

DP # 1  
Nov. 27<sup>th</sup>, 2003

## Introduction

On behalf of the Town of Happy Valley Goose Bay (the Town), I would like to thank the Board of Commissioners of Public Utilities (the Board) for the opportunity to express our opinions on Newfoundland and Labrador Hydro's (NLH) General Rate Review Application. I appreciate the efforts made to come to our community to hear this and other presentations. Attached to this presentation is a hard copy of a power point presentation made by myself at a community meeting on this very issue. It was our objective, and one that was fulfilled, to present an overview of the issues and to seek feedback to assist us in preparing this presentation. It is provided to illustrate the fact that the issues have been discussed within the community and that the opinions expressed do represent a collective position.

We see this Application as a continuance of the previous Application on which the Board reached a decision as outlined in Order No. PU 7(2002-2003). In that decision, the Board stated that it viewed the 2001 Application as the first step in a staged process. From our perspective, the issues on the table are fundamentally the same as before. Although this time we feel better informed as a result of the experience gained from our participating in the last round of hearings.

In reviewing Order No. 7, we note on pages 138 and 139 that ...

where NLH submits in final argument (pg. 79) that: *"its proposal to have one Labrador Interconnected System is consistent with the recommendation of the Board in its 1993*

1 *report and that it is consistent with normal utility practice that customers served from the*  
2 *same system (where there are common costs) pay the same rates."* NLH has also  
3 proposed a phasing in of the rate changes because of the impacts on certain customers on  
4 the system.

5  
6 The Board agrees with NLH that its proposed approach to rate changes in the Labrador  
7 Interconnected system is consistent with the Board's recommendation in the 1993 generic  
8 COS report, which was accepted by Government under previous legislation, and which  
9 NLH was directed to use in this Application.

10  
11 **NLH's proposal to implement the Island Interconnected rate structure (six classes)**  
12 **for the Labrador Interconnected system will be approved.**

13  
14 **NLH's proposal to phase in a cost based rate system for the Labrador**  
15 **Interconnected system as of the implementation of rates that arise from this decision**  
16 **will be approved.**

17  
18 **NLH will be required to file a five year plan outlining further alterations in rates on**  
19 **the Labrador Interconnected system, with the cost recovery targets as identified in**  
20 **this Application to be incorporated as part of NLH's next rate application.**

21 ....

22 In this Application (i.e., the 2000 application by NLH) NLH recognized that the

1        **this decision. If application of the guidelines, as they are, prevent the design of rates**  
2        **that will recover costs, the Board will support some adjustment in the parameters if**  
3        **required.**

4  
5        **The Board reiterates its support of keeping the level of rate increases on the**  
6        **Labrador Interconnected system as low as possible as NLH moves to a uniform rate**  
7        **structure.**

8  
9        I quote this section in length not to remind the authors of what they have said, but to ensure that  
10       this is on the public record for these hearings. We appreciate that, in addition to working  
11       towards the uniform rate structure for the Labrador Interconnected system, NLH is looking for  
12       rate increases in response to the increased cost of oil. As to whether these increases are fair,  
13       appropriate or warranted, I do not offer an argument one way or the other.

14  
15       It goes without saying that we support lower costs for electricity as part of our mandate to look  
16       out for the interests of our community and to plan for the long term economic development of the  
17       Town. The critical importance of these rates is illustrated by the military training offered at 5  
18       Wing Goose Bay, the economic basis of our community. 5 Wing has experienced some very  
19       significant stresses since the last time the Board was in our community. The Royal Netherlands  
20       Air Force has stopped training at 5 Wing and the German Air Force (the largest of the participant  
21       air forces) has announced plans to halt training in Goose Bay after 2005.

1 We compete on an international stage for these air forces. Five years, ago the Italian Air Force's  
2 delegation inspecting Goose Bay noted that they had been courted by Tunisia, Morocco, Egypt,  
3 Saudi Arabian and Poland. The final decision on military training opportunities obviously  
4 involves a lot of factors, not the least of which is the cost. As has been quoted to us many times  
5 "it is not just about the money, it is all about the money." Military budgets are hyper-sensitive to  
6 cost. Training options are many and the competition amongst nations is fierce.

