

1 Q. **TWINCO**

2 How much firm energy is associated with the 225 Twinco block?

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5 A. The Twin Falls Power Corporation (TWINCO) Block of power is produced by
6 Churchill Falls (Labrador) Corporation (CF(L)Co) at the Churchill Falls Generating
7 Station and delivered to TWINCO at a delivery point near Churchill Falls. It is a firm
8 225 MW, 100% capacity factor block of power and energy, resulting in 1,971 GWh
9 per year. It is currently resold by TWINCO to Wabush Mines and the Iron Ore
10 Company of Canada for their iron mining operations in Labrador West. This
11 arrangement involving TWINCO continues until December 31, 2014, the expiry of
12 the TWINCO sublease.

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14 In the CF(L)Co shareholder's agreement between Hydro and Hydro Québec, it is
15 agreed at the expiry of the TWINCO sublease the TWINCO Block would be sold by
16 CF(L)Co to Hydro for ultimate consumption in Labrador West. The agreement does
17 not allow for the sale of the TWINCO Block outside of Labrador West. The
18 agreement also requires Hydro to sell the TWINCO Block to its customers at a price
19 that is restricted to only the reasonable cost of delivering the TWINCO Block, plus
20 the cost of purchasing the power from CF(L)Co. The shareholder's agreement does
21 not provide for the price paid by Hydro to CF(L)Co and that matter is under
22 discussion.

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24 The disposition at the end of the lease of the electrical infrastructure (the physical
25 assets) owned by TWINCO is a matter of commercial discussion between TWINCO,
26 CF(L)Co, Wabush Mines and IOCC. Until that matter is dealt with, it will be uncertain
27 what Hydro's role will be with respect to ownership and operation of the electrical

1 infrastructure. However, Hydro has had preliminary discussions with TWINCO and
2 CF(L)Co on the possibility of Hydro obtaining ownership responsibility of the
3 infrastructure.

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5 It will be uncertain what the financial impact will be to Hydro on the changes
6 occurring at the expiry of the TWINCO sublease until the above noted commercial
7 discussions are complete. However, as noted in LWHN-NLH-007, the Government
8 has indicated that the service provided by the transmission infrastructure in
9 Labrador will be regulated by the Board.