

1 Q. **2017 General Rate Application - Operations**

2 Page 3.21, lines 14-19 – Describe the current arrangements for the purchases from
3 Exploits generation facilities, including the term of any license relating to the use of
4 the facilities by any party and the terms for purchase by Hydro of power from the
5 facilities, including price and quantities. Provide a copy of any written agreement
6 relating to the purchases by Hydro from these facilities.

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9 A. The license for Nalcor to operate the Exploits facilities is an Order in Council (OC2017-226,
10 PUB-NLH-038, Attachment 1) issued under the authority of section the *Abitibi-Consolidated*
11 *Rights and Assets Act*, SNL 2008, Chapter A1.01.

12 The current arrangement for the purchase of energy from Exploits facilities remains
13 unchanged. Hydro has been directed to continue to purchase, and Nalcor has been
14 directed to continue to sell, the energy available from these facilities at 4
15 cents/kWh.

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17 The written agreement between the parties is provided in PUB-NLH-038,
18 Attachment 2. Please note that this agreement pertains to some arrangements that
19 were relevant only to 2011 and 2012. Thereafter, Hydro was directed to continue
20 this arrangement whereby Hydro would purchase this power at 4 cents/kWh. The
21 agreement provides, in clause 3.02, as follows, which the Hydro and Nalcor have
22 used as the governing principle in these facilities' operations:

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24 3.02 Hydro shall have the right to dispatch the generation from its
25 own resources and from the Exploits facilities provided always
26 that Hydro's dispatch of generation is guided by the principle of
27 overall hydro-electric efficiency and by prudent system
28 operations considerations.

Executive
Council



Newfoundland
and Labrador

*Certified to be a true copy of a Minute of a Meeting
of the Committee of the Executive Council of Newfoundland and
Labrador approved by His Honour the Lieutenant-Governor on*

2017/07/21

OC2017- 226

MC2017-0286. NR2017-014. EPC2017-046.

Under the authority of section 4 of the Hydro Corporation Act, 2007, section 4 of the Energy Corporation Act, and section 245 of the Corporations Act, the Lieutenant-Governor in Council is pleased to direct Newfoundland and Labrador Hydro and Nalcor to extend their agreement requiring Newfoundland and Labrador Hydro to pay Nalcor 4 cents per kilowatt-hour for any and all electrical energy taken by Newfoundland and Labrador Hydro from the Exploits Generation assets until December 31, 2017.

Clerk of the Executive Council (A)

THIS AGREEMENT made as of August 1, 2011 in the City of St. John's, Province of Newfoundland and Labrador.

BETWEEN:

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being Chapter E-11.01 of the Statutes of Newfoundland and Labrador, 2007 (hereinafter referred to as "Nalcor")

OF THE ONE PART

AND:

NEWFOUNDLAND AND LABRADOR HYDRO existing pursuant to the *Hydro Corporation Act*, 2007, Chapter H – 1 of the Statutes of Newfoundland and Labrador, 2007 (hereinafter referred to as "Hydro"),

OF THE OTHER PART

WHEREAS under the *Abitibi-Consolidated Rights and Assets Act*, Statutes of Newfoundland and Labrador, 2008, c. A-1.01, the Province of Newfoundland and Labrador expropriated certain hydro-electric assets, cancelled certain power purchase agreements between Hydro and non-utility generators, and granted a license as to the operations of those hydro-electric assets to Nalcor;

AND WHEREAS these hydro-electric assets comprise those for which Hydro, prior to the passing of the *Abitibi Consolidated Rights and Assets Act*, had power purchase agreements and those which were used to generate energy for use at the Grand Falls paper mill;

AND WHEREAS the Government of Newfoundland and Labrador has directed the Parties to enter into a power purchase agreement for the sale of the power and energy to Hydro from the hydro-electric plants licensed to Nalcor and, as to the principles upon which such an agreement would be based;

AND WHEREAS this agreement carries out the directive aforesaid;

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1. Definitions

- (a) "Delivery Point(s)" means the points where the Exploits Facilities interconnect with Hydro's and Newfoundland Power's Island interconnected grid;
- (b) "Energy" means the amount of electricity delivered in a given period of time and measured in kilowatt hours;
- (c) "Exploits Base Generation" means Energy delivered at the Grand Falls and Bishop's Falls Delivery Points up to 54,000 kW and at the Buchans Delivery Point between February 13, 2009 and noon of December 31, 2011;
- (d) "Exploits Facilities" means the Grand Falls, Bishop's Falls, Buchans and Star Lake hydro-electric plants;
- (e) "Exploits Incremental Energy" means Energy delivered at Delivery Points from the Grand Falls and Bishop's Falls hydro-electric plants at levels above 54,000 kW;
- (f) "Month" means a calendar month;
- (g) "Star Lake Energy" means the Energy delivered at the Star Lake Delivery Point;
- (h) "Stored Exploits Base Energy" means Energy delivered from the Grand Falls and Bishop's Falls Delivery Points up to 54,000 kW and at the Buchans Delivery Point between February 13, 2009 and noon of July 31, 2011 that has resulted in Hydro generating less Energy from its own hydro-electric resources and which has not caused spillage of water from Hydro's storage reservoirs up to noon on July 31, 2011;

