

1 Q. What is the provincial government's usual role in assessing Hydro's
2 proposed power purchase agreements? Explain whether its involvement and
3 directive to Hydro to conclude the power purchase agreements with ACI (or
4 CNE, if applicable) were the normal practice or not. From what provincial
5 government official or entity did the directive come? Provide a copy of the
6 directive as well as any Hydro recommendation or submission made to
7 government regarding these power purchase agreements.

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10 A. The role of the provincial government may best be considered in the context
11 of the most recent amendments to the Electrical Power Control Act 1994,
12 ("EPCA") and to the Public Utilities Act, ("PUA") in 1999, permitting the
13 Lieutenant-Governor in Council to exempt certain undertakings from the
14 purview of the Public Utilities Board under these statutes if it were in the
15 public interest to do so.

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17 Hydro's System Planning Department had forecast deficits in capacity and
18 energy that would have to be met by 2003. By letter dated February 15,
19 2000 from the Deputy Minister of Mines & Energy (copy attached) Hydro was
20 advised that Government was aware of two potential electrical generation
21 projects that may be of public interest. They were: (i) Corner Brook Pulp
22 and Paper's co-generation project (as generally proposed by that company in
23 1997); (ii) Abitibi-Consolidated (Grand Falls Division) previously proposed
24 Beeton Unit. Hydro was directed to determine the terms and conditions
25 upon which Hydro could obtain power from these projects and report back to
26 Government.

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1 On October 18th, 2000, the Minister of Mines and Energy announced that
2 Newfoundland and Labrador Hydro had an agreement in principle with ACI.
3 By Order dated the 19th of October, 2000, cited as the Newfoundland and
4 Labrador Hydro – Abitibi Consolidated Inc. Exemption Order, (copy attached)
5 Newfoundland and Labrador Hydro was exempted from the application of the
6 EPCA and the PUA for all activities pertaining to the purchase from ACI for
7 the power and energy from the Grand Falls and Bishops Falls upgrade.