

Date : 11/14/2011 4:30:20 PM

From : "Bown, Charles W."

To : "Maclean, Heather" , "Kennedy, Jerome" , "Dalton, Diana" , "Scott, Paul G."

Cc : "Shute, Tracy" , "Williams, Tina"

Subject : RE: Nalcor NTV Interview on PUB filing

Attachment : image001.jpg;

These responses require work. They're not tight and don't track the PUB Submission. I'll provide edits.

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**From:** Maclean, Heather

**Sent:** Monday, November 14, 2011 4:26 PM

**To:** Kennedy, Jerome; Dalton, Diana; Bown, Charles W.; Scott, Paul G.

**Cc:** Shute, Tracy; Williams, Tina

**Subject:** FYI: Nalcor NTV Interview on PUB filing

FYI - Ed Martin will be interviewed by NTV tomorrow (Tuesday) on the submission to the PUB and for a response on Vardy's Report.

Nalcors suggested responses are noted below...

Heather MacLean

Director of Communications

Department of Natural Resources

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#### Key points that emerged from the Vardy report, with suggested responses

##### 1. Muskrat Falls is the 2<sup>nd</sup> or 3<sup>rd</sup> best solution to meet the province's future energy needs.

*Response:* The options and alternatives to Muskrat Falls that Mr. Vardy identified in his report were all close examined by Nalcor. Our mandate, as issued by the Government of NL, was to identify the least-cost option for clean, renewable power to meet the province's future electricity needs. Even combined, these alternatives fell short. Muskrat Falls is the least-cost option by \$1.2 billion (CPW) when compared to the isolated island alternative.

##### 2. We can avoid the debt of Muskrat Falls by using other means to carry the province to 2041, when Churchill Falls power comes back to Newfoundland and Labrador.

*Response:* We detailed our review of this possibility in a Nalcor submission to Manitoba Hydro, as part of the current PUB review process. There are several uncertainties and risks associated with deferring our interconnection until that time:

- Security of supply and reliability – (1) Nalcor is not the sole shareholder of the Churchill Falls operation – what implications with this have 30 years from now? (2) We don't know the environmental and policy frameworks that will be in place in 30 years. (3) We don't know how long we can maintain reliable generation at Holyrood – will we be able to extend the life of that plant for 30 years?
- Ratepayers are going to pay much more for electricity in the interim (until 2041), because we will need to continue to use fuel to run the Holyrood plant. This will mean significant rate instability.
- Environmental compliance – continuing to use Holyrood means continued GHG emissions – will this be acceptable?

##### 3. Managing demand (and adding new small generation sources) could help the province extend its need for new sources of electricity.

*Response:* Due to the growing economy, the province's demand for industrial and residential electricity is growing. We have new major industrial operations coming online, and we are seeing larger homes being built, and increased use of electricity with those and existing homes. Even if we manage to control demand somewhat, increased demand from new sources will drive up the overall need for electricity. The province's economic outlook shows this.

##### 4. Muskrat Falls might be a good long-term source of electricity generation but in the short-term, it creates overcapacity and unnecessarily high debt.

*Response:* This project is a long-term solution to meeting the province's energy needs; the greatest savings will come to the province's ratepayers after 2020. However, even in the short term, when compared with the cost of continued reliance on oil, Muskrat Falls presents a more economical solution for the province's ratepayers.

##### 5. Natural gas should be explored further as a potential new source of electricity for the island.

*Response:* Nalcor's analysis of all alternatives, including natural gas, is reviewed in detail in our submission to the PUB review. It is our view that "landed" Grand Banks natural gas is not a viable option to meet the island's electricity needs. The most important reason is that our domestic market is too small to absorb the considerable project risks, capital investment and operating costs of a Grand Banks natural development.

The same is true for LNG. This is a complex issue, with much consideration given to how LNG financial markets work, but in short, in

order to consider LNG as a viable alternative source of electrical generation for this province, as a utility Nalcor must be able to enter into long term supply arrangements with global providers. Our need is simply too small on the global stage for us to secure a favourable pricing arrangement.



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To: <[KONeill@nlh.nl.ca](mailto:KONeill@nlh.nl.ca)>  
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Date: 11/14/2011 12:18 PM  
Subject: Re: Interview request from Mike Connors on PUB filing

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What are your messages re Vardy report?  
G

Sent from my iPad

On Nov 14, 2011, at 12:15 PM, "[KONeill@nlh.nl.ca](mailto:KONeill@nlh.nl.ca)" <[KONeill@nlh.nl.ca](mailto:KONeill@nlh.nl.ca)> wrote:

Hi All,

Mike Connors is looking to do an interview with Ed on our PUB filing, what the next steps are in the process with the PUB and also ask if we have any comment on Dave Vardy's Harris centre report.

I'll probably set something up for tomorrow afternoon (for tomorrow night's news).

Ok to proceed and book?

Thanks  
Karen

<ATT1000069.jpg>

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