2. Payment for Energy

2.01 Hydro shall purchase in 2011 Energy from the Nalcor Exploits Facilities at the rate of \$.04/kWh, as follows:

- a) all Star Lake Energy and Exploits Incremental Energy delivered after noon of December 31, 2010 and up to and including noon of December 31, 2011; plus
- b) all Exploits Base Generation delivered between July 31, 2011 and noon of December 31, 2011 plus

- c) the Stored Exploits Base Energy delivered to Hydro on or after noon of July 31, 2011,

provided however that the total amount of Energy to be purchased by Hydro from Nalcor under this Agreement from the period of noon of December 31, 2010 to and including noon of December 31, 2011 shall not exceed 679,000,000 kWh. Hydro shall determine the amount of Stored Exploits Base Energy to be purchased in each Month.

3. Hydro-Electric Plant Operations

3.01 In the event that purchasing Energy under this Agreement in excess of 279,000,000 kWh causes Hydro to reduce generation from its hydro-electric plants and results in the spillage of water from Hydro's storage reservoirs associated with those plants at any time from noon on July 31, 2011 until June 30, 2012 then Hydro shall receive from Nalcor free of charge commencing in 2012 an amount of Energy equivalent to that amount of spilled Energy, which Energy shall be received commencing as early as January 1, 2012 and continuing until that full amount of Energy has been received by Hydro and has not caused Hydro to further spill water from its storage reservoirs.

3.02 Hydro shall have the right to dispatch the generation from its own resources and from the Exploits Facilities provided always that Hydro's dispatch of generation is guided by the principle of overall hydro-electric efficiency and by prudent system operations considerations.

3.03 If at any time the Exploits Facilities operate in such a manner that in Hydro's opinion, acting in a reasonable and prudent manner in accordance with good utility practice, power quality is adversely affected or the safety and security of the island interconnected grid or one of Hydro's connected customers is threatened, Hydro may give notice thereof to Nalcor which notice may be given by telephone to an employee of Nalcor who has been designated, and Nalcor shall immediately remedy the said problem. If the problem continues for more than fifteen minutes after the notice, then Hydro may discontinue the receipt of Power and Energy to the extent necessary to alleviate the problem or the supply of that amount of Power and Energy which in Hydro's opinion, acting reasonably, will alleviate the problem and shall not be obliged to resume receipt of or supply of such Power and Energy until Nalcor has remedied the problem.

4. Indemnity

4.01 Nalcor shall assume all obligations, risks and responsibility for, and shall forever indemnify and save Hydro and its officers, directors, employees, agents and contractors, harmless from and against any and all claims, liability, loss, damages, demands, costs or expenses that may be made or incurred for injuries or damages to persons or property of others or which, but for this provision, would be incurred directly by Hydro, its employees or contractors and which arise in connection with the occupation, construction, maintenance or operation of Nalcor's works under this Agreement, except to the extent such injuries or damages are caused in whole or in part, by negligence or any tortious act or omission on the part of Hydro or any of its officers, directors, employees, agents or contractors.

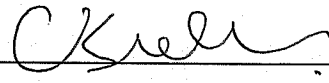
4.02 Hydro shall assume all obligations, risks and responsibility for, and shall forever indemnify and save Nalcor and its officers, directors, employees, agents and contractors, harmless from and against any and all claims, liability, loss, damages, demands, costs or expenses that may be made or incurred for injuries or damages to persons or property of others or which, but for this provision, would be incurred directly by Nalcor, its employees or contractors and which arise in connection with the occupation, construction, maintenance or operation of Hydro's works under this Agreement (including any Interconnection Plant or other lines, facilities or apparatus of Hydro on the Sites) except to the extent such injuries or damages are caused in whole or in part by negligence or any tortious act or omission on the part of Seller or any of its officers, directors, employees, agents or contractors.

5. Payment of Accounts

5.01 Nalcor shall render its accounts monthly and Hydro will, within twenty (20) days after the date of receiving such account, make payment in lawful money to Nalcor by means of direct deposit into Nalcor's designated Canadian bank account. Any amounts in arrears or overdue to Nalcor after expiration of such twenty (20) days shall bear interest, before and after judgment, at the prime rate of Royal Bank of Canada plus 2% annually until such balance is paid.

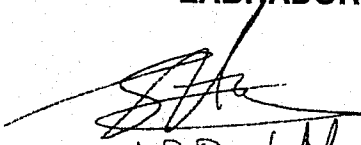
IN WITNESS WHEREOF the parties hereto have each executed this Agreement in accordance with its by-laws or regulations and by its duly authorized officers or agents, the day and year first above written.

NALCOR ENERGY



VP Strategic Planning & Business Development

**NEWFOUNDLAND AND
LABRADOR HYDRO**



VP Regulatory Operations
