

## Reference on Rate Mitigation Option and Impacts Relating to the Muskrat Falls Project

### REQUEST FOR STANDING

#### I. CONTACT INFORMATION

Name:	Robert R. Beaudoin	
Organization:	Not applicable	
Title:	Retired Senior Engineer (from nuclear industry)	
Address:	<u>Mailing</u>	<u>Address for Delivery, if different from Mailing address</u>
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Phone:	_____	
Email:	_____	

#### II. INTEREST IN THE REFERENCE

Please provide detailed responses to each of the following:

1. How will your participation assist in the Board's consideration of the Reference Questions?

The PUB is looking for ways to mitigate/reduce the foreseen electricity cost increases generated by Muskrat Falls' excess costs. After 2041, approximately two third of the electricity from the large Churchill Falls facilities will be owned by Newfoundland & Labrador. This electricity will need to be sold to non-Newfoundland & Labrador customers as such a large quantity of electricity simply cannot be consumed within the island or Labrador.

The idea is thus to use/sell this electricity in advance in order to immediately receive funds every year in order to repay for a large portion of Muskrat Falls' extra costs. For example, ten years of Churchill Falls' future production (from 2041 to 2051) has the potential to generate average annual revenues of the order of \$300 millions per year during the period 2020 to 2021. In turn, such revenues can mitigate electricity cost increases by approximately 4 to 5 cents per kWh. This would significantly reduce the burden to ratepayers and eventually tax payers. The province's debt would be better controlled; the capital and interests on the two Federal Loan Guarantees will be honoured and the province bond rating will have more chances of not being downgraded. The owed electricity debt will not have an effect on the province bond rating as assets are available to repay it. I have produced a comprehensive technical and economic report titled "Management of Muskrat Falls' Excess Costs Using Future Electricity from Churchill Falls after 2041". It explains how the delayed exchange and delayed purchase of electricity (by Hydro-Québec) can achieve immediate revenues to Newfoundland and mitigate rate increases. This method has the advantage for Newfoundland of not having to sell equity in its most valuable electrical infrastructure such as Churchill Falls. It also does not require initial investments such as subsidies for heat pumps or home insulation. I can provide this report to senior PUB personnel on demand.

2. How is your interest unique and not represented by others, including the Consumer Advocate?

From an extensive review of the documentation available on Muskrat Falls, the methods of delayed exchange of electricity and delayed purchase of electricity (by Hydro-Québec) do not seem to have been yet contemplated, calculated or documented in the public domain. This is likely because it involves another facility than Muskrat Falls as those methods use Churchill Falls' production after 2041 over a number of years. The two schemes used to transfer those future revenues in current revenues during the period of 2019 to 2041 are also non-straightforward electricity exchanges and economic arrangements. Those two schemes are thus more complex to conceptualize compared to options that simply look at raising electricity prices for customers, raising taxes or selling equity to repay the Muskrat Falls debt. The two methods are however relatively simple to implement as only two numbers needs to be negotiated. The first number is the interest rate required to be applied to the owed electricity. The second number is the negotiated selling price of electricity that will determine the quantity of electricity deemed to have been purchased on a specific year against the value of yearly funding. Both numbers can be negotiated to be valid for a specific period of time of one year or more.

3. List all of the topics and issues of interest to you or your organization:

It is important that an excessive electricity cost increase be avoided to Newfoundland & Labrador's customers. A large increase would directly remove hundred of dollars per month that would no longer be available to families or elderly people for such basis things as food, lodging or education. The delayed electricity exchange would also maximize energy transfers to Nova-Scotia via the Labrador Island Link and Maritime Link. It would thus reduce greenhouse gas production from that province and reduce Canada's balance of payments as Nova-Scotia coal is imported. The delayed exchange would also ensure that electricity is available from Labrador (from Muskrat Falls and Churchill Falls) to feed the Labrador Island Link during winter, irrespective of the water flow available in the river. This would resolve the water management issue and minimize reservoir's level variations. The delayed purchase method is also flexible as a variable amount of funds can be made available each year and that the overall period for return of electricity after 2041 can be lengthened to further mitigate the expected rate increases.

### III. LEVEL OF PARTICIPATION IN THE REFERENCE

Do you intend to :

	<u>YES</u>	<u>NO</u>
i) File expert reports	<u>X</u>	
ii) Appear throughout the hearing		<u>X</u>
iii) Make a Presentation(s)		<u>X</u>
iv) Question Presenter(s)		<u>X</u>
vi) File a submission		<u>X</u>

### IV. LEGAL COUNSEL/ REPRESENTATIVE(if applicable)

Name: \_\_\_\_\_

Firm: \_\_\_\_\_

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Signature

\_\_\_\_\_  
Date March 10 2019

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**Information:**

1. All information provided on this form will be placed on the public record for this Reference.
2. This form is formatted as a pdf\*. Please complete and download to sign.
3. Completed forms must be received by the Board on or before March 11, 2019.
4. Forms may be submitted by mail, courier or email to one of the following addresses:

**Mail**

Cheryl Blundon, Board Secretary  
Board of Commissioners of Public Utilities  
P.O. Box 21040  
St. John's, NL A1A 5B2

**Courier/ Hand Delivery**

Cheryl Blundon, Board Secretary  
Board of Commissioners of Public Utilities  
120 Torbay Road  
Prince Charles Building Suite E-210  
St. John's, NL

**Email**

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