



Newfoundland and Labrador Hydro
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November 27, 2025

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Director of Corporate Services and Board Secretary

Dear Ms. Galarneau:

Re: Application for Approval of the Extension of a Third Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") Application for Approval of the extension of the previously approved Third Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources ("Third A&R Agreement").

On December 18, 2018, the Board of Commissioners of Public Utilities ("Board") issued Board Order No. P.U. 49(2018), approving Hydro's application for approval of a Pilot Agreement for the Optimization of Hydraulic Resources ("Initial Pilot Agreement") between Hydro and Energy Marketing ("EM").¹ Since that time, Hydro has applied for and received approval to extend the Initial Pilot Agreement, with certain amendments.²

Since the approval of the Initial Pilot Agreement in 2018, Hydro and EM have worked together to create net gains that will benefit Hydro's customers.³ Hydro is continuing its consideration of the nature of the appropriate replacement agreement(s) and wishes to once again extend the pilot agreement to December 31, 2026 to enable the continued creation of net gains through activities provided for in the Third A&R Agreement.

Should you have any questions, please contact the undersigned.

¹ "An Application by Newfoundland and Labrador Hydro for approval of the Pilot Agreement for the Optimization of Hydraulic Resources, a Hydraulic Resources Optimization Deferral Account, and revised Rate Stabilization Plan rules," Newfoundland and Labrador Hydro, August 23, 2018.

² The Amended and Restated Pilot Agreement was approved in Board Order No. P.U. 38(2020), December 17, 2020; the Second Amended and Restated Pilot Agreement was approved in Board Order No. P.U. 31(2021), November 8, 2021; the Third Amended and Restated Pilot Agreement was approved in Board Order No. P.U. 35(2022), December 16, 2022; an Extension of the Third Amended and Restated Pilot Agreement was approved in Board Order No. P.U. 30(2023), December 12, 2023; and a further extension was approved in Board Order No. P.U. 29(2024), December 16, 2024.

³ The Board, in Board Order P.U. 21(2025), approved the transfer of the credit balance in the Hydraulic Resources Optimization Deferral Account as of December 31, 2023, in the amount of \$5,711,673, to the Net Revenue from Exports component within the Supply Cost Variance Deferral Account.

Jo-Anne Galarneau
Board of Commissioners of Public Utilities

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Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/mc

ecc:

Board of Commissioners of Public Utilities

Jacqui H. Glynn
Ryan Oake
Board General

Consumer Advocate

Dennis M. Browne, KC, Browne Fitzgerald Morgan Avis
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan Avis
Bernice Bailey, Browne Fitzgerald Morgan Avis

Linde Canada Inc.

Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.

Dominic J. Foley
Regulatory Email

Teck Resources Limited

Shawn Kinsella

Island Industrial Customer Group

Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Glen G. Seaborn, Poole Althouse

Application for Approval of the Extension of the Third Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources

November 27, 2025

An application to the Board of Commissioners of Public Utilities



IN THE MATTER OF the *Electrical Power Control Act, 1994*, RSNL 1994, Chapter E-5.1 (“EPCA”) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (“Act”), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to Section 3(b)(iii) of the EPCA, and Section 70 and 76 of the Act, for approval of an extension of the Third Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources (“Third A&R Agreement”).

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro is a corporation continued and existing under *the Hydro Corporation Act, 2024*, is a public utility within the meaning of the Act, and is subject to the provisions of the EPCA.
2. On August 23, 2018, Hydro filed an application for approval of a Pilot Agreement for the Optimization of Hydraulic Resources (“Initial Pilot Agreement”) between Hydro and Energy Marketing (“EM”).¹ The Initial Pilot Agreement would facilitate the sale of excess energy from the Island Interconnected System that would otherwise be spilled (“Spill Energy”) and allow for the creation of additional value for customers through the use of Hydro’s reservoirs to undertake Pondering.²
3. Hydro’s application proposed that the Initial Pilot Agreement would expire on the earlier of December 31, 2020, or upon execution and approval by the Board of the longer-term agreement

¹ “An Application by Newfoundland and Labrador Hydro for approval of the Pilot Agreement for the Optimization of Hydraulic Resources, a Hydraulic Resources Optimization Deferral Account, and revised Rate Stabilization Plan rules,” Newfoundland and Labrador Hydro, August 23, 2018.

² The purchase and import of low-cost energy from off-island sources to serve Hydro’s customers and the export and sale of an offsetting amount of energy at another time when market prices are higher relative to when the import occurred.

for the optimization of hydraulic resources, which was under negotiation between Hydro and EM at the time.

