

The Editor, The Telegram

August, 25th, 2025

Dear Editor

We, the undersigned, believe that the recently announced Memorandum of Understanding between NL Hydro (NLH) and Hydro-Quebec (HQ) represents the most consequential economic decision our province has faced in a generation. And, given our less-than-stellar history on such matters, that any government allowing it to proceed without rigorous and continuous guidance from a definitively arms-length panel of independent experts is being demonstrably negligent.

Though we don't count ourselves as "experts," the 1969 contract and other notable debacles have made it painfully clear that applying the "just trust us" approach to such monumental decisions should no longer be considered responsible or acceptable. As for the few actual NL experts who have taken it upon themselves to evaluate the available information, we would do well to pay better heed to them than when they warned us about Muskrat.

This time, they caution that:

- The upfront cash we gain from locking in early is a trade-off for a lower price per kilowatt-hour (kWh) after 2041—essentially mortgaging our future for a short-term fix. In blunter terms, selling out our children and grandchildren.
- The price per kWh will be heavily indexed to Québec's lowest-in-G7 electricity rates rather than the broader markets in Ontario, New England, or beyond.
- Gull Island power will be sold at a fixed cost-based rate, which will restrict our return to a defined premium over the cost of borrowing, despite rising demand and unknowable real market rates.
- And, the promised \$1 billion per year in revenue for the next 17 years is misleading. For, after subtracting operating costs and Hydro-Québec's 34.2% profit share, NL's actual revenue will be closer to \$650 million in nominal dollars.

There have been other red flags raised, relating, but not limited to, significant new financial exposure, loss of control of the pace of development, the lack of a water management agreement, and insufficient information being released to allow a proper cost/benefit analysis of this approach as compared to alternatives. But given limited space and short attention spans, we come to the crux of the matter: If any of these claims are true, they should be considered deal-breakers.

Justice LeBlanc, in his report on Muskrat Falls, recommended that all future projects exceeding \$50 million be vetted by a panel of independent arms-length experts to ensure transparency and to reduce the risk of mistakes rooted in bureaucratic groupthink and short-term political opportunism. The government will point to the *Independent Churchill Falls Oversight Panel* as evidence of compliance with this elemental safeguard. But, given that the panel was appointed by, is paid by, and reports directly to the very government it's meant to oversee, it bears greater resemblance to an arm of that same government than an independent watchdog. We cast no shade on the credentials or character of the panel members, but a body that lacks the institutional guardrails of independent funding, peer-reviewed reporting, and non-governmental appointments fails to meet the widely understood meaning of "arms-length." In matters of such consequence, even the perception of a reluctance to speak truth to power can be self-defeating. The recent firing of the Commissioner of the US Bureau of Statistics,

after she delivered a disappointing jobs report, underscores the importance of properly structured arms-length arrangements in safeguarding the neutrality and integrity of public institutions in the face of political pressure.

So... we ask:

- Why ignore the hard-earned lessons of Muskrat? Why not follow Justice LeBlanc's advice and engage global experts (alongside local ones) within an unambiguously arms-length arrangement?
- Why even agree to sit at the table without first securing a commitment that future prices will be unbreakably indexed to free-market rates?
- Will the full pricing formula be made public before signing?
- Considering Hydro-Québec's timelines to secure a stable supply before 2041, are we committing too early? In light of impending interprovincial trade reforms (there are even whispers of a national electrical grid), are we already in a stronger bargaining position than when the MOU was negotiated? And, isn't our hydro power becoming even more valuable as a backstop to large-scale, but intermittent, wind and solar?
- Is it wise to bundle multiple large projects and expenditure commitments into one agreement? Shouldn't follow-up phases be contingent on NLH and HQ meeting clearly-defined benchmarks?
- Is the rush to a hydro deal partly rooted in broader considerations, like mining developments and expansions in Labrador? If so, let's remind ourselves that this is a **fifty-one-year contract**, and the minerals will still be there in a year or two.
- Given that Churchill Falls provides some of the cheapest, most stable electricity in North America and that former HQ CEO Michael Sabia has called Gull Island "the best-remaining hydro project in North America," are we undervaluing these assets for the political sugar rush of short-term jobs?

So far, the government has been less than forthcoming in addressing these and other reasonable questions. Yes, the issues are complex—but a lack of transparency breeds mistrust and increases the risk of irreversible mistakes.

This letter is not about partisanship, but about encouraging robust debate and oversight on a decision that will shape our province's future. And, given that our ability to fund healthcare, education, and infrastructure in the coming decades will largely depend on getting this right, shouldn't proceeding with the utmost caution be a shared priority?

To our political leaders: Let's rise above partisanship, and let every candidate in the upcoming election declare their position on how we proceed. Let them tell us if they stand for more of the "just trust us" approach, or for transparent, arms-length oversight as recommended by Justice Leblanc.

To our fellow citizens: How do you feel about continuing to sell electricity at a significant discount to Hydro-Québec, while here at home we struggle to keep our hospitals staffed, our roads repaired, and our schools properly funded? If that doesn't sit right with you, then let's make this election a referendum on how we can best avoid the mistakes of the past and get this future-defining deal done right.

Yours sincerely,

Alvin Hewlett, Alton Hollett, George Power, Ray Hawco