

December 15, 2009

Board of Commissioners of Public Utilities
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Attention: Cheryl Blundon, Board Secretary

Re: Nalcor Application: Letter of Comment, Section 13 Public Utilities Regulations

Dear Madam,

On November 20, 2009 Hydro-Québec was given notice by the Board of Commissioners of Public Utilities that on November 10, 2009 Nalcor Energy ("Nalcor") had made application pursuant to section 5.5(i) of the *Electrical Power Control Act* ("EPCA") requesting the establishment of a water management agreement between Nalcor and Churchill Falls (Labrador) Corporation Limited ("CF(L)Co") with respect to the Churchill River.

Hydro-Québec submits this Letter of Comment to the Board in connection with the Nalcor Application, as permitted by section 13 of the Public Utilities Regulations.

The Nalcor Application recognizes that Hydro-Québec is a customer of CF(L)Co pursuant to the following contracts (collectively the "CF(L)Co/Hydro-Québec Power Contracts"):

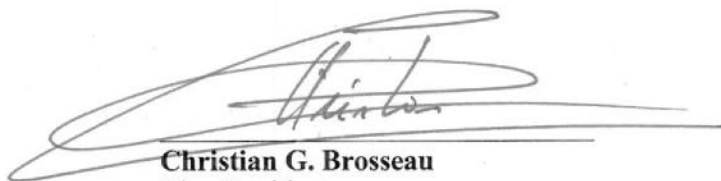
- a. Power Contract between Hydro-Québec and CF(L)Co dated May 12, 1969 ("1969 Power Contract");
- b. Renewed Power Contract between Hydro-Québec and CF(L)Co, which will come into force automatically on expiry of the 1969 Power Contract; and
- c. Guaranteed Winter Availability Contract between Hydro-Quebec and CF(L)Co, dated November 1, 1998.

Hydro-Québec wishes to express to the Board its position that any water management agreement to be established by the Board must recognize that the CF(L)Co/Hydro-Québec Power Contracts have the benefit of Section 5.7 of the EPCA.

We note that the Nalcor Application, as well as the Nalcor and CF(L)Co submissions of December 10, 2009, acknowledge that the CF(L)Co/Hydro-Québec Power Contracts are protected by Section 5.7 of the EPCA, as does the water management agreement proposed by both Suppliers to the Board.

In such circumstances, Hydro-Québec has decided not to intervene in the Nalcor Application.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Christian G. Brosseau', is written over a horizontal line. The signature is stylized with a large, sweeping initial 'C'.

Christian G. Brosseau
Vice President
Wholesale Markets

CB/fjs