7  
8 Holding costs in line and the need to reduce costs has been the message time and again from the  
9 various air force commanding officers, government officials and companies operating on the  
10 Base. Just to give you a sense of the importance of this activity to the Town, according to an  
11 analysis released by the Institute of Environmental Monitoring and Research, the training  
12 program at 5 Wing is responsible for 1200 direct, indirect and induced jobs in the Town of  
13 Happy Valley Goose Bay and the surrounding region and province as a whole. This one  
14 industry brings in 70 to 90 million dollars of foreign currency a year into the country. The quality  
15 of the Base infrastructure, the presence of a search and rescue service, the ability to attract new  
16 business to the airport that offers these services and is maintained to such a high level, are all  
17 directly related to the continued presence and operations of the training program. How much  
18 poorer the region would be without the program is not simply measured in terms of the dollars  
19 the allies spend in the community on an annual basis.

20  
21 As a result of the Base and the services it provides and which are attracted to use the airport  
22 infrastructure, the Lake Melville Area is the regional administrative and service center for

1 Labrador. The economic development activity within this area benefits the entire larger  
2 community up to and including the country as a whole. It is often noted that within the discipline  
3 of geography there is but one true theory to explain settlement patterns, and that is Central Place  
4 Theory. The Town and its sister communities in the Lake Melville Area illustrate the validity of  
5 this theory. Together, these communities play a key role as a regional center. If you look into  
6 Labrador's future as expressed through the forestry industry, tourism, alternative military  
7 training opportunities, our role as a regional government center or as the transit location and a  
8 bedroom community for resource development (of which the Lover Churchill Hydro  
9 development and Voisey's Bay Mine Mill project are but two among the many opportunities  
10 facing Labrador) the Lake Melville area will continue to serve as a key regional center.  
11 Notwithstanding these geographical advantages, for any business location decision, the cost of  
12 power is an important factor. And equally important, the availability of that power is a key  
13 consideration.

14  
15 In looking at the application in front of us we view it in terms of three related issues:

- 16 1. **The splitting of the Labrador Interconnected System**
- 17 2. **Changes in Power Rates; and**
- 18 3. **The future need for power.**

## 20 **Splitting of the Labrador Interconnected System**

21 We understand that the Towns of Labrador City and Wabush have asked the Board to consider

1 three questions:

- 2 1. *Whether the Labrador Interconnected System is in fact an interconnected integrated*  
3 *single system requiring common rates;*
- 4 2. *The basis on which rates ought to be set for domestic customers in Labrador West; and*
- 5 3. *Whether the Public Utilities Board ought to recommend to the Government that the social*  
6 *costs associated with the rural deficit would more efficiently and fairly be collected*  
7 *through a dedicated tax on all energy produced in the Province (whether exported or not)*  
8 *rather than allocated to certain customers in Hydro's system.*

9  
10 Due to the constraints of travel and the changing of schedules, I did not make a presentation in  
11 Labrador West on these questions. We understand that on this issue, we can combine our  
12 concerns with all our comments on the rate hearings and present them together at this time. We  
13 also understand that as the evidence presented in Labrador West will require time to transcribe  
14 and made available for review, we are able to make a further presentation at a future date should  
15 we feel the need to respond.

16  
17 In reviewing Mark Drazen's submission (dated September 2003), we have a number of concerns  
18 with how he has presented the situation. At the very minimum we feel that Mr. Drazen stretched  
19 the concept of a system to the very thinnest of definitions to make his case. We consider the  
20 concept of looking at the different sides of a generating facility and to suggest that each side of a  
21 power plant, and each division of each side is a different system is to stretch the definition  
22 beyond the point of reality.

1 If we were to take this logic to the map of the total system on the Island of Newfoundland (copy  
2 attached), where will implementation of this request eventually take us. How fine of a division  
3 will result if Mr. Drazens rationale is followed to its final conclusion. I suggest that this  
4 argument is neither appropriate nor in keeping with the intent of Section 73. (1) of the Public  
5 Utilities Act which states that "*all tolls, rates and charges shall always, under substantially  
6 similar circumstances and conditions in respect of service of the same description, be charged  
7 equally to all persons and at the same rate, and the board may by regulation declare what shall  
8 constitute substantially similar circumstances and conditions.*"

9  
10 In addition, to suggest that a local back-up generating system in the Town will not be of  
11 assistance to Labrador West and therefore the system should be broken up, seemingly missed the  
12 point of a local back-up system. If the Churchill system goes down and Labrador West goes  
13 down, the problem must surely be larger than any local back-up system could ever be normally  
14 designed for. Is the backup system (assuming there is one) for Springdale designed to also  
15 include the means to supply St. John's if Holyrood were to go down? And this represents  
16 communities that are closer together than the Town and Labrador West.

