



# Énergie NB Power

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## **Province to proceed with refurbishment of Point Lepreau Generating Station**

### **Remarks by David D. Hay, President & CEO, NB Power Press Conference - July 29, 2005**

Let me begin by saying how pleased I am to be here today in support of the Province's decision to refurbish the Point Lepreau Generating Station with AECL. Point Lepreau has always been an important component of NB Power's diversified fuel supply and with this announcement it will continue to be so for the next 30 years.

One of the mandates given to me when I became President and CEO in March 2004 was to determine the viability of refurbishing Point Lepreau. It was immediately apparent that this was a decision that could not be rushed – we understood that this was a complex decision with a 25-year impact so our approach was deliberate and prudent.

In May of 2004, we began working with the recommendations of Dr. Robin Jeffrey's report. The Jeffrey Report gave us three options to investigate: renegotiating our contracts with Atomic Energy of Canada Limited, investigating fossil fuel options and considering private sector involvement.

In terms of Dr. Jeffrey's suggestion that a fossil fuel option be considered, NB Power retained a consultant to provide capital cost estimates for alternative fuels. The coal option, based on consultants' fuel forecasts, was more costly than the refurbishment of Point Lepreau with the AECL option. Other factors which made coal unattractive included environmental risks, longer construction lead time required and issues associated with the shutting down of Point Lepreau.

With regard to Dr. Jeffrey's recommendation that private sector involvement be considered, NB Power received Government authorization to initiate a search. We retained investment bankers and through this process we began exclusive discussions with Bruce Power.

Bruce was an attractive partner because of their proven history as a nuclear operator and their experience in maintenance and refurbishment. However, as the negotiations continued, and in particular when Federal funding was removed from the equation, it became obvious that while an agreement with Bruce would have minimized the long-term risk for the Province it would have done so at an unacceptable cost. The necessary rate pressures made it impossible to justify the Bruce option.

NB Power also responded to Dr. Jeffrey's recommendation that the contracts with AECL be renegotiated. NB Power and AECL are executing an Omnibus Amending Agreement which includes several favorable changes. The contract prices have been fixed based on a project start date of August 1, 2005 and an outage start date in April 2008. We now have fixed pricing for items including upper feeder replacement and there has been a significant increase in liquidated damages for late completion.

Before I continue, let me say that management's recommendation to the NB Power Board was not made lightly – we considered many factors and as facts evolved our thinking evolved as well. The world-wide volatility of supply and the skyrocketing prices for oil and other fuels created constantly changing factors.

On July 26<sup>th</sup> when we met with our Board of Directors, management recommended refurbishment with AECL. It is our belief that this option represents the best balance of risk and cost for the ratepayers of New Brunswick.

NB Power is committed to delivering this project on time and on budget:

- Detailed engineering will commence immediately and will continue until the refurbishment outage.
- Procurement will begin later this year with completion expected in March 2008.
- Construction of temporary facilities and waste storage will begin in 2006.
- The planned maintenance outage will start in April 2008 and will be completed by September 2009.

Before closing I would like to thank the employees of the Point Lepreau Generating Station for their patience, dedication and focus during this review. I continue to be impressed with their commitment to providing safe and reliable power. I am confident that this team, in partnership with the IBEW and AECL, will deliver the successful refurbishment of Point Lepreau for the people of New Brunswick.