



Nalcor Energy Applies to Public Utilities Board for Water Management Agreement

November 12, 2009 - In accordance with section 5.5(1) of the *Electrical Power Control Act* (EPCA), Nalcor Energy applied to the Public Utilities Board (PUB) today to establish the terms of a water management agreement between Nalcor Energy and CF(L)Co for power generation on the Churchill River.

Negotiations have been ongoing since early April and involved representatives from Nalcor Energy and CF(L)Co, each with support from independent legal and technical advisors. A proposed agreement was reached by the negotiating teams in September and submitted to the CF(L)Co Board of Directors for its consideration and approval. CF(L)Co recently informed Nalcor Energy that the CF(L)Co Board did not approve the proposed agreement.

Hydroelectric operators sharing a river system, as will be the case on the Churchill River with the Lower Churchill Project, are required by the EPCA to enter into water management agreements in order to coordinate production. If the operators cannot negotiate an agreement, an operator may apply to the Public Utilities Board to have the terms of an agreement established.

The *Water Management Regulations* require that, following Nalcor Energy's application, CF(L)Co is required to make a submission to the Public Utilities Board within 30 days of the date of application. The PUB will then initiate a process to establish the terms of a water management agreement between the parties. The *Water Management Regulations* provide a period of 120 days from the date of application for the PUB to establish the terms of the agreement. The terms of the agreement imposed by the PUB are binding on both parties.

The *EPCA* and its associated *Water Management Regulations* ensure that production on the river system is optimized, while at the same time providing a water management agreement that shall not adversely affect a provision of a contract for the supply of power which was entered into by a person bound by the agreement and a third party before the water management agreement was established. In the case of the Churchill River, this would include the 1969 Power Contract between CF(L)Co and Hydro-Québec.

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