

NATIONAL ENERGY BOARD

IN THE MATTER OF the *National Energy Board Act*,
R.S.C. 1985, c. N-7;

AND IN THE MATTER OF the Application filed by
Nalcor Energy for authorization to export electricity.

APPLICATION

Pursuant to Section 119.03 of the *National Energy Board Act*, R.S.C. 1985, c. N-7 and the National Energy Board's ("NEB") Memorandum of Guidance to Interested Parties Concerning Full Implementation of the September 1988 Canadian Electricity Policy (revised January 23, 2003), Nalcor Energy hereby applies for an electricity export permit which will allow Nalcor Energy to export firm and interruptible power and energy at points on the international boundary between Canada and the United States, subject to the following terms and conditions:

- (a) The term of the export permit shall commence on the date of issuance and shall extend for a term of 10 (ten) years;
- (b) The energy to be exported may be transmitted over any international power line for which the NEB has issued or will issue a Certificate of Public Convenience and Necessity or a Permit.

In support of its application, Nalcor Energy submits the following information, as required by Section 9 of the National Energy Board Electricity Regulations, S.O.R./97-130:

9(a) The name of the Applicant and any authorized representative of the Applicant and their mailing address, address for personal service, telephone number and any other telecommunications numbers of the Applicant or the authorized representative of the Applicant:

Applicant: Nalcor Energy

Authorized Representative:

Gilbert Bennett, P. Eng.
Vice-President, Lower Churchill Project
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with copy to:

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Montreal, Quebec, Canada H4Z 1E9

Attn: Andre Turmel

Telephone: 514 397 5141
Facsimile: 514 397 7600
Email: aturmel@fasken.com

9(b) *A description of the Applicant's power system, a copy of the Applicant's latest annual report and, if applicable, the Applicant's most recent publicly available generation or development plan:*

Nalcor Energy does not directly own or operate transmission or generation facilities, its partially owned subsidiary, the Churchill Falls (Labrador) Corporation (CFLCo), of which it owns 65.8%, and its wholly owned regulated utility Newfoundland and Labrador Hydro (NLH), do own and operate such facilities.

The power system in Labrador consists primarily of a 5428 MW hydroelectric generation facility at Churchill Falls, a 735 kV synchronous interconnection to the TransEnergie transmission system of Hydro Quebec, a 230KV radial transmission system to the western area of Labrador and a single transmission line to the eastern region.

Nalcor Energy was incorporated under the Energy Corporation Act on October 11, 2007. Nalcor Energy is the parent company of Newfoundland and Labrador Hydro, the Churchill Falls (Labrador) Corporation, and Nalcor Energy - Oil and Gas Inc. The Company has a December 31st year end therefore the most recent annual report available is for Newfoundland and Labrador Hydro, for the year ended December 31st 2007, a copy of which is attached.

Nalcor has plans to develop approximately 3,000 MW of hydraulic potential at two sites, Gull Island and Muskrat Falls, on the lower portion of the Churchill River, with in service dates between 2015 and 2018, however this application is not related to that development.

9(c) *A proof of publication notice:*

Appendix A contains a copy of the notice to be published in English and French in the *Canada Gazette*. Proof of publication will follow under separate cover as soon as available.

9(d) *The name of each person or agency outside Canada to be supplied with electricity and the nature of the business carried on by the person or agency or, if that information is unknown at the time of the application, a brief description of the markets to be served:*

Although no specific export arrangements have yet been entered into, Nalcor Energy plans to enter into transactions with potential counterparties, including but not limited to the following:

- (i) electric utilities
- (ii) power marketing companies
- (iii) wholesale power consumers
- (iv) power pools
- (v) aggregators, brokers and marketers
- (vi) municipal electric distribution companies
- (vii) other suppliers and end-users of electricity

These counter parties may be located in New York State, the New England States and / or within the area serviced by the Pennsylvania – New Jersey – Maryland Power Pool.

9(e) *In the case of a sale transfer, the period for which the permit is sought:*

Nalcor Energy requests that the NEB issue an electricity export permit for a term of 10 (ten) years.

For each year in that period, an estimate of the following quantities, namely:

(i) *The maximum quantity of firm power exports and imports:*

The estimated maximum quantity of firm power exported in each consecutive 12-month period would be 550 MW.

