

1 Q. The Independent Coordinator to be appointed as set out in article 6.1 of the
2 proposed Water Management Agreement would have responsibility to establish
3 production schedules by which the policy objectives set out in the *EPCA* and the
4 *Water Management Regulations* are met and by which adverse effects on existing
5 power supply contracts are to be avoided. Please provide: i) an explanation of the
6 criteria to be used in the selection of an Independent Coordinator; ii) the means to
7 be employed to ensure that the Independent Coordinator possesses the skills and
8 knowledge necessary to carry out his or her functions; iii) the intended audit
9 procedure of the effectiveness of the performance of the Independent Coordinator;
10 and iv) the methodology by which these concerns are to be addressed in the
11 proposed Water Management Agreement.

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13 A. The IC will be appointed by unanimous decision of the WMC, itself consisting of an
14 equal number of members appointed by each party to the WMA (two appointed by
15 Nalcor and two appointed by CF(L)Co). This will ensure that each party has an equal
16 say in the appointment of the IC and is satisfied with the IC's level of independence.
17 However, the precise selection criteria and the means to ensure that the IC
18 possesses the skills and knowledge necessary to carry out its functions have not yet
19 been determined by the parties. CF(L)Co is of the view that the EPCA and the
20 Regulations do not contemplate that such selection criteria be established nor
21 defined in the WMA. The proposed WMA is not intended to provide for all details of
22 the administration of the WMA. Rather the WMA is intended to provide a
23 framework consistent with the Regulations. It is expected that the necessary
24 administrative details will be finalized at a later date, as the Lower Churchill ("LC")
25 project unfolds.

26 Similarly, an audit procedure of the effectiveness of the performance of the IC has
27 yet to be developed. The WMA, however, does provide for development and
28 implementation of a code of conduct, that will apply to the IC (see the definition of
29 the Independent Coordinator Code of Conduct at article 1.1 of the WMA). Such
30 code of conduct will be established by unanimous decision of the WMC. In addition,

1 article 6.1(b) of the WMA provides that each Supplier has the right to call for the
2 replacement of the IC in case of breach of the IC Code of Conduct.

3 Thus, the methodology by which the appointment criteria, skills and knowledge
4 criteria, and audit of effectiveness of performance of the IC will be determined at a
5 later date by unanimous decision(s) of the parties.

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