

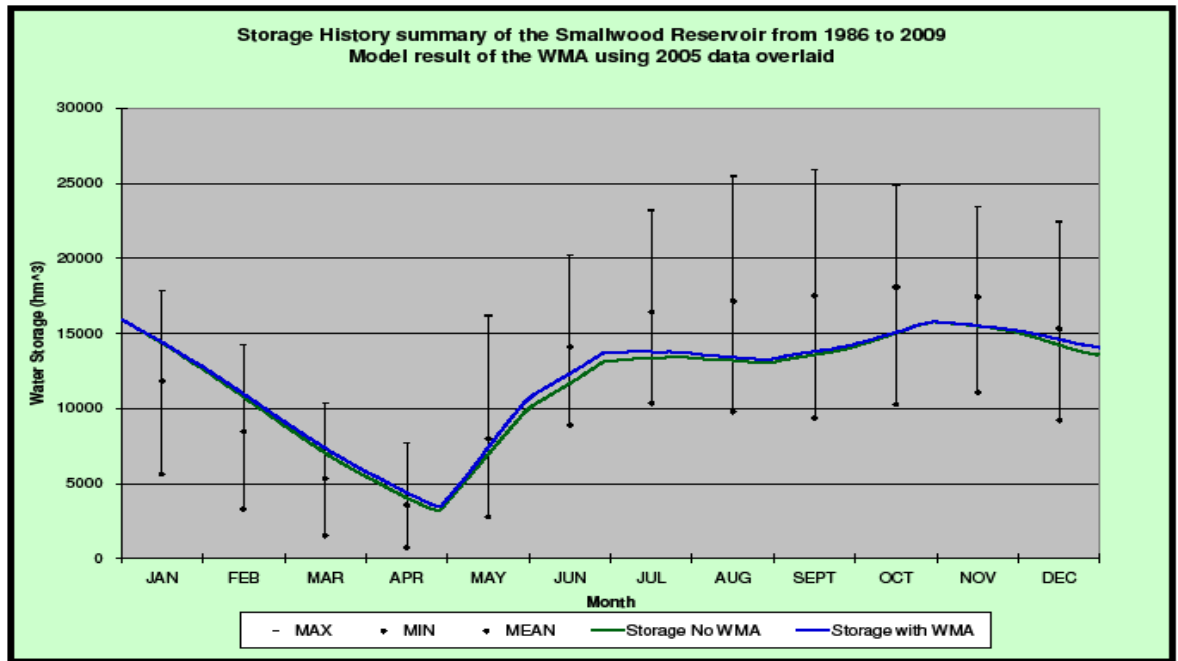
Application for Establishment of a Water Management Agreement

1 Q. The proposed Water Management Agreement, if implemented, will allow the
2 independent coordinator to set a production schedule for the Upper Churchill
3 hydroelectric generating station that differs from the production schedule that
4 would be used by CF(L)Co if the proposed Water Management Agreement were not
5 in place. Please provide a diagram showing the Maximum, Minimum, Mean and
6 Current Storage levels in the Upper Churchill Reservoir for a one year period,
7 highlighting the effect of Lower Churchill Banking, giving a written explanation of
8 the diagram and of how the storage levels will be affected by the implementation of
9 the Water Management Agreement.

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12 A. The Water Management Agreement permits the Lower Churchill Project to optimize
13 its use of the water resources available to it. Whether the Lower Churchill banks
14 energy or not will depend upon various factors, including power purchase
15 agreements that are not yet in place, market factors that may affect the seasonal or
16 hourly value of electricity, and operating parameters. It is therefore not possible at
17 this stage to provide a diagram showing precise variances in storage levels.
18 However, assuming the Lower Churchill intends to maximize firm energy to its
19 eventual customer at a level of about 1250MW, if one takes the natural water flows
20 for the year 2005, the storage curves at the Smallwood reservoir would be as
21 follows:



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As shown in the diagram, the difference is minimal and would not have an adverse effect on the reservoir.