

CIMFP Exhibit P-04327**Page 1****Paying for past mistakes**

I am responding to Russell Wangersky's Saturday, July 15th column, "Muskat Falls — we'll pay and pay and pay."

The article raises the important point that people in this province will pay for increased rates of power because of the Muskat Falls project.

Originally sold to the people of the province by the former Progressive Conservative government as a \$6.2-billion project (\$7.4 billion with financing), we now know it will cost \$10.1 billion — literally billions of dollars in inherited problems. The former government's poor assumptions, lack of controls, dismal knowledge of project management and complete lack of understating of the energy marketplace have led us to where we are today.

The former government had the chance to stop the project but refused to do so. They rejected the 2013 report by SNC-Lavalin which gave every indication of problems with this project at the very beginning. They gambled with the future of the province and now we are cleaning up the mess they left.

Our commitment to the people

of the province is to ensure the best controls are in place for this project and to work to manage lower electricity rate increases associated with the poor decisions made by the former government to do this project.

We have directed Nalcor to find ways to manage rates. The fiscal forecast in Budget 2017 indicates \$210 million to lower electricity rates starting in 2020-21, with this preliminary rate reserve growing to \$245 million in the following fiscal years. In addition, an internal committee within government is tasked with ensuring rates are managed as best as possible.

All rate management options are being explored, such as exporting surplus recall energy from the Upper Churchill, bringing surplus power from Labrador across the Labrador Island Link for use on the island, purchasing and importing less expensive power via the Maritime Link and Labrador Island Link, or developing export markets to grow revenues from export sales.

We are focusing on how we can increase the use of electricity to bring new revenue into the system

where it makes economic sense for government and customers. Nalcor is working closely with partners in the region to identify opportunities to work together. Our government is also participating in joint Atlantic Canadian, federal government and utility partnerships to identify how our province's clean renewable power can help each other achieve our respective goals.

As a government, we have consistently questioned the decision-making process of the previous administration on this project. Knowing why decisions were made as they were, what assumptions were used to justify the project, and why costs were not accurate must be clearly understood so it never happens again. Our government is committed to a full review.

On behalf of the province's taxpayers and ratepayers, we will continue to work diligently to ensure the project moves forward as effectively as possible despite the overwhelming inherited problems it presents.

**Siobhan Coady, minister
Department of Natural Resources**

