

Letter to the Editor submitted to the Telegram July 10/14

**Muskrat Falls remains the best option for Newfoundland and Labrador
Ed Martin, President and CEO, Nalcor Energy**

Nalcor Energy is focused on delivering the Muskrat Falls Project to Newfoundlanders and Labradorians in an economical, cost-effective way that provides the most value for our energy resources today and for many generations to come.

Every decision we make considers the value that the Muskrat Falls Project will provide to the province today, tomorrow, and into perpetuity. Hydroelectric developments are long-term investments and we are making the right decisions to maximize the long-term value from our resources well into the future.

We understand fully that the decisions we make today are of paramount importance to the people of the province, who are the owners of this important asset and consumers of the electricity it will produce.

Investments in our generation and transmission assets are necessary to continue to meet our customers' requirements for safe, reliable and affordable electricity. When we look across Canada, other utilities are making similar investments in their systems. The Conference Board of Canada estimates that an investment of some \$350 billion must be invested in the country's electricity system over the next 20 years.

While Muskrat Falls plays a significant role in ensuring we can meet our electricity needs, we are also making other critical capital investments through Newfoundland and Labrador Hydro (Hydro), such as the new combustion turbine at the Holyrood plant and the new transmission line from Bay d'Espoir to Western Avalon, to name a few.

Together, all of these investments will have an impact on electricity rates for consumers. As well, in the coming years, before Muskrat Falls is in service, electricity rates are expected to increase as a result of rising oil prices and our dependence on the Holyrood Generating Station to generate power for island customers.

In 2018, electricity rates for households on the island are projected to be 16.4 cents per kilowatt hour (kWh) which is about \$249 for an average monthly bill, approximately half a cent higher than the rate estimated at sanction of the Muskrat Falls Project (15.9 cents/kWh). Looking out to 2020, electricity rates will be around 17.3 cents/kWh or about \$262 for an average monthly bill. This includes anticipated rate increases with Muskrat Falls in service and all planned capital projects by Hydro on the island. When Muskrat Falls is fully operational and

our province is powered almost exclusively by renewable energy sources, rates will stabilize for customers, increasing on average around one to two per cent per year.

The Muskrat Falls Project will generate significant value and cash flows for our province – around \$30 billion in nominal value over the life of the project. It will also give the provincial government considerable flexibility when deciding how to invest the additional revenue– from improving the province’s infrastructure, funding healthcare and schools, to reducing our debt.

It is important to remember why the decision to build Muskrat Falls was made in December 2012. The project was sanctioned because it was, and remains, the least-cost option to meet our electricity needs in this province.

Even though we are developing this resource first and foremost for our province, we also recognized that there will be sufficient excess power to provide for power exports. Rather than let the extra water go over the dam we challenged ourselves to capture the absolute greatest value for the people of Newfoundland and Labrador. We met that challenge by reaching agreements with Emera of Nova Scotia.

Emera will purchase 20 per cent of the power from Muskrat Falls for 20 per cent of the project costs. The approximately \$1.58 billion Maritime Link Emera is financing and constructing, which will be included in the electricity rates in Nova Scotia, will give our province a brand new route to market.

Our partnership with Emera will provide Nalcor with transmission access to Nova Scotia and beyond to New Brunswick and into New England. Surplus energy not needed in our province will be sold outside the province and revenue will be returned to Newfoundland and Labrador. Nalcor estimates this value at close to \$3 billion in nominal value over the life of the Muskrat Falls Project.

The development of Muskrat Falls remains the best option to meet the energy demands of Newfoundlanders and Labradorians. The project is bringing economic and employment benefits to the province during construction, will mean savings for homes and businesses through stable electricity rates long into the future, and will set the stage for Newfoundland and Labrador to manage its own energy and economic future without relying on others to meet our power needs.

Muskrat Falls will transform our province from an economy dependent on non-renewable resources to an economy built on renewable, sustainable energy resources.

Nalcor Energy, together with the government and over 1,500 Newfoundlanders and Labradorians, are building a valuable, long-term power-producing asset that the people of our province will be the owners of and can take great pride in.