17  
18 Finally, representing the Twin Falls line as the property of another interest and whose use to  
19 transmit power to Labrador West has no cost associated with it is but a slight of hand. There is  
20 no such thing as a free ride nor a service that is provided at no cost. The perspective presented is  
21 one of a short term self interest. Some day the Lower Churchill hydro resources may be  
22 developed and the Twin Falls line may need to be replaced and those who sought the splitting of

1 the system may regret ever having wrongfully placed their community's in such a predicament. A  
2 circumstance I noted in my presentation to the Board in 2001.

3  
4 Arguments suggesting differences within the Labrador Interconnected System may, in the  
5 coming years, come back to haunt those who raise it. We see the differences identified by Mr.  
6 Drazen more as symptoms of NLH's challenge of developing an effective system out of a  
7 collection of infrastructure. Some of which may need to be overcome with time and money, and  
8 others that will never change but do not mean that the Labrador Interconnected System is not a  
9 system.

### 10 **Changes in Power Rates**

11 When looking at the rates that will be charged in detail, our support is obviously for the keeping  
12 of our rates as they presently are (in fact who would not support such a proposal). We are equally  
13 concerned however with how the rate schedule has been derived and where they may be going.  
14 In particular, we are increasingly becoming concerned that there continues to be an unfair  
15 distribution of the burden and that this discrimination will continue.

16  
17 It first came to our attention at the last set hearings that customers on the Labrador  
18 Interconnected System are covering the subsidy granted to customers on the isolated systems.  
19 After I first heard about this fact, I spent a considerable amount of time and effort raising the  
20 matter within the Town. In most discussions, people did not object to this relationship. In fact,  
21 given that many had family, close friends or even business interests on the coast, they felt it was

1 just a way of helping their neighbours or, indirectly, serving their own interests.

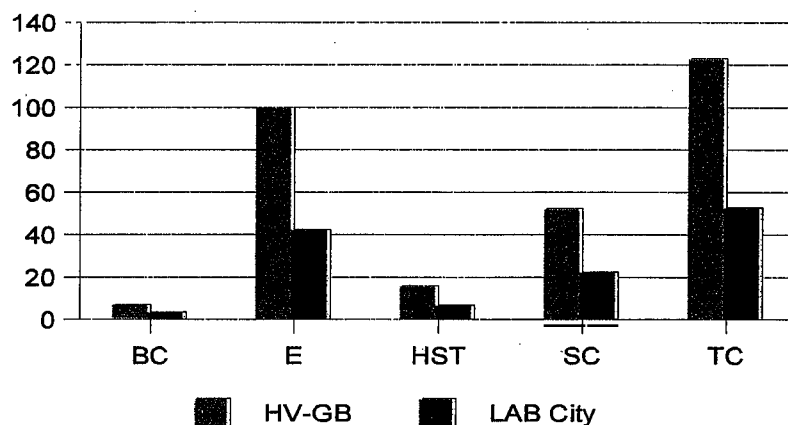
2  
3 Most people were shocked, however, to discover the rate of that subsidy. When it was explained  
4 that nearly half their power bill represented the cost of this subsidy, many were taken aback at  
5 this level of transfer. We recognize and appreciate that in your review of the issues during the  
6 last rate review, this issue was the subject of some discussion. What is a reasonable level of  
7 subsidy and what is a reasonable rate to charge another group of users to help balance the rates  
8 out is a substantively difficult question.

9  
10 If we were to follow the trail of self interest put forward by the first two points of the questions  
11 from the Town's of Labrador West and Wabush, then this level of assistance would drop off the  
12 bill. We do not suggest that tack. Nevertheless, we do have a concern that while the numbers  
13 suggest that all customers on the Labrador Interconnected System contribute the same  
14 percentage, the significant differences between the Lake Melville area's and Labrador West's  
15 rate schedules result in our community paying a significantly higher proportion of the cost on a  
16 per customer basis.

