

December 9, 2009

Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL
A1A 5B2

Attention: Cheryl Blundon, Director – Corporate Services and Board Secretary

Dear Ms. Blundon:

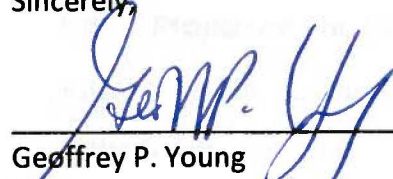
Re: Application for Establishment of a Water Management Agreement – 1st Revisions

Please find enclosed the original and eight copies of revisions to two pages of the Pre-Filed Evidence contained in Volume 1 of Nalcor's Application. These revisions occur on the following pages:

Page 7 - text removed in footnote 7 indicated by [redacted]; and
Page 21 - at lines 12, 17, 18 edits are indicated by shading [redacted].

Should you have any questions, please contact the undersigned.

Sincerely,



Geoffrey P. Young
Senior Legal Counsel

cc. Andrew MacNeill, Vice President and General Manager, CF(L)Co.
Peter Hickman, Assistant Corporate Secretary & Senior Legal Counsel, Nalcor Energy
Jamie Smith, Q.C., Smith Law Offices
Dan Simmons, Ottenheimer Baker Law Offices

1 CF(L)Co) dated November 15, 1961⁵. It provides for the supply of 225 MW and 1.97 TWh of
2 power and energy⁶. The obligation expires on December 31, 2014.

3 4 **2.2.3 Hydro recall power contract**

5 The recall power contract (Exhibit 6) of March 9, 1998⁷ obligates CF(L)Co to provide Hydro
6 with 2.36 TWh of energy at the Labrador Québec border. The contract expires on August 31,
7 2041.

8 9 **2.2.4 Churchill Falls Guaranteed Winter Availability Contract (GWAC)**

10 The GWAC (Exhibit 7) is a contract between HQ and CF(L)Co which provides for additional
11 availability, using reasonable efforts, of the Churchill Falls plant after deducting HQ Power
12 Contract firm capacity, station services and townsite loads, recall and Twinco power. It
13 expires on August 31, 2041. Nalcor notes that the GWAC is not, strictly speaking, a contract
14 for the supply of power. Since a generating unit is not dispatched under the GWAC, no
15 power is supplied through this contract. Nalcor does note, however, that if CF(L)Co
16 maintains its unit availability under the GWAC, then its units will be available for delivery
17 under the HQ Power Contract, and has therefore agreed to include the GWAC as a relevant
18 contract in the water management agreement. In a different context, Nalcor may not
19 consider the GWAC as a contract for the supply of power.

20 **2.3. Proposed Facilities**

21 Nalcor holds the development and generation rights to the lower Churchill River pursuant
22 to the Nalcor Water Lease. The lower Churchill River comprises that part of the river below
23 the 425 foot elevation; CF(L)Co holds development rights in the river above the 425 foot
24 elevation. This lease was originally executed on March 17, 2009 (Exhibit 8.1), and was

⁵ As amended on April 15, 1963, November 30, 1967, and July 1, 1974, and renewed pursuant to an agreement dated June 9, 1989, and the operating lease (Exhibit 5) between the same parties dated November 30, 1967, as amended on July 1, 1974 and November 10, 1981.

⁶ Hamilton Falls – Twinco November 1961 Sublease, attached as Exhibit 4.1, page 17.

⁷ As amended on [] April 1, 2009.

1 Further, the WMA will not impose any obligation upon CF(L)Co to produce energy for Nalcor
2 which exceeds the amount of energy Nalcor previously banked, nor to produce at a rate for
3 Nalcor in excess of Nalcor's facilities' capabilities.

4
5 The proposed WMA accomplishes the above objectives. Some of the specific provisions are
6 discussed below.

8 **5.2. Water Management Committee (Article 5)**

9 During the course of negotiations, the CF(L)Co and Nalcor representatives considered that it
10 would be appropriate to establish a Water Management Committee as a mechanism for the
11 implementation and administration of the WMA. The Water Management Committee
12 would consist of four members, two from each party. Each party would also designate at
13 least one alternate member. The function of the Water Management Committee would be
14 to deal with all substantive matters involved in the implementation and operation of the
15 WMA. A key responsibility of the Water Management Committee would be the selection
16 and appointment of the Independent Coordinator, who would be responsible for setting the
17 production schedules of each party. The Water Management Committee would also be
18 responsible for determining and allocating energy benefits.

20 **5.3. The Independent Coordinator (Article 6)**

21 The Independent Coordinator would establish short- and long-term production schedules
22 for all production facilities on the Churchill River. Notwithstanding that the Independent
23 Coordinator may be an employee of either party, the Independent Coordinator would
24 conduct its duties in an impartial manner in accordance with the WMA. Each party to the
25 WMA would have the right to request the removal of the Independent Coordinator under
26 certain conditions. The proposed WMA also provides for a mechanism to resolve any
27 disputes or disagreements which relate to the appointment, removal or replacement of the
28 Independent Coordinator.