

JM #1

Nov. 24, 2003

"PROPOSED HYDRO INCREASE"

Presented To: Public Utilities Board of Newfoundland & Labrador
Stephenville, NL

Presented By: Long Range Economic Development Board
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Introduction:

The Long Range Economic Development Board is the lead economic development agency in our region. We are made up of a seventeen (17) member Board of Directors who are elected by stakeholder groups in the Zone. This provides for diverse representation and brings the views of the whole Zone to the table on a monthly basis.

Our Zone is blessed with a wealth of natural resources and, by Newfoundland standards, we have a diverse economy. We have the potential to grow both in traditional resource based industries and sectors such as Tourism and Technology, which are virtually untapped.

We are here today because we are concerned about the effect power rate increases will have on the economic development of our Zone and, therefore, on the long term sustainability of our community (Zone 9).

Small Business:

In our area, as in the rest of Canada, small business is the backbone of the economy. Over 80% of new jobs are created in this sector. We work closely with these entrepreneurs and are aware of the struggle they have to maintain present operations and to start new ones.

Small business faces numerous challenges, not the least of which is the cost of electricity rates. We understand that the proposed increases from July 1st, 2003 to July 1st, 2004, translates to an increase of 15.1%. At best, this will deter business growth and, in some cases, will jeopardize the viability of present operations. Rural Newfoundland is not in a position at this time to accept any change that would deter development.

Heavy Industry:

We noted in some of the literature that most industries in the province can expect a 30% increase in rates. The potential this has to stagnate growth in the province is frightening, to say the least, in particular, for industry presently operating here. Of course, those considering coming to our province to operate will take a closer second look if this increase goes into effect.

At a local level, we understand that the Abitibi Consolidated Operation here in Stephenville is facing a 37% increase. This, combined with other issues such as fiber supply, will jeopardize the future of this operation. In the case of fiber supply, if a way can be found to meet the demand in the short term, the issue will be resolved. However, power rate increases at this time could be the final nail in the coffin for this operation. This would have a devastating effect on our area.

There is a role to be played here at the political level, because, if we were to lose this operation, we may be mad with Abitibi for leaving; we may be mad with Hydro, and we may even be mad with the Public Utilities Board, however, the only ones left to vent our frustration on will be at the political level on "Voting Day"!

General Rate Payers:

We hear that the average cost to households will be approximately two hundred fifty dollars (\$250) per year, so what's all the fuss about? If you are a low income earner trying to raise a family, this proposed increase takes a full week of your salary and, people living on low incomes are already struggling to make ends meet. We feel it is incumbent on all of us to do what we can to make the lives of those in this situation better, not worse. Imagine having to choose between hydro and adequate food or clothes for your family! Many of us would find this hard to believe, but there is a significant number of our friends and neighbors who deal with this daily.

Another segment of our population who face extreme circumstance is our seniors who are trying to maintain their own homes and have to choose between food, medication or heat.

Reason For Increase:

Hydro explains that the reason for the increase is higher fuel costs and new developments in 2003. This would indicate poor planning if they are looking for the money after the plans are in place or already completed. Also, there seems to be very little effort by Hydro to deal with fuel increases other than to look for money to pay the higher rates!

Hydro points out that we have the lowest power rates in Atlantic Canada. Well, we have no problem with that and would like to be able to say that years from now. However, if this rate increase is approved, we will be close to the highest in Canada. Let's work to be the lowest; this is one instance where we have no problem being at the bottom of the heap.

Conclusion:

In short, we do not approve of the rate increase. We have two monopolies in charge of our resource and it is necessary they make a profit for shareholders. We feel that the economy of this region and our province would be better served by eliminating both utilities and managing our resource. It is ours; let's look after it, and put all revenue generated into the system!!

The very process we are participating in today points to the need for change in the way we do business. We are participating in a process that costs in excess of five million dollars (\$5M), in effect, to protect us from the power utilities. Maybe we would be five million to the good today if we simply eliminated these monopolies.