17  
18 Our concerns are clearly illustrated in the following table and graph. This information is based on  
19 rates charged for a typical home owner in Happy Valley - Goose Bay to purchase one hundred  
20 dollars of electricity in comparison with a residence in Labrador City.

| Present Rate Schedule       | Basic Charge<br>(BC) | Electricity<br>(E) | HST     | Subsidy<br>Contribution<br>(SC) | Total Cost<br>(TC) |
|-----------------------------|----------------------|--------------------|---------|---------------------------------|--------------------|
| Happy Valley - Goose<br>Bay | \$7.00               | \$100.00           | \$16.05 | \$52.43                         | \$123.05           |
| Labrador City               | \$3.57               | \$42.38            | \$6.89  | \$22.52                         | \$52.84            |

### Present Rate Schedule



While the figures speak for themselves, the glaring differences reinforce our support for the move to a uniform rate schedule in the Labrador Interconnected System. We also ask for a fairer sharing of the burden of the cost of the subsidy to the Isolated System customers. As it now stands the customers in the Lake Melville region have had and seemingly will continue to have the privilege of being the major contributor within an unequal partnership.

Entering this process, we knew that our position represented a minority view. The communities in the Lake Melville region are unique in that we are facing stable costs for electricity. We are fully cognizant that Hydro's Application is not popular outside of this region and that all manner

1 of expertise and opinion has been marshaled against the Application. We also appreciate that the  
2 message is complex and one around which it is not easy to rally a community of interests. This  
3 community is facing a large number of challenges on a daily bases and there is a state of  
4 exhaustion when faced with new issues. And yet here we are to ensure that our voice is recorded.  
5

6 When we began to discuss the Application within the community, nearly everyone expressed a  
7 long held understanding that the people and businesses of the Town of Happy Valley - Goose  
8 Bay were paying higher rates for power then our neighbours in Western Labrador. Everyone is  
9 equally aware that we are receiving basically the same product, delivered from essentially the  
10 same infrastructure and generated by the same source. In the six years of my employment with  
11 the Town of Happy Valley Goose Bay, there has always been the opinion expressed that there  
12 was a fundamental unfairness to the existing rate structure. This sense of unfairness is  
13 compounded by the knowledge that we are being equally unfairly treated in terms of our  
14 contribution to the . *"For how long have we been subsidizing someone else's power"* or *"for*  
15 *how long have we been over-charged"* are comments I have repeatedly heard in response to  
16 Hydro's Application. And it is hard not to come away with a similar impression.  
17

18 While I do not clearly understand the implications of the third question posed to the Board by the  
19 communities in Labrador West., I am assuming that it is an attempt to introduce some measure of  
20 fairness to the situation that would be eroded by the first two questions. Is the question . . .  
21 *Whether the Public Utilities Board ought to recommend to the Government that the social costs*  
22 *associated with the rural deficit would more efficiently and fairly be collected through a*

1 *dedicated tax on all energy produced in the Province (whether exported or not) rather than*  
2 *allocated to certain customers in Hydro's system . . .* intended to open the door to a new funding  
3 arrangement or situation? We are open to any ideas that will address this issue. The option before  
4 us of uniform rates is one, but that option is slow in coming.

5  
6 Even at the rate of change proposed by LNH, it will be many years before we are in a position of  
7 uniform rates in the region. This time the proposal is to move the rates closer together, but it will  
8 still result in this community and others in the Lake Melville region being asked to make the  
9 more significant contribution to the total cost of the service. It is simply not fair that we continue  
10 to be asked to fund the lion's share of the subsidy, pay significantly higher power rates and, as a  
11 direct result of a higher cost, pay a greater share of the HST tax within the Labrador  
12 Interconnected System. The longer this imbalance continues, the longer the injustice is allowed  
13 to endure.

## 15 **The Future Need for Power**

16  
17 The Town of Happy Valley - Goose Bay is facing or shortly will be facing limitations to the  
18 available supply of electricity. To their credit, Hydro is making plans to undertake incremental  
19 adjustments to the infrastructure to squeeze additional power out of the current system.  
20 Notwithstanding this, we feel there is a critical need to seriously review the municipality's long  
21 term requirement for electricity. There is the very real potential that Central Labrador will

1 experience significant growth over the next decade. We must ensure we are ready to meet those  
2 opportunities.

