

## **‘Simply put, Muskrat Falls is the best project for the taxpayers and ratepayers of the province.’**

9 Nov 2013 The Telegram (St. John’s) Kathy Dunderdale is premier of Newfoundland and Labrador.

*The agreement completed by Nalcor and Emera does not sweeten the pot for Nova Scotia, rather it supports our long held position that there is significant demand for our surplus power. In this agreement, we see tremendous benefits for Newfoundland and Labrador. Emera has provided Nalcor with a market for power that is offered only when it’s not required by the residents of our province. The power sold will be at the same prices that Nalcor would have obtained if the power had been sold in the lucrative U.S. market. This arrangement secures another market for N.L. surplus power and creates value which can be used for the people of Newfoundland and Labrador.*

Q 11: Overall, are the bids that Nalcor is receiving in line with its expectations?

A: The Muskrat Falls project has attracted significant provincial, national and international attention from companies interested in providing goods and services. Nalcor’s procurement process ensures that best value is achieved in the contracting process and value attained in this process results in savings to ratepayers.

Nalcor is very pleased with the level of participation it has received and it has resulted in a very competitive bidding process on major and smaller contracts. To date, the bidding process is in line with Nalcor’s expectations. Project costs are addressed in Question 13 below.

Q 12: Why can’t taxpayers know what individual bid prices are?

A: To date, Nalcor has been able to receive competitive bids for contracts, in large part by not releasing estimates for work in advance of the bidding process and keeping the bids from contractors confidential. While this might seem like secrecy to some, this process allows Nalcor to continue to get competitive bids, ensuring best value for the project and Newfoundland and Labrador ratepayers.

I would also note that this same process is followed for all major projects in our province and elsewhere.

Every month, Nalcor releases a benefits report that states the monthly expenditures for the entire project, as well as the year to date, and is broken down by where the money is spent and the type of work it is spent on.

This information is available online on Nalcor’s website at [www.muskratfalls.nalcorenergy.com](http://www.muskratfalls.nalcorenergy.com).

Q 13: Is the project on budget?

A: The value of the Muskrat Falls and Maritime Link project is a combination of costs and overall revenue to the province. Costs are primarily comprised of capital, operating and financing costs. Some of these elements are lower than budget, some are similar and some are higher.

From a revenue perspective, budgeted revenue is conservative, and we continue to see upside potential as external markets are tending to improve.

Overall net value to the province is currently trending positive, but frankly, it is early days — cost and revenue projections will continue to change. That being said, the overall value of this project is clearly very favourable to the province, and will continue to be so over the long term.

We continue to aggressively manage the cost profile. At this point, we are generally on budget.

Q 14: How have the project's economics changed with the dramatic weakening of long-term oil prices?

A: Nalcor's final DG3 detailed cost analysis showed that building the Muskrat Falls project and the transmission link from Labrador to the island was the lowest-cost option to meet Newfoundland and Labrador's future electricity needs with a preference of \$2.4 billion over continuing to burn oil at Holyrood.

While forecasts do demonstrate a short-term downturn in market prices, over the long term these forecasts are virtually unchanged and continue to reflect rising fuel costs.

Also, if we were to continue to burn oil at Holyrood, customers would continually be subject to volatility in the markets and ultimately higher electricity rates than they will have from the clean, renewable power from Muskrat Falls.

Q 15: With ratepayers in this province responsible for the full cost of the dam and transmission line, how will electricity prices be kept competitive for industrial users?

A: Muskrat Falls has been demonstrated to be the lowest-cost option to meet the long-term energy needs of the province, and we are confident that rates paid by industrial customers in the province will continue to be competitive as compared with other jurisdictions.

Q 16: If industrial prices remain competitive — something that's now, post-Muskrat, set by the provincial cabinet — how much will other users have to pay to make up for industrial discounts?

A: This government has not put in place any policy that will change the way industrial electricity rates are set on the island. The board of commissioners of public utilities will continue to set electricity rates for both residential and industrial consumers.

Q 17: How low will rates for the mainland sale of power have to be to be considered "cost-effective" by U.S. governors?

A: In the U.S., electricity prices (like other market commodities) are largely set by open market influences similar to the price of oil. In order for electricity to be sold in the market, it must be price competitive. In addition, there are many states offering to pay a premium to purchase renewable energy.

We are pleased with the New England governors' recent endorsement of importing renewable energy from Canada. Removing some of the barriers to Canadian hydropower is a fundamental

change in the northeast U.S. energy market and one that is truly welcomed by Newfoundland and Labrador.

Q 18: Have negotiations to “sweeten the pot” to match the expectations of Nova Scotia’s power regulator taken place?

A: The agreement completed by Nalcor and Emera does not sweeten the pot for Nova Scotia, rather it supports our long held position that there is significant demand for our surplus power.

In this agreement, we see tremendous benefits for Newfoundland and Labrador. Emera has provided Nalcor with a market for power that is offered only when it’s not required by the residents of our province.

The power sold will be at the same prices that Nalcor would have obtained if the power had been sold in the lucrative U.S. market. This arrangement secures another market for N.L. surplus power and creates value which can be used for the people of Newfoundland and Labrador.

Q 19: What’s on the table in those negotiations?

A: In the agreement between Nalcor and Emera, we have agreed to make power available to the Nova Scotia market that is surplus to our needs and, in return, Nova Scotia has an opportunity to meet their power demand at fair market prices. As I noted above, the power sold will be at the same prices that Nalcor would have obtained if the power had been sold in the lucrative U.S. market.

In summary, Nalcor will offer power that is surplus to our needs; Emera can accept power from Nalcor up to a pre-determined amount each year; and the sale price of the power Emera purchases from Nalcor will be at market prices.

Q 20: Why is there so much we’re not allowed to know?

A: Never before in the history of this province has a project undergone such scrutiny, and never before has such detailed information been publicly available — a testament to the project’s openness and transparency.

The Muskrat Falls project has been extensively studied for years. Nalcor has made public hundreds of reports, studies and tens of thousands of pages of information and analysis. This information has been presented to all government parties, the PUB, independent consultants, regulators, the public, critics and many more.

Nalcor has released, and will continue to release, information as requested, as long as it does not impact the commercial sensitivities of the project and doesn’t compromise Nalcor’s ability to obtain competitive bids. Nalcor is committed to being as open and as transparent as it can be on this project and in all its operations; however, the company must also balance its commercial interests.

We welcome the interest of Newfoundlanders and Labradorians regarding the Muskrat Falls project, which will provide tremendous benefit to our province, the Atlantic region and Canada as a whole.

Simply put, Muskrat Falls is the best project for the taxpayers and ratepayers of the province.