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From : "Morris, Paul J."

To : "Au, Peter" , "Brewer, Donna" , "McCarthy, Ashley E" , "McConnell, Meaghan" , "McGrath, Rob" , "Myrden, Paul" , "Parsons, Paul O" , "Pelletier, Randy" , "Stanley, Todd"

Subject : FW: Chronicle Herald - Dunderdale: Link never hinged on review board decision

From: Quinton, Diana

Sent: Monday, July 29, 2013 11:28 AM

To: Marshall Q.C., Hon. Thomas; Wells, Larry; Bown, Charles W.; English, Tracy; Morris, Paul J.

Subject: Chronicle Herald - Dunderdale: Link never hinged on review board decision

Dunderdale: Link never hinged on review board decision

July 26, 2013 - 4:44pm - By PAUL McLEOD, Ottawa Bureau, Chronicle Herald

But Newfoundland premier confident deal can be reached to gain regulator's approval

NIAGARA-ON-THE-LAKE, ONT. — The Maritime Link will be built with or without the approval of the Nova Scotia Utility and Review Board, says Newfoundland and Labrador Premier Kathy Dunderdale.

Dunderdale said in an interview Friday that under no circumstances will her province sign a long-term guarantee to sell market-rate hydroelectric power to Nova Scotia, as the board has called for.

Dunderdale said there is enough flexibility in Monday's board decision that Emera, Nova Scotia Power's parent company, and Newfoundland and Labrador Crown utility Nalcor will be able to strike a deal that the regulator will approve.

But the project never hinged on board approval, she said.

"With all due respect to the UARB, they're not going to dictate how we're going to manage the sale of our power," said Dunderdale.

If the board refuses to approve the plan, Emera will build the \$1.5-billion subsea cable with its own money rather than through Nova Scotia ratepayers, she said. Emera would then sell power from the link to other markets in Atlantic Canada and New England.

"They may not be able to sell the power to Nova Scotia, but that doesn't mean that Emera can't go through with it," Dunderdale said.

"We would never sanction a project and start to spend the amount of money we have spent at this time and have it all conditional (if) the whole thing could fall apart if the UARB said no."

Nalcor has already spent hundreds of millions of dollars on the project, which involves building a dam at Muskrat Falls in Labrador and bringing power first to Newfoundland and then to Nova Scotia via the link.

Premier Darrell Dexter confirmed the project was never dependent on the review board decision.

"I agree," he said Friday. "It will go ahead. It would be a terrible thing for us not to be able to take advantage of it."

Both premiers said Nalcor and Emera will have little difficulty meeting the conditions of the board. Monday's decision allowed for alternatives to a hydro power guarantee, though it was vague about what those alternatives could be.

Dunderdale said Nalcor could provide Nova Scotia power from other hydroelectric or wind projects, or the power could come from a source other than Nalcor.

Dunderdale said she fully expects to sell excess power to Nova Scotia at market prices; she just won't guarantee it in writing.

"Muskrat Falls is being developed principally for the benefit of the people of Newfoundland and Labrador," she said.

Under the current deal, Nova Scotia would be guaranteed a base block of 20 per cent of power from lower Churchill Falls for 35 years in exchange for paying 20 per cent of the capital cost. That works out to an expensive average cost of 15 cents per kilowatt hour to Nova Scotia ratepayers.

But by buying enough excess power at five cents per kilowatt hour, the review board projects the blended price to come down to nine cents per kilowatt hour.

The board projections call for Nova Scotia to buy almost twice as much market-price power as the base block.

Dexter said he expects there will be more than enough excess power available to meet Nova Scotia's needs, but he backed Dunderdale's refusal to put it in writing.

"You cannot ask one province to guarantee that their resource would go to another province in preference to their own," he said.

In St. John's, a Nalcor executive said Friday that Hydro-Quebec's court challenge involving the upper Churchill River power station won't affect the Muskrat Falls project downstream.

Nalcor vice-president Gilbert Bennett, who is in charge of Muskrat Falls, said the Hydro-Quebec case won't affect the project's generation of up to 824 megawatts of power as planned.

"We don't see a relationship between this action and water management," he told reporters. "It speaks to interpretation of the (1969 Churchill River) power contract."

Bennett said he can't discuss specifics of the legal challenge to be defended by Churchill Falls (Labrador) Corp., which operates the generating station upstream.

But he said Nalcor anticipates no impact on Muskrat Falls operations or the price of that power.