

1 Q. Preamble: Section 5.4 of Nalcor's Prefiled Evidence with respect to its Water
2 Management Agreement Application describes the Scheduling, Production and
3 Delivery Mechanics set out in Article 7 and Annex A of the Water Management
4 Agreement ("WMA") subsequently adopted by the NLPUB.
5 Please explain in detail the implications for the Scheduling, Production and Delivery
6 Mechanics of the WMA if the courts fail to endorse Nalcor's interpretation of the
7 renewal of the Churchill Falls Contract, as described in the excerpt from page 5 of
8 the Prefiled Evidence reproduced above.

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11 A. The dispute between Churchill Falls (Labrador) Corporation and Hydro Quebec
12 relates to interpretation of the Power Contract, not the *Water Management*
13 *Regulations* and the *Electrical Power Control Act* and the terms of the Water
14 Management Agreement established by the Board pursuant to those regulations.

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16 If Nalcor's interpretation of the renewal of the Churchill Falls Contract is not upheld,
17 then depending on the finding of the court and the response by Hydro Quebec to
18 such finding, the manner in which water will flow down the Churchill River from the
19 Churchill Falls plant and thus the timing of when energy is produced at Muskrat
20 Falls could be impacted. It could therefore impact the degree which Hydro can
21 influence the timing of delivery of energy to the Island Interconnected System to
22 maximize the efficient use of the water resources it has control over. This would not
23 impact system reliability but could impact how Hydro utilizes the resources
24 available to it at any given time to meet system requirements. Hydro would
25 evaluate the circumstances arising at the relevant time and run its system
26 accordingly. Please refer to Hydro's response to GRK-NLH-044 for options available
27 to Hydro.