4. The Board approved Hydro's application on December 18, 2018 in Board Order No. P.U. 49(2018), noting that it was satisfied that the proposed Ponding activities, as well as the sale of Spill Energy, has the potential to benefit Hydro and its customers. The Board also noted that the Initial Pilot Agreement provides that EM assume all financial responsibility and risk in the event there is no net gain from Ponding activities; this protects ratepayers from potential losses during the term of the Initial Pilot Agreement.
5. The Board further ordered that the Initial Pilot Agreement be in place for a minimum of one year. During that timeframe, Hydro was directed to provide updates on its Ponding and Spill Energy activities as part of its quarterly reporting to the Board.³ Hydro has provided these updates in its Quarterly Regulatory Reports to the Board, beginning in February 2019 with the report for the period ended December 31, 2018.⁴
6. Since the approval of the Initial Pilot Agreement, Hydro has applied for amendments to and extensions of that agreement on a number of occasions, the most recent on December 2, 2024. In that application, Hydro noted it has continued to consider what type of agreement should follow the pilot agreement. While that analysis and review was underway, Hydro wished to once again extend the pilot agreement.
7. Hydro noted that approval of the extension would enable Hydro to continue to capture opportunities to create value for its customers from Ponding and the sale of Spill Energy on a pilot basis while considering what future agreements may be necessary.
8. The term of the Third A&R Pilot Agreement was extended, as approved by the Board in P.U. 29(2024) to the earlier of:
 - i. December 31, 2025;

³ Board Order No. P.U. 49(2018), p. 4/14–15.

⁴ "Quarterly Report for the period ended December 31, 2018," Newfoundland and Labrador Hydro, updated April 12, 2019 (originally filed February 14, 2019), sec. 1, sec. 5.3, p. 21.

- ii. Approval by the Board of an agreement to replace the Third A&R Pilot Agreement; or
 - iii. Agreement by the parties to discontinue the Third A&R Pilot Agreement.
9. In Board Order P.U. 21(2025), the Board approved the transfer of the credit balance in the Hydraulic Resources Optimization Deferral Account to the Net Revenue from Exports component within the Supply Cost Variance Deferral Account. The credit balance of \$5,711,673 as of December 31, 2023 in the Hydraulic Resources Optimization Deferral Account, represented the financial net gains resulting from Ponding and the sale of Spill Energy, and upon the approved transfer reduced the overall balance in Supply Cost Variance Deferral Account.

B. Application

10. Hydro continues to consider the type of agreement that should follow the pilot agreement and how best to maximize the benefits for the Island Interconnected System and Hydro's customers and wishes to once again extend the pilot agreement. The proposed expiration would be the earlier of:
- i. December 31, 2026;
 - ii. Approval by the Board of an agreement to replace the Third A&R Pilot Agreement; or
 - iii. Agreement by the parties to discontinue the Third A&R Pilot Agreement.

All other terms of the Third A&R Pilot Agreement remain the same.

11. As with the previous extensions, approval of this application will enable Hydro to continue to capture opportunities to create value for its customers from Ponding and the sale of Spill Energy on a pilot basis while considering what future agreements may be necessary.
12. This application is in accordance with Hydro's mandate to ensure service is delivered to consumers in the province at the lowest possible cost consistent with reliable service in an environmentally responsible manner.

C. Hydro's Request

13. Hydro requests that the Board approve the extension of the Third A&R Pilot Agreement to the earlier of:

- i. December 31, 2026;
- ii. Approval by the Board of an agreement to replace the Third A&R Pilot Agreement; or
- iii. Agreement by the parties to discontinue the Third A&R Pilot Agreement.

D. Communications

14. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the province of Newfoundland and Labrador this 27th day of November, 2025.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, NL A1B 4K7
Telephone: (709) 685-4973

Affidavit



IN THE MATTER OF the *Electrical Power Control Act, 1994*, RSNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("*Hydro*"), pursuant to Section 3(b)(iii) of the *EPCA*, and Sections 70 and 76 of the *Act*, for approval of an extension of the Third Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources ("*Third A&R Agreement*").

AFFIDAVIT

I, Dana Pope, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am Vice President, Regulatory and Stakeholder Relations, for Newfoundland and Labrador Hydro, the applicant named in the attached application.
- 2) I have read and understand the foregoing application.
- 3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the province of Newfoundland and Labrador this 27th day of November 2025, before me:

MICHELLE COMPTON

A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador.
My commission expires on December 31, 2030.

Commissioner for Oaths, Newfoundland and Labrador

Michelle Compton

D. Pope

Dana Pope, CPA (CA), MBA