

1 Q. **Re: PUB-NLH-138 and PUB-NLH-139**

2 PUB-NLH-139 indicates that Gilbert Bennett (VP Lower Churchill Project) is an
3 officer of both Nalcor and NLH. This position is not indicated in the organizational
4 chart provided in response to PUB-NLH-138.

5 Please explain the role of the VP Lower Churchill Project for NLH, the percent of his
6 time that is charged to NLH, and why this position does not appear in the
7 organizational chart.

8 Please explain Mr. Bennett's role in negotiating a power purchase agreement
9 between Nalcor and Hydro. Does he represent Nalcor's interests, or Hydro's?

10 Please explain how the interests of Hydro's ratepayers are protected in the process
11 of developing a PPA for the Muskrat Falls Project.

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14 A. While Mr. Bennett is an officer of Hydro, he does not play a role in the management
15 of Hydro's regulated operations. He is therefore not a member of Hydro's
16 Leadership Team, he does not attend meetings of that group, and he does not
17 charge any of his time to regulated Hydro. Hydro holds interests in non-regulated
18 subsidiaries, including Lower Churchill Development Corporation, and also
19 undertakes non-regulated operations and activities that are associated with the
20 Lower Churchill Project, but these are not within the scope of Hydro's regulated
21 activities.

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23 Mr. Bennett's role in the Muskrat Falls PPA was as part of Nalcor's due diligence
24 review process which was limited to a high level review of the agreement once the
25 agreement was close to its final form.

1 The PPA was developed and negotiated between two groups of senior officials of
2 Hydro and Nalcor within the context of the framework established at DG2, for the
3 least cost, long-term supply of electricity to the Island Interconnected System and
4 thereby provide least cost supply to ratepayers. These included:

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- 6 1. The DG2 framework for the PPA which included the following:
 - 7 a. Muskrat Falls would provide the Island of Newfoundland's energy
8 requirements above the existing non-thermal generation sources on the
9 Island Interconnected System up to the capability of the Muskrat Falls
10 facility;
 - 11 b. The energy provided from Muskrat Falls would be at an escalating supply
12 price equal to the long-term rate of inflation;
 - 13 c. The PPA would be for a 50-year term; and
 - 14 d. The supply price will provide for a predetermined return to the
15 shareholder over the 50 year-term;
 - 16
 - 17 2. Securing the most favourable financing arrangement to provide the least
18 cost to ratepayers;
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 - 20 3. Ensuring that Hydro has priority access and the necessary flexibility to
21 schedule the new facilities to meet its requirements to meet customer
22 demand throughout the term of the agreement;
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 - 24 4. Ensuring the production and delivery of electricity to Hydro is done in
25 accordance with good utility practice;

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- 1 5. Recognize the commitment to Emera for the NS block of capacity and
2 energy; and
3
- 4 6. Provide a good and open exchange of information on Hydro's required use
5 of the facility with Nalcor so that Nalcor can, within the firm requirements of
6 Hydro, market excess energy for maximum value of export sales to the
7 Province of Newfoundland and Labrador.

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9 Prior to finalization and approval by the Government and the Board of Directors of
10 Hydro and Nalcor, government officials participated in a review of the agreement to
11 ensure adherence to the DG2 framework and the protection of ratepayers'
12 interests.