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3 **Q. Evidence of C. Douglas Bowman, page 3-4, lines 24-25. It is stated that Hydro**
4 **has an acceptable contingency plan in place if the Muskrat Falls project falters**
5 **or unforeseen reliability issues surface. Please explain the nature and extent of**
6 **the inquiry or examination undertaken by Mr. Bowman to support this**
7 **statement and the elements of the contingency plan that make it acceptable in**
8 **Mr. Bowman's opinion.**

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11 **A.** Mr. Doug Bowman's examination is based on evidence filed in Phase Two of the
12 Board's Investigation. As stated on page 3, lines 9-12 of his Evidence:

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14 *I have been asked by the Consumer Advocate to review the Liberty Final Report on*
15 *Phase Two including Requests for Information ("RFIs") on the report, and other*
16 *information filed as part of the investigation and proceedings related to the Muskrat*
17 *Falls project. My review focusses on system planning and regulatory issues pre- and*
18 *post-Muskrat Falls.*

19
20 The elements of the contingency plan that make it acceptable from a system planning
21 perspective to Mr. Doug Bowman are as stated in his Evidence, page 8, lines 7 to 17:

22
23 *Liberty states (page ES-1): "Our review concludes that the interconnection of the*
24 *IIS with Muskrat Falls and the Maritime Link can represent a state-of-the-art*
25 *electrical system whose reliability is improved over today's circumstances." The*
26 *expectation is that the system will be improved over present-day. While it is true*
27 *that there are risks that must be managed, that is the responsibility of the project*
28 *manager (Nalcor) and following commissioning, the project operator (Hydro).*
29 *Further, Hydro has a contingency plan, namely, keeping Holyrood available for*
30 *operation beyond Muskrat Falls commissioning until such time it is decided that it*
31 *no longer benefits consumers. Hydro will also have access to emergency capacity*
32 *over the Maritime Link provided the technical and regulatory issues are*
33 *addressed as discussed later in this report.*

34
35 The Muskrat Falls project will add 824 MW of new generation
36 (http://www.gov.nl.ca/lowerchurchillproject/background_7.htm) and gain access to
37 110 MW of firm recall power from Labrador and 300 MW from Nova Scotia (see
38 CA-PUB-50 referring to page 12 of Liberty August 19, 2016 report). Although not
39 necessarily additive, the total of this capacity (1234 MW) is more than 100 times the
40 forecast annual growth of about 11 MW during the 2020 to 2025 time frame (PUB-
41 NLH-623 shows forecast demand of 1736 MW in 2020 and 1793 MW in 2025).¹ In

¹ It is not known if elasticity effects owing to a doubling of electricity rates have been incorporated in the demand forecast figures. Mr. Stan Marshall, Nalcor CEO, indicates that by 2022, the domestic rate for power is expected to jump to nearly 22 cents per kilowatt hour, almost double the current rate of 11.9 cents (see [CBC News](http://www.cbc.ca/news/canada/newfoundland-labrador/stan-marshall-muskrat-falls-update-1.3649540) interview from June 24, 2016 at <http://www.cbc.ca/news/canada/newfoundland-labrador/stan-marshall-muskrat-falls-update-1.3649540>)

1 Mr. Doug Bowman's opinion, the power system post-Muskrat Falls should have
2 improved reliability over present day provided Nalcor has the competence to properly
3 manage project design and construction, and provided Hydro has the competence to
4 properly operate and maintain the power system following commissioning. Nalcor
5 and Hydro are responsible for managing the risks identified by Liberty and other
6 experts over the course of this Investigation. If it is believed that Nalcor and Hydro
7 are not up to the task, it is unlikely the Board's Investigation will change that belief.
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9 The high-priority consideration at this time in Mr. Doug Bowman's opinion is the
10 Maritime Link. It is currently scheduled for service less than a year from now in the
11 third quarter of 2017. Completion of the Maritime Link can help to address reliability
12 issues and concerns both pre- and post-Muskrat Falls while providing the potential for
13 significant savings by displacing Holyrood energy with less expensive energy from
14 points south as explained in Section 3.2 of his Evidence. Mr. Doug Bowman notes
15 that Mr. Brockman also identifies the importance of commissioning the Maritime
16 Link (and the Labrador-Island Link) and recommends "*Hydro focus on completing
17 these projects on schedule. The Board should require that Hydro report regularly to
18 the Board on construction progress and the status of arrangements for the acquisition
19 of firm import power over the ML.*"
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