The estimated maximum quantity of firm power imported in each consecutive 12-month period would be 550 MW.

(ii) *The maximum quantity of interruptible power exports and imports:*

The estimated maximum quantity of interruptible power exported in each consecutive 12-month period would be 550 MW.

The estimated maximum quantity of interruptible power imported in each consecutive 12-month period would be 550 MW.

(iii) *The maximum quantity of combined firm power and interruptible power exports and imports:*

The estimated maximum quantity of firm and interruptible power exported in each consecutive 12-month period would be 550 MW.

The estimated maximum quantity of firm and interruptible power imported in each consecutive 12-month period would be 550 MW.

(iv) *The maximum monthly and annual quantities of firm energy exports and imports:*

The estimated maximum quantity of firm energy for export in any given month would be 300 GWh.

The estimated maximum quantity of firm energy for import in any given month would be 300 GWh.

The estimated maximum quantity of firm energy exports in any consecutive 12-month period would be 3,600 GWh.

The estimated maximum quantity of firm energy imports in any consecutive 12-month period would be 3,600 GWh.

(v) *The maximum monthly and annual quantities of interruptible energy exports and imports:*

The estimated maximum quantity of interruptible energy exports in any given month would be 300 GWh.

The estimated maximum quantity of interruptible energy imports in any given month would be 300 GWh.

The estimated maximum quantity of interruptible energy exports in any consecutive 12-month period would be 3,600 GWh.

The estimated maximum quantity of interruptible energy imports in any consecutive 12-month period would be 3,600 GWh.

9(f) *In the case of an equichange transfer, storage transfer, adjustment transfer or carrier transfer, a statement of the annual quantities of energy for exportation and for importation for each class of transfer for the period for which the permit is sought:*

Nalcor Energy may potentially enter into arrangements for an equichange transfer, storage transfer, adjustment transfer or carrier transfer. Such arrangements will, to the extent authorized by the Board's permits, be conducted in accordance with the conditions governing the sales authorized under the permits.

9(g) *A copy of any electricity transfer agreement that covers the proposed exportation of electricity:*

There are presently no agreements in this regard.

9(h) *Where no agreement exists, a statement of:*

(i) *The estimated maximum duration of specific exports and the basis for the estimation; and*

Nalcor Energy estimates that the maximum duration of specific exports will be up to ten (10) years. This estimate is based on Nalcor Energy's assessment of the potential market and specifically the expected firm contract duration.

(ii) *The period of time for which the permit is sought and the basis for the selection of that time;*

Nalcor Energy has applied for a permit with a term of ten (10) years, as it is believed that a ten-year term will provide Nalcor Energy with the most flexibility possible to participate in all the potential market scenarios for exported electricity.

9(i) *A list of international power lines over which the Applicant proposes to export or import electricity, setting forth in respect of each line:*

- (i) *the number of the certificate or permit issued by the Board;***
- (ii) *the name of the holder of the certificate or permit;***
- (iii) *the name of the owner of the power line outside Canada;***
- (iv) *the voltage level and operating designation of each circuit; and***
- (v) *the maximum power transfer capability of each circuit and the OASIS for that limit.***

Nalcor Energy is seeking a permit to export electricity over all international power lines for which the NEB has issued or will issue a Certificate of Public Convenience and Necessity or Permit.

Nalcor Energy understands that the information listed in this *Section 9(i)* is filed with the NEB by the holder of the Certificates of Permits for those international power lines.

- 9(j) *The total simultaneous power transfer capability under normal operating conditions for all of the international power lines in accordance with paragraph (i) and the OASIS for that limit:***

Please refer to 9(i).

- 9(k) *A description of the approvals required for the importation of electricity into the United States, and a statement respecting the current status of the approvals:***

There are no U.S. regulatory authorizations required for the importation of electricity in to the United States. If any U.S. legislation creates such approvals requirements, Nalcor Energy will apply for and obtain such approvals as needed.

Nalcor Energy will be required to receive market-base rate authorization from the Federal Energy Regulatory Commission prior to making sales of electric energy or capacity, at wholesale, in the U.S. markets. Nalcor Energy is proceeding with filing of an application for such market-based rate authorization in parallel to this license application.

- 9(l) *A description of the provincial approvals that are required to be obtained by the Applicant, and a statement respecting the current status of the approvals:***

If any provincial approvals are required for the export of electricity from a province, Nalcor Energy will apply for and obtain such approvals when needed.