3  
4 We need to initiate discussions amongst all effected parties in order to develop a clear plan to  
5 meet this future properly. Even if actual growth is less than anticipated, we will grow. We  
6 continue to see an increase in the size and scale of development within the community as we  
7 move from a large town to a small city. And it is not just Happy Valley - Goose Bay that will be  
8 generating this new demand, the region as a whole will grow. Our sister community of  
9 Sheshatstiu is struggling to meet the demand for new housing and to provide the type of  
10 municipal infrastructure normally found in a community of their size. Sheshatstiu, for example,  
11 has just open a recreational complex with the capacity to maintain the ice surface year round.  
12 Sheshatstiu is also home to healthcare infrastructure not ordinarily found in a community of this  
13 size. Coupled with the fact that this community is the fastest growing town of its size in the  
14 Province, and that this growth can be anticipated to continue for many more years, demand for  
15 electricity will grow.

16  
17 The option for significant additional power, beyond incremental adjustments already planned for,  
18 is presented solely as an upgrade to the power line into the Lake Melville area from Churchill  
19 Falls. To make this upgrade, a cost of 60 million dollars is frequently quoted. Given that the  
20 users within a system are responsible for the costs of such upgrades, we face a challenge. The  
21 customer base on the Labrador Interconnected System, which generates less than 20 million  
22 dollars a year in revenue, is a very small pool.

1 This poses a challenge to me and other economic development individuals and organizations.

2 When we market our region to investors, we honestly cannot say that we have the power to  
3 support future initiatives. We cannot say what may be the costs associated with a project if there  
4 is a need to upgrade now or in the near future. We cannot say what will be the cost of power as a  
5 result of that upgrade. The inability to answer such key and direct location decision questions on  
6 cost and availability of power are major constraints to our long term initiatives.

7  
8 At the prior hearings we raised this matter and expressed our view that there is a critical need for  
9 improved liaison between NLH and this region's community of interests if we are to resolve this  
10 matter. We continue to advocate this position for we have seen little improvement on the issue.

11 We need to be part of the process and not just recipients of someone else's solutions. We need to  
12 work together to develop scenarios for the delivery of electricity to the Town. We need to work  
13 together in a constructive atmosphere that will permit us to be part of the solution.

14  
15 Whenever we bring up this matter of the need to understand and plan for the long term supply of  
16 power into our community, numerous questions are posed to us as to the viability of alternative  
17 sources of generation. We cannot answer these questions. However, an open process will allow  
18 NLH the opportunity to address these concerns. And who knows, maybe there are other ways and  
19 means that arise during such a process that we have yet to discover or discuss that can address  
20 our concerns.

1 The review of our long term needs must be done in a public forum to ensure that information is  
2 available and that the issues are clearly and properly presented. The process by which such  
3 critical decisions about our future are decided must be done via transparent process and must be  
4 done soon.

5  
6 In closing, we apologize if any titles were incorrectly used or inappropriate acts or sections were  
7 referenced, or even if there are minor errors in a quote or figures presented. We have attempted  
8 to provide an overview of our concerns and present a statement of concerns versus replicate the  
9 detailed submissions before the Board. We also feel that we have neither misrepresented any fact  
10 nor intended to misquote any information.

