

Haynes, Brenda

From: Premier,
Sent: Tuesday, February 21, 2012 9:48 AM
To: Haynes, Brenda
Cc: Shute, Tracy
Subject: TRIM INCOMING CORRESPONDENCE : ICOR2012/0422 : Email from Brian Peckford to the Premier regarding his concerns with the process of the Muskrat Falls review

Attachments: Email_Lower Churchill Project.html



Email_Lower
Churchill Project....

Good Morning Brenda,

Please have a response drafted for the Premier's signature.

If we could have the response at your officials' earliest convenience that would be greatly appreciated.

Thank you for your assistance.

Chantalle Hull
Office of the Premier

-----< TRIM Record Information >-----

Record Number : ICOR2012/0422
Title : Email from Brian Peckford to the Premier regarding his concerns with the process of the Muskrat Falls review

E-mail Message

From: Brian Peckford [SMTP:brianpeckford@[REDACTED]]
To: Premier, [EX:/O=PSNL/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=PREMIER], FinanceMinister, [EX:/O=PSNL/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=FINANCEMINISTER], Kennedy, Jerome [EX:/O=PSNL/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=JEROMEKENNEDY], telegram@thetelegram.com [SMTP:telegram@thetelegram.com], rwanger@thetelegram.com [SMTP:rwanger@thetelegram.com], pjackson@thetelegram.com [SMTP:pjackson@thetelegram.com], hereandnow.nl@cbc.ca [SMTP:hereandnow.nl@cbc.ca], newsroom@thewesternstar.com [SMTP:newsroom@thewesternstar.com]
Cc:
Sent: 2/21/2012 at 2:01 AM
Received: 2/21/2012 at 2:01 AM
Subject: Lower Churchill Project

Open letter to Premier Kathy Dunderdale

Dear Premier:

Like other Newfoundlanders, I have been following the announcement of your administration's intention to develop the Lower Churchill River. Of course, as you know, I was heavily involved in this enterprise when I was Minister of Mines and Energy and as Premier. Many meetings over many years were held with Quebec Government representatives and Quebec Hydro officials. A deal was never consummated; actual engineering work was done by Techmont Engineering on the technical feasibility of laying an underwater cable across the Strait of Belle Isle and many discussions about the Anglo Saxon route which is now a part of your present proposal. Legislation was passed creating the Lower Churchill Development Corporation, a Federal Provincial body, which unfortunately was mysteriously allowed to expire. This Federal Provincial Corporation could have been of great assistance over the past few years.

That is a little history; important, I think, for context, if nothing else.

Times have changed. In the sixties and seventies and even eighties hydro was king. This is not necessarily so today.

Some have expressed concern over the announced project. I, too, have my concerns.

Let me be clear. It may be the best project ever. But the project has to be tested objectively, especially given the size and complexity of the project, and the

severe financial implications on the Province if the contingency identified is insufficient.

I submit that appropriate impartial assessment to this point has been lacking. Here are my reasons:

Number one:

It is unfortunate that the project was referred to the PUB. Frankly, the Board and its staff do not have the expertise to evaluate this project. The Board, as we all know, is really a regulatory body dealing with rates for electricity, motor vehicle issues and petroleum pricing as outlined in its mandate; it is not structured to assess a multi billion dollar project, examining it against other modes of generation and transmission. I admit it is a gray area and the Electrical Power Control Act, technically, provides the legislative power to so refer. But, I submit, it never was the intent of any legislation dealing with the PUB to make it the chief reference body on a project of this nature and scope. It involves much more than rates! In any case, with all due respect to the Board Commissioners and staff, the expertise does not reside at the Board to do the job. I think we can all agree on that. It is really unfair to the Board to thrust this project in their lap.

Number two:

The reference question precludes a number of options; it simply asks for the lower Churchill project to be tested against one other alternative: oil, a little wind and with some gas turbines for peak power. Unfortunately, the question had already provided the answer.

A far more comprehensive question needs to be answered involving other options, especially as it relates to natural gas. This will take some independent, expert study and analysis. It is true that natural gas is referenced in the NALCO submission and the Navigant Report, but in the former case it gets a scant eight pages referencing a 10 year old study (which is not completely relevant) and in the latter, a mere three pages. The only independent study, the Manitoba Hydro International report, was precluded from examining any other options. This is blatantly insufficient!

Number three:

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This is NALCOR 's baby and I suspect, given the culture of its predecessor, or should I say its subsidiary, there pervades a bias for hydro power. Given the history, this is natural; the projects of Bay D'Espoir, Upper Churchill, Upper Salmon, Hind's Lake, and Cat Arm are all successful hydro projects in which

Newfoundland Hydro was involved . And, of course, there are the paper mills' hydro developments.

Holyrood, in contrast, was and is the poor cousin, an unfortunate necessary appendage as the Province grew. This is not a criticism. It is simply the way things developed. Newfoundland Hydro did a great job in bringing those projects on stream, no doubt about it. But as a result, unbiased advice here is questionable.

Number four:

There is deep concern in some quarters of the real likelihood of major cost overruns and the impact this could have on the financial integrity of the Province. Almost all major projects these days seem to have significant cost control problems due to labor issues and material supply. I suspect this project will be no different given the competition for skills resulting from the high level of construction activity present and projected in the Province.

Premier, as a consequence of the above, there is an unease abroad; everyone wants to believe this is the best way to proceed, but some are unsure that the level of certainty necessary for a project of this size to proceed has been established.

I recommend to you, therefore, that the Province establish a panel of experts to review all the work that has been done and to specifically address the natural gas options and test their viability and cost against the Lower Churchill Project as presently defined.

A lot has changed in this area as a result of the shale gas phenomenon of recent years. The whole North American energy equation has been turned on its head.

What is the preferred project now to meet the Province's electrical needs for the next three decades? Hence, a key question, among others, is:

Should the expiry of the Upper Churchill contract in thirty years be a factor in developing energy policy now? This is really not a long time in this context.

Thirty years from now Newfoundland and Labrador will have substantial very low cost hydro power, more than 5000 MW, triple what we will need, making this among the cheapest power on the planet. The present project talks about only twenty per cent (20%) of this.

Is the Province so focused on the Lower Churchill now that it is failing to see the

long term benefits (finally) of the Upper Churchill Contract expiration, and hence the possibility of a pristine Lower Churchill basin? I don't know, but I think it needs to be fully and independently explored. Should the question be framed as to how we can best get to 2041 to take advantage of this already developed cheap hydro?

This panel should be highly qualified people of international stature in energy policy including production, electrical generation / transmission and energy finance. They would be given all necessary support that they may need to conduct their work. A final report in six months seems reasonable. Of course, this would be a totally transparent exercise.

I do realize that under the present conditions that have been established the project is quite a distance 'down the road.' What I am recommending is to change these conditions and allow for a full, independent, transparent, expert analysis to be undertaken.

I believe some greater certainty is required and that the present proposal be subject to a broader set of questions undertaken by an objective, independent, transparent process.

People talk of legacy. Let's be doubly sure that only water runs down to the Lower part of the Churchill River and not the legacy of the Upper.

Brian Peckford

brianpeckford@ [REDACTED]