

Sent by email

April 22, 2016

Honourable Siobhan Coady
Minister of Natural Resources
MHA for St. John's West
Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister Coady:

The Canadian Federation of Independent Business (CFIB) is a non-partisan and not-for-profit organization that represents independently-owned small- and medium-sized enterprises. We represent 109,000 members across the country and have over 2,000 members in Newfoundland and Labrador.

Recently, we have heard a number of comments from CFIB members raising concerns about the Muskrat Falls project and the potential future impact the project can have on the province. They fear the financial strain the project is placing on the province, particularly after learning in the 2016 provincial Budget that transfers to Nalcor will increase by \$540 million to \$1.3 billion in 2016-17 and there has yet to be any dividends provided.

As a result, and notwithstanding the human resource changes at Nalcor in recent days, CFIB is writing with a request for the government to delay project construction and invite the Board of Commissioners of Public Utilities (PUB) to hold hearings and pass judgment on the viability of project completion. We feel with an immediate decision to delay, the recommended work could be completed in time to be reflected in the 2017 provincial budget.

We read with interest the Ernst & Young (EY) interim report publicly released on April 12, 2016. Of concern is the observation by EY that "certain elements of governance and reporting arrangements have not been effective in respect of the project's cost and schedule forecasts to date." The \$1.3 billion transfer to Nalcor is a significant investment in a project that EY concludes is behind schedule and there will be cost overruns.

The EY interim report also raises questions about system reliability. As noted in the report, "the project deploys proven technology, but the delivery is of significant scale and subject to challenging terrain and weather conditions." The example provided is the HVdc transmission line that will extend across the province, most notably through the Long Range Mountains. This brings additional concern to CFIB members who already have concerns about the reliability of the electricity system in the province.

According to its website, the mandate of the PUB is “the regulation of the electric utilities in the province to ensure that the rates charged are just and reasonable, and that the service provided is safe and reliable.” In light of the major issues raised in the EY interim report, the PUB is the ideal mechanism to bring clarity on the future rates Newfoundlanders and Labradorians can expect upon project completion and how system reliability will be assured.

Finally, the EY interim report stated, “there is a need to strengthen Project governance and reporting to provide more effective oversight and constructive challenge to Project performance and execution, key decisions and forecasting.” You have stated in the House of Assembly on April 13, 2016, the government is strengthening the governance structure for the Project by expanding the oversight committee. Regardless of this ongoing work, the PUB can constructively challenge the underlying premises of the project, has a complementary role to the oversight committee, and is integral to any governance framework for the project.

We trust that you will see merit in this request. I welcome any opportunity to meet with you at a mutually convenient time to discuss this issue. You may reach me by phone at 753-7745 or by email at vaughn.hammond@cfib.ca.

Sincerely,

A handwritten signature in cursive script that reads "Vaughn Hammond".

Vaughn Hammond
Director of Provincial Affairs, Newfoundland and Labrador

Copy: Members of the House of Assembly