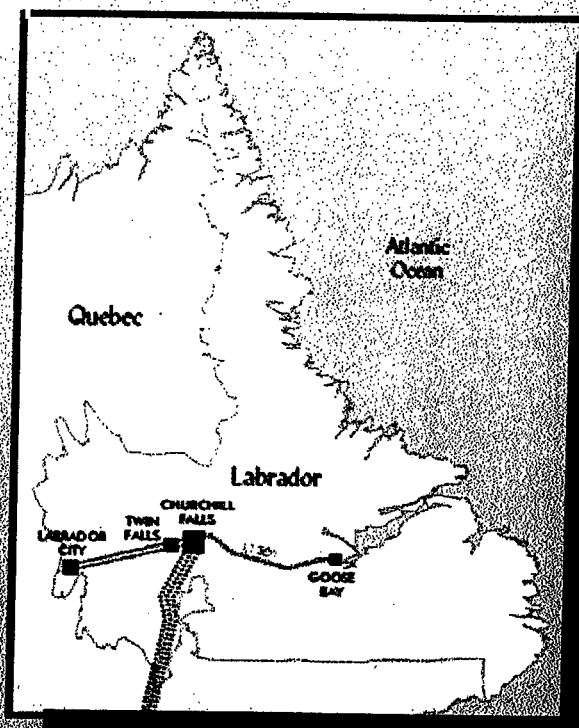
11  
12 Thank You

# LEGEND

- |                              |                             |
|------------------------------|-----------------------------|
| ————— 230 kV                 | ● CORNER BROOK PULP & PAPER |
| ————— 138 kV                 | ⊙ FREQ. CONVERTOR           |
| ————— 69 kV                  | ⊙ AMTBI CONSOLIDATED        |
| ————— 735 kV OWNED BY OTHERS |                             |
| ————— 230 kV OWNED BY OTHERS |                             |
| ————— 138 kV OWNED BY OTHERS |                             |
| ————— 69 kV OWNED BY OTHERS  |                             |
| ■ TERMINAL STATION           |                             |

Labrador

Quebec



Atlantic Ocean

Atlantic Ocean

Newfoundland

## Provincial Transmission Grid



# 2003 Power Rates Public Presentation

October 30, 2003

# **The Issues:**

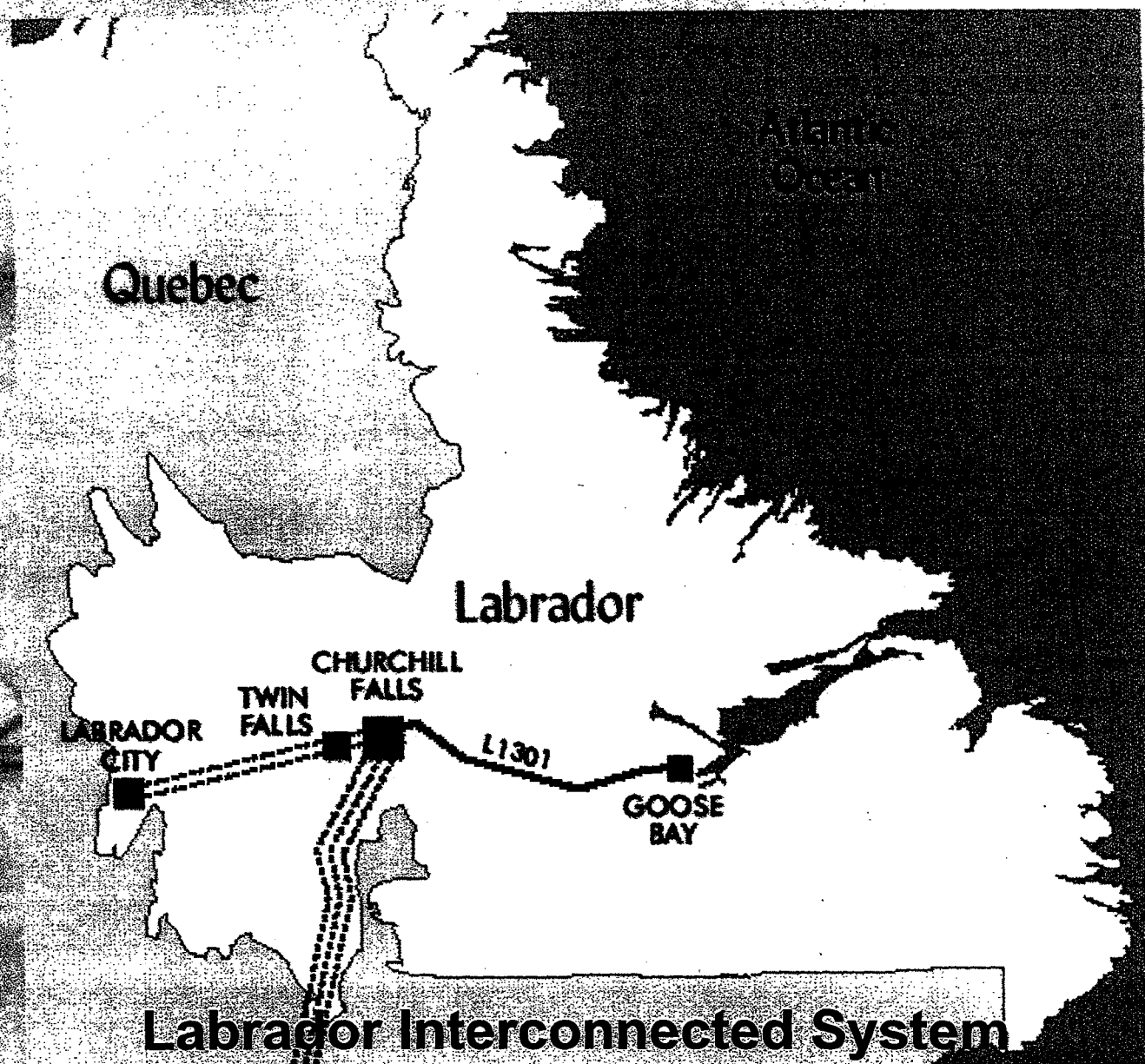
- 1. Splitting of the Labrador Interconnected System**
- 2. Changes in Power Rates**
- 3. The future need for power**

