Q. **Reference: Schedule 1: Evidence**

Page 8, lines 13-14 states that the Muskrat Falls Power Purchase Agreement ("PPA") provides Hydro the option to borrow excess energy from future years, if available.

(a) How and who determines if excess energy is available to purchase from future years?

(b) Please provide a scenario where Hydro would choose to defer excess Schedule 2 energy instead of monetizing it if Hydro can borrow energy from future years to avoid incurring additional power purchase costs in circumstances when the energy generation on the Island is reduced.

A. (a) Newfoundland and Labrador Hydro ("Hydro") is only permitted to schedule early delivery of base block energy from future years in the event that dry conditions on the Island result in Hydro having insufficient energy to serve native load in a given year. Exercising this option is within Hydro's sole discretion. Additionally, the determination to defer versus monetize excess base block energy is at the sole discretion of Hydro. The execution of either of these options is confirmed in energy delivery schedules Hydro submits to the Muskrat Falls Corporation. Until such time as Hydro has received all base block energy owed to it, which will not occur for approximately 50 years[1] after commissioning, there will always be future energy entitlements which Hydro could schedule for early delivery.

(b) Hydro may choose not to monetize deferred energy to which it is entitled so that such deferred energy remains available in future years. One scenario where this may be prudent is if Hydro identifies risk of having inadequate energy in future years due to unavailability of island generation. As this deficiency is not due to dry conditions, Hydro cannot advance deliveries from future years. As this deficiency is not due to load growth, Hydro would not

[1] If Hydro has previously advanced deliveries from the 50th year, this could occur earlier. Conversely, if there is a balance of deferred energy remaining owed to Hydro at the end of the 50th year, this could occur later.

be entitled to supplemental energy at no cost. In this scenario, Hydro is only entitled to the base block and previously deferred energy; therefore, it would be prudent not to monetize deferred energy to ensure its availability for use by Hydro in the future if a deficiency is forecast.