

1 Q. Schedule 1, page 2. Hydro noted that the Third Amended and Restated Pilot Agreement of
2 Hydraulic Resources has been extended to December 31, 2025.

3 When does Hydro plan to conclude the pilot agreement and provide the Board with final
4 agreements relating to ponding and spill energy?

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7 A. The Pilot Agreement for the Optimization of Hydraulic Resources (“Pilot Agreement”) has two
8 intended purposes. The first is to facilitate the sale of excess energy from the Island
9 Interconnected System that would otherwise be spilled (“Spill Energy”) and the second is to
10 allow for the creation of additional value for customers through the use of Newfoundland and
11 Labrador Hydro’s (“Hydro”) reservoirs to undertake Ponding.

12 As the Muskrat Falls assets have become increasingly reliable, there has been an increasing
13 surplus of energy available. As a result, importing, even when market prices are low, would have
14 little benefit. However, Hydro does utilize the Pilot Agreement for the export of Spill Energy,
15 resulting in incremental value to benefit Hydro’s customers. No modifications to the current
16 Pilot Agreement, other than possible future extensions of the termination date, are required to
17 enable this activity to continue. While Hydro could modify the Pilot Agreement to reflect its use
18 as only for Spill Exports, doing so would provide no practical or economic benefit not already
19 provided through simple extension.

20 With these points in mind, Hydro believes it is prudent to ensure that the Pilot Agreement
21 remain effective in its current form. At this time, Hydro does not believe there is merit in
22 pursuing a final agreement. Unless the current Pilot Agreement is deemed inadequate, or if
23 circumstances are such that it is a high priority to consider ways to improve its functionality,
24 Hydro sees no issue with continuing to extend it in its current form. Hydro will file an application
25 later this year for a further extension of the Pilot Agreement, and will consider requesting an
26 extension for a period longer than one year.