**They are all related**

## **Labrador Interconnected System**

**The system that connects the Towns of  
Wabush, Labrador City, Happy Valley –  
Goose Bay, Sheshatshiu, North West River  
and Mud Lake**

**The system was formed out of the separate  
lines that served these communities and  
came under the umbrella of Newfoundland  
and Labrador Hydro**



**Rates within the Labrador Interconnected System  
had remained unchanged, and widely different  
between the communities, for a number of years**

**In 2001 and 2002 Newfoundland and Labrador Hydro  
had sought to rationalize these rates (e.g., reduce the  
number of classifications in the Labrador  
Interconnected System to six from twenty-four rates)  
and move towards parity of rates over a number of  
years**

**Time would be required to achieve this equality of rates, as the Board of Commissioners agreed with Hydro that no rate class should receive an increase of more than 20% and an increase of more than \$20 per month**

**The 2002 rate decisions resulted in limited adjustments to rates in the Lake Melville Region. Some rates went up but the majority saw a slight decrease**

**At the same time, the rates in Labrador West went up approximately twenty percent**

**However, they are still significantly lower in Labrador West than they are in the Lake Melville Region**

**Newfoundland and Labrador Hydro have made a request to the Board of Commissioners to again review rates that will follow upon the rate changes of 2002**

**The intent is to move towards a balance within the rates being charged in the system and was anticipated in the Board of Commissioners last ruling**



**Section 73. (1) of the Public Utilities Act states that**

***all tolls, rates and charges shall always,  
under substantially similar circumstances  
and conditions in respect of service of the  
same description, be charged equally to all  
persons and at the same rate, and the board  
may by regulation declare what shall  
constitute substantially similar  
circumstances and conditions***

**It has been the Town's position that  
the Labrador Integrated System  
represents a system where  
customers are substantially similar  
in circumstances as to the service  
they receive**

**We support Hydro's position on an  
eventual balancing of rates**

## **Happy Valley – Goose Bay Domestic**

**Basic Charge of \$7, plus Energy Charge of 3.25 cents per kWh**

**No change in this round of hearings**

## **Labrador City and Wabush Domestic**

**Basic Charge of \$3.75, plus Energy Charge of 1.35 cents per kWh**

**With a proposed change in rates to  
Basic Charge of \$5.50 and Energy Charge of 1.921 per kWh**

**In response, the Towns Of Labrador City and Wabush have asked to have the interconnected system broken up because they question:**

- 1. Whether the Labrador Interconnected System is in fact an interconnected integrated single system requiring common rates**
- 2. The basis on which rates ought to be set for domestic customers in Labrador West.**
- 3. Whether the Public Utilities Board ought to recommend to the Government that the social costs associated with the rural deficit would more efficiently and fairly be collected through a dedicated tax on all energy produced in the Province (whether exported or not) rather than allocated to certain customers in Hydro's system.**

**Evidence on these issues has been presented to the Commissioners**

**What would happen if the Interconnected System is broken up**

**There would be no reason to balance the rates and we should anticipate our rates going up**

**There would be a smaller pool to help pay for any infrastructure upgrades or improvements**

**Without resolution to the payment of the rural deficit, we would continue to pay a significantly higher proportion of the deficit**