- 9(m) *A description of the review process applicable to each provincial approval that must be obtained, including:***

- (i) *a description of any public consultation provided for under the review process; and***

Please refer to paragraph 9(l) above.

- (ii) *a schedule for the review process:***

Please refer to paragraph 9(l) above.

- 9(n) *Whether new or modified facilities will be required to effect the proposed exportation of electricity and, if applicable, a detailed description of those facilities:***

Nalcor Energy does not intend to modify or construct new facilities to export the energy related to this request.

9(o) *The adverse environmental effects resulting from the proposed exportation of electricity, and the measures to be taken to mitigate any of those environmental effects:*

Nalcor Energy intends to export power generated at its own existing facility, and potentially energy purchased for export. The issuance of an Export Permit will not result in the construction of new facilities, modifications to existing facilities, or any changes to the operation of existing facilities. Accordingly, there will be no adverse environmental effects directly related to the proposed exports.

9(p) *A description of any adverse effects that the proposed exportation of electricity could have on the operation of any power system in neighbouring provinces:*

Nalcor Energy does not expect any adverse affects that the proposed export could have on the operation of any power system in neighbouring provinces.

9(q) *Where the application specifies the terms and conditions of the proposed exportation of electricity, a description detailing the manner in which the Applicant:*

- (i) *has informed those persons who have declared an interest in buying electricity for consumption in Canada of the quantities and classes of service available for sale; and***
- (ii) *has given those persons who have demonstrated an intention to buy electricity for consumption in Canada after having been so informed, an opportunity to purchase electricity on terms and conditions, including price, as favourable as the terms and conditions specified in the application.***

Nalcor Energy has not identified any specific terms and conditions by which electricity would be exported under the permits applied for. Please refer to 9(r).

9(r) *Where the application does not specify the terms and conditions of the proposed exportation of electricity, a description, including supporting documents, detailing the manner in which the Applicants:*

- (i) *will inform those persons who declare an interest in buying electricity for consumption in Canada of the quantities and classes of service available for sale; and***
- (ii) *will give those persons who have demonstrated an intention to buy electricity for consumption in Canada after having been so informed, an opportunity to purchase electricity on terms and conditions, including price, as favourable as the terms and conditions of the export.***

Through the open market process, the electricity that Nalcor Energy intends to export will be made available to any wholesale consumer in Canada under as favourable terms and conditions as the terms and conditions as those proposed under the export.

**ADDITIONAL INFORMATION REQUESTED PURSUANT TO APPENDIX III
OF THE NEB MEMORANDUM OF GUIDANCE CONCERNING FULL
IMPLEMENTATION OF THE SEPTEMBER 1988 CANADIAN ELECTRICITY
POLICY (REVISED JANUARY 23, 2003)**

1. (a) *whether any new facilities are required in regard to the Applicant's proposed electricity exports, and a detailed description of those facilities;*

Nalcor Energy does not intend to construct new facilities to export the energy related to this request.

- (b) *whether modifications to existing facilities would be undertaken in regard to the Applicant's proposed electricity exports, and a detailed description of those modifications;*

Nalcor Energy does not intend to modify facilities to export the energy related to this request.

- (c) *whether there would be any changes to the operation of existing facilities in regard to the Applicant's proposed electricity exports, and a detailed description of those changes;*

Nalcor Energy does not intend to make changes to the operation of existing facilities with regard to its proposed exportation of electricity.

- (d) *the adverse environmental effects of the new facilities, modifications or changes in operation described in (a), (b) and (c); and*

Not applicable.

- (e) *any measures to be taken to mitigate the adverse environmental effects described in (d)*

Not applicable.

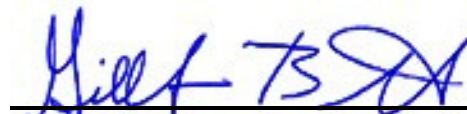
2. *If the Applicant is unable to provide information in response to any of 1 (a) to (c) the Applicant should explain why not, and if it will be able to provide this information at any time in the future, and if so, when.*

Not applicable.

All of which is respectfully submitted at Calgary, Alberta, this December 29, 2008.

Nalcor Energy

Per:



Gilbert Bennett, P. Eng.

Vice President Lower Churchill Project