

November 28, 2006

The Newfoundland and Labrador Defense League  
nldl\_nl@yahoo.ca

Dear Sir:

I am writing in response to your suggestion regarding commissioning an independent cost/benefit analysis of options for the use of Lower Churchill Power in the province.

The Government of Newfoundland and Labrador has taken a new approach toward development of the Lower Churchill resource. This approach was adopted with the primary objective of maximizing benefits for the Province.

To achieve this objective, in 2005 an international request for expressions of interest and proposals was launched in order to identify all possible development options for the Lower Churchill resource. Following an assessment of the responses to this request, in May of this year it was announced that Newfoundland and Labrador Hydro (NLH) would lead development of the resource. NLH has now developed a comprehensive planning and decision process to execute the development. This work includes assessment of market opportunities, including provincial requirements, and market access. Ensuring availability of electricity to meet our provincial requirements over the long term, including potential industrial customer requirements, is a priority.

Consideration has, and will continue to be given to industrial development opportunities as they arise. In 2002, a study was completed with Alcoa on the feasibility of locating an aluminium smelter in the province to be powered from the Lower Churchill. At that time, it was concluded that it was not a viable option and in fact required almost \$1 billion of Government financial assistance. To attract industrial customers, the Province must compete globally with low cost energy supplies, low cost labour and other competitive advantages.

The Government agrees that as industrial opportunities arise, the forecast overall economic impacts of industrial operations powered from the Lower Churchill have to be analyzed in the context of the economic and financial viability of the hydro development itself, also taking into consideration forecast profits to be generated from exports. This analysis will be carried out by Government and NLH. We will continue to assess all market opportunities to achieve the objective of maximizing benefits for the people of the province.

Sincerely yours,

**KATHY DUNDERDALE, MHA**  
Minister

c. Premier's Office