## **Rural Deficit:**

**On top of this issue is the rural deficit created by the operation of isolated systems that use diesel to generate power – these systems do not cover their costs and are heavily subsidized (74% of the cost)**

**The average subsidy in 2002 is \$4,600 for each isolated rural customer**

**Customers on the Labrador interconnected system pay 49% more than their cost of service as a share of covering the rural deficit.**

[illegible]

# LABRADOR

**However:**

**Given that customers in the Lake  
Melville Region pay a higher rate for  
their power; and**

**The money collected from all customers  
on the Labrador Interconnected  
systems becomes a single revenue  
source out of which the subsidy is paid**

**The money collected from 5 Wing Goose Bay for the power used in its electric boilers is considered Secondary or Surplus Power and is not used to help subsidize the isolated customer, therefore:**

**Customers in the Lake Melville Region pay a significantly larger portion of the subsidy than do customers in Labrador West**

**If a customer in Happy Valley – Goose Bay  
purchases \$100 of power they provide 49  
dollars of subsidy**

**For the same amount of power, a customer in  
Labrador City will pay \$42.38 and provide 20.77  
dollars of subsidy**



## **One More Wrinkle**

**5 Wing Goose Bay has a contract to purchase surplus power at a rate equal to 90 percent of the cost of using oil to generate the same amount of heat in their boiler system**

**Surplus power means that Hydro can ask the Base to stop using electricity for heat at any time that firm customers (i.e., everyone else) need the power**

**This usually happens in winter when power demand is at its highest.**

**This sale represents a major cash injection to Hydro's sales and balancing the operating costs of the interconnected system**

**In 2004, Hydro estimates that it will sell the Base just over 3 million dollars worth of power and it will cost them less than 130,000 to provide that service – a profit of 2.88 million.**

**This profit has allowed Hydro to keep rates low in the system (and this includes Labrador West's rates)**

**5 Wing Goose Bay is looking seriously at reducing its dependency on surplus power and converting to firm power where practical**

**However, with each conversion there is:**

**A reduced amount of surplus power available;**

**Reduced income for Hydro; and**

**Is increased pressure on the total demand for firm power**

**Not only do customers in the Lake  
Melville Region get the privilege of  
paying a significantly larger portion of  
the subsidy for isolated customers,**

**We are having our principle business  
being a key source of revenue to cover  
other's costs**

**Other development projects in the region  
(e.g., new recreation complex in  
Sheshatshiu and new housing and  
businesses in the region) are also all  
adding to the pressure on the available  
supply continues to grow**

**... and the supply is limited**

**Power into the Lake Melville Region is limited and it is recognized that the system will need to be eventually upgraded.**

**Under the current system, upgrades are paid for by users**

**An upgrade that is common mentioned is an upgrade of the primary power line into the community from Churchill Falls**

**This is estimated to be in the range of 60 million dollars**

**Given that the Labrador Interconnected System brings in a total of 18.4 million (and this includes the Base) and costs basically that to operate, any improvement will mean significant costs to customers**

**However, if the Lower Churchill Hydro Project proceeds, then we can anticipate a significantly smaller cost to upgrade (but an estimate has not been provided to the Town)**

**Where does this leave us?**

**Back to the three points raised at the beginning:**

**First: Splitting of the Labrador Interconnected System**

**We strongly oppose this idea and will be presenting this position on November 6<sup>th</sup> to the Board of Commissioners**

## **Second: Changes in Power Rates**

**We support the Hydro's proposal, as endorsed by the Board of Commissioners in their Decision and Order of 2002 that will see the eventual balancing of Power Rates through out the entire Labrador Interconnected System**

**We will be saying so at the Hearings**

### **Third: The future need for power**

**Obviously, if the Lower Churchill Hydro Project proceeds in the next five years, we are facing a significantly different set of circumstances,**

**However, if that project does not proceed, we must begin to work now to develop the scenarios that may need to be developed to ensure a long term supply of power to the community**

**Third: The future need for power**

**Equally important, we need to project cost for these scenarios to ensure we can properly plan for the future**

**We will be asking for the Commission to direct Hydro to work more closely with the community to ensure we understand what options we face**



**Thank You**

**Any Question or Observations?**