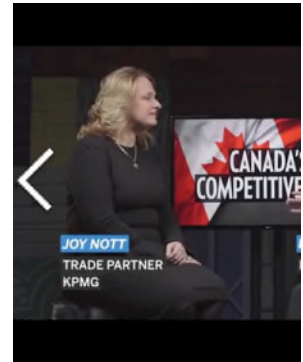


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\$7.7B Muskrat Falls hydro project costs rise as start date faces delays, Nalcor Energy CEO says

The head of Newfoundland and Labrador's Crown energy company says costs for the \$7.7-billion Muskrat Falls hydro project are going up and the date when first power is generated from the dam may be delayed



THE CANADIAN PRESS/Paul Daly



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ST. JOHN'S, N.L. — The head of Newfoundland and Labrador's Crown energy company says costs for the \$7.7-billion Muskrat Falls hydro project are going up and the date when first power is generated from the dam may be delayed.

Nalcor Energy CEO Ed Martin said Tuesday the province's \$6.2-billion share of the project is under pressure due to labour, supplies and other costs.

But Martin said he won't give a new cost update while major contracts for the dam and powerhouse in Labrador are still being negotiated.



The goal of providing first power from the project by 2017 is in question and may be delayed, he added.

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Martin made the remarks during a news conference Tuesday to release an interim report from the independent engineer overseeing Muskrat Falls for the federal government.

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The 175-page report from MHW Canada makes several observations and recommendations as part of due diligence required for Ottawa's \$5-billion loan guarantee of the development's financing. That federal backing has shaved about \$1 billion off borrowing costs, Martin said.

But other expenses associated with contractors and materials from all over the world are pushing up the project's price tag, he said.

Martin would not release more detail or offer any timeline for an update because giving away fiscal information could jeopardize contract negotiations.

"As soon as we possibly can we'll come out with a full picture," he said.

It might make more sense to delay first power from Muskrat Falls past 2017 rather than push the construction schedule while driving up overtime and other costs, Martin explained.

The joint project with Nova Scotia utility company Emera would bring power from Muskrat Falls to the island of Newfoundland and on to Nova Scotia. It involves a complex series of overland transmission and subsea cables.

The MHW report generally supports Nalcor's planning and progress but notes some issues and gaps in the information it was given to assess.

The independent engineer also questions the size of the contingency Nalcor has budgeted for unplanned costs. While most similar projects include contingency funds of six to 10%, Nalcor chose an "aggressive" amount closer to 6%, says the report.

Martin said he stands by that amount.

"The question is, are we comfortable with that? I say, yes."

The MHW report assessed eight project areas including a visit to the site near Happy Valley-Goose Bay, project design, the construction schedule and the capital budget. It's part of ongoing oversight that will continue through construction, completion and how Muskrat Falls is operated over time.

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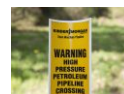
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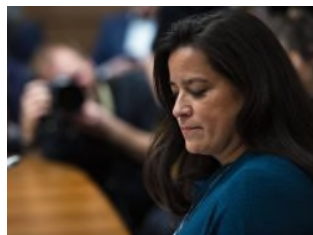
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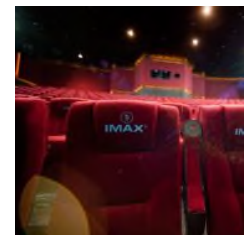
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