one simple way to put at this, to look at this project is that over the next fifty years we will pay \$6 billion to big oil for, for oil if Holyrood stays in place. I mean that's the cost based on the projections that we have of oil. We have a cost projection up to 2025, then we extrapolate out. That \$6 billion however will now go into a, a resource here in Newfoundland and Labrador, something that we will own at the end of the day that will then produce revenue for us. So right now as the oil is basically looking after us today when the oil runs out, then Muskrat Falls will essentially be paid off and

will generate significant amounts of revenues to the, to the province to again continue to pay for our social programs. So I think that's an important point as we look to the future. But in terms of the net economic benefit there has been a, a, an analysis done. I'll pass that over to Ed to answer that question for you.

ED MARTIN: Yes, Derek, it's Ed here. We have done that analysis. And you know, once again I think to be conservative we have approached this in terms of not basing our decision on the larger economic benefits to the province but basing it directly on the actual ratepayer benefit. When you look at the overall benefits that you're talking about, they are quite extensive. Once again we haven't based it on that. We based it on the pure economics of the, of what's best for the ratepayer. But, you know, now that you've mentioned the question I can give you some examples for instance. So in addition to the \$2.4 billion benefit to the ratepayer by doing Muskrat Falls versus, you know, versus the isolated island option, in addition to that there is revenue from excess, excess sales that is not factored in. And there's other value from having that link that is not factored into that 2.4 number. And you know, that could be, you know, approaching 800 to a billion dollars in today's dollars. There's also extra taxation going to the province in the range of about 250 million. There's also, you know, pure dividends being paid to the province, you know, from Nalcor that would equate really to what the minister just mentioned that, you know, instead of paying out, you know, sixty to sixty-five percent of your electricity bill to an external oil company you're now paying it to yourself in essence and that's staying and circulating in this economy, not externally. And that's, you know, that's well north in the billion dollars as well in today's dollars. And also apart from that if you take Nalcor and the government out of the picture, if you look at business and employment benefits, so revenue that businesses and employment from people who will receive the money themselves, keep it and recirculate within the economy, once again that's, that's well north of, of a billion, billion, three dollars in terms of the benefits. So when you add it up there are quite a lot of benefits that we're not necessarily counting publicly or in the economics. But they're there. Once again I'll come back and make the same statement though. We always try to avoid making decisions based upon optimistic viewpoints. We like to make them on a reasonable conservative viewpoints so that we know we're making the right decision.

DEREK WINSOR: But I guess my only thought to that is, there's many people, and I'm not saying I'm either in favour or against the project. I, I'm probably leaning more in favour of it because I believe in, in planning for the future and so on of the needs of the province. And I guess I bring it down to there's so many people who are out there who have different opinions who will say, you know, that this, you're mortgaging away our children. And I think life is all about mortgage. So . . . but, you know, I'm not afraid of mortgage and that kind of stuff as a, as an individual. But, you know, how do we make sure that fifty years from now when this so-called mortgage is supposed to be paid that there are extreme benefits that will come from this province. We, you and I will never see them but hopefully my grandchildren and great-grandchildren will be the benefactor of whatever we're trying, what we're trying to do here today.

PADDY DALY: I'm going still be here in fifty years.

GROUP: Ha. Ha.

PADDY DALY: But what we're going to do though is we are going to take a break and when we come back I'll let the minister and/or Mr. Martin in their summary of today's appearance speak to some of those assurances and the risks associated with trying to forecast things out fifty years. Derek, always great to have you on the show. Thanks for calling.

DEREK WINSOR: Thanks, Paddy.

PADDY DALY: All the best.

DEREK WINSOR: Bye.

PADDY DALY: Bye-bye. We are going to take one more break. When we come back. I would like to get in a quick question about Gull Island. Does that mean Muskrat Falls leaves Gull Island untapped. We'll get to that and we'll the gentlemen summarize their piece and of course you keep the questions coming I will forward them onto their office. We'll have Mr. Martin back on in a couple of days for a little while on the phone to talk about the gas because that is a key issue that we want to discuss as well. We're taking a break and then we're coming back. [Commercial Break] Welcome back to the program. A quick question as I said before we went to the break, people know that the big power generation opportunities some 2200 megawatts at Gull Island would be the gravy and it's not part of our initial plan where does that leave Gull, people say we're going to have stable prices yet the government says in 3 years Gull Island will be on the radar is that true or who is going to end up paying for that?

MINISTER JEROME KENNEDY: Yeah Paddy we will be releasing a paper on Gull Island next week looking at the history of Gull Island, what has transpired and what we expect to happen in the future but the reality is, is that if we get access across Quebec then into Ontario then Gull Island would be a very real possibility. So we'll explore that in further detail next week.

PADDY DALY: So whose going to pay for that though Jerome?

MINISTER JEROME KENNEDY: We sell the power see right now...

PADDY DALY: It can indeed be a self sufficient entity building a plant that size transmitting the power for residential and or industrial use can be paid for on it's own?

MINISTER JEROME KENNEDY: With exports markets into Ontario and perhaps into the New England states by 2020 when the markets we expect will come back that between that and mining all that power could be sold, there's a significant nuclear refurbishment

taking place in Ontario right now and between all that we feel that Gull power could be sold.

PADDY DALY: We have just about run out of time, Ed Martin thank you very much for making time today. Anything you want to offer in summary sir?

ED MARTIN: Well just a quick note on the last question that came in with respect to 50 years, what's going to happen in 50 years and one example I'd like to think about myself and lay to people is the fact that you know, when we look at this everyone in Newfoundland and Labrador all households are going to pay a certain amount for electricity every month for the next 50 years, whether it's you, your children, your grandchildren or your great grandchildren. Those expenditures are going to be made, the question becomes do you want to put that expenditure and a little bit less expenditure into buying something and owning it forever or do you want to pay more and basically be putting 60 to 65 percent of your money out of the province to oil companies for oil. To me it's a pretty simple equation that provided it's low cost particularly because it's low cost for power from Muskrat Falls to me this is a situation we're investing in our future, we are investing for the future particular when we got this plant paid off, we're going to be in excellent shape for our grandchildren.

PADDY DALY: The same opportunity for you Minister Kennedy.

MINISTER JEROME KENNEDY: Yeah I'd just like to let people know what's going on in the next few days Paddy because I want people to have the opportunity to inform themselves. Tomorrow we will be releasing the review of the mining situation in Labrador and the need for power and the economic benefits of that. In the afternoon we will be releasing natural gas reports dealing with the LNG option and the pipeline, then as we move through this we will be releasing a paper on rates that will outline where we expect rates to go and comparing them to both options and we will release other papers such as allowed. So the next couple of weeks will be chock full of information, I suggest to people there are websites out there, send me e-mails and get yourself informed.

PADDY DALY: And everything that we didn't get to today if there's a question that you think should have been posed and I will indeed for Ron as I said earlier get those number regarding the dollars and cents of negotiating with Quebec, we will talk about those in the days to come. Anything that you want to pose as a question for Martin or Kennedy in the next short term before we get to the debate make sure you send them into me backtalk@vocm.com. I will do my best to get answers and if anybody on the other side of this conversation, inside of 2041, Standing or Place NL, anybody wants to have a continued conversation on Muskrat Falls, you have an opportunity weekdays two to four right here on Back Talk. Pete Soucy along tonight with Night Line. Randy Simms back tomorrow morning. And we will pick up this conversation tomorrow afternoon on VOCM/CFCB Back Talk. On behalf of the producers, Meagan Homer and Pat Murphy, I'm your host Paddy Daly. Have a good night. Be safe out there.

