Q. Outline, for each of the Industrial Customers, the differences between the proposed Industrial Contracts and the existing Industrial Contracts and provide the forecast financial implication in dollars for 2001 of each of those changes for each of the Industrial Customers.

A. Tables 1-4, attached, set out the differences between the industrial power contracts that Hydro has proposed in its application and those that apply at present. Table 5, attached, compares the financial implications of the proposed rates to the existing rates based upon 2001 forecast loads. Some explanatory comments are required.

First, the existing contractual arrangements comprise a number of formal documents as well as some practices that have been developed over the years between Hydro and its industrial customers to address issues that are not dealt with in the formal contracts. Where appropriate, these practices have been incorporated into the proposed industrial contracts.

Second, Hydro is proposing only minor changes to the basic substance of the legal arrangements between Hydro and its customers and, aside from the change to the firm and non-firm rates, the proposed changes to the contracts would not have financial implications which can be reliably forecast.

Third, 2001 load forecasts for interruptible power and energy were provided by two Industrial Customers only (Corner Brook Pulp and Paper Limited and Abitibi-Consolidated Inc. (Stephenville Division)) and none provided forecasts for Emergency or Exceptional Power. Also, these load forecasts were provided under the existing rate structures for 2001 and, therefore, they cannot be assumed to be representative of customer load forecasts for the proposed rate structures.

TABLE 1

Abitibi-Consolidated Inc. (Stephenville Division)

PROPOSED	**EXISTING**
2.02 Maximum Power on Order = 90,000 kW	3.02 Power on Order to be between 50,000 kW and 70,000 kW
2.05 If Customer obtains new source of electric generation, Power on Order can be reduced or eliminated on 36 months notice	16.04 If Customer obtains new source of electric generation, Power on Order can be reduced or eliminated on 2 years notice
3.02 Billing Demand = Power on Order, or, lesser of 75% of Power on order in prior calendar year, and the Power on Order for the prior calendar year less 15,000 kW, or, maximum demand (less any Interruptible Demand), whichever is greatest	3.02 Billing Demand = Power on Order (to be between 50,000 kW and 70,000 kW) or maximum demand less 5,000 kW, whichever is greater
5.01 Interruptible Demand at new non-firm rate; amount available limited to lesser of 25% of Power on Order and 5,000 kW	3.05 Interruptible "A" rates the same as firm rates; amount available limited to 5,000 kW
10.01 General Force Majeure clause	11.06 General Force Majeure clause; 11.08(2) Special Force Majeure clause for strikes of mill employees

TABLE 1

Abitibi-Consolidated Inc. (Stephenville Division)

PROPOSED	**EXISTING**
10.02(10) Hydro may make Billing Demand adjustments to decrease the bill to allow for unforeseen circumstances or to provide for testing of equipment or processes	A practice has arisen whereby Hydro has reduced power bills in some circumstances referred to in 10.02(10) of proposed agreement
12.01 Hydro and Customer indemnify each other for specific risks	13.01 Customer indemnifies Hydro for specified risks; no indemnification of Customer by Hydro
13.04 Customer and Hydro to submit any claims under agreement to the other party within 60 days of having knowledge of the claims	14.04 Claims by Customer to be made on or prior to the last day of the month following the month the claim arose
14.01 Claims shall be submitted to arbitration within 3 months	15.01 Claims may be submitted to an arbitration within 2 months
15.04 Upon abandonment of contract or operations by Customer, liquidated damages become payable being 24 x 85% of Billing Demand for Firm Power plus the remaining book value of Specifically Assigned Plant less its salvage value	16.05 If Customer gives notice to terminate or abandons operations, Customer pays 85% of Billing Demand amount (minimum monthly payment) plus specifically assigned charge for each month remaining in the contract or for 5 years, whichever period is less

TABLE 2

Abitibi-Consolidated Inc. (Grand Falls Division)

PROPOSED	**EXISTING**
2.02 Maximum Power on Order = 40,000 kW	3.04 Minimum Power on Order of 20,000 kW, reductions in Power on Order cannot result in Power on Order at levels less than 20,000 kW lower than the previous year
3.02 Billing Demand = Power on Order, or, lesser of 75% of Power on Order in prior calendar year, and the Power on Order for the prior calendar year less 15,000 kW, or maximum demand (less any Interruptible Demand), whichever is greatest	4.01 Billing Demand = Power on Order or maximum demand in that month, whichever is greater
4.01 Interruptible Demand at new non-firm rate; amount available limited to lesser of 25% of Power on Order and 5,000 kW	3.06 Interruptible rates the same as firm rates; amount available limited to 5,000 kW

TABLE 2

Abitibi-Consolidated Inc. (Grand Falls Division)

PROPOSED	**EXISTING**
5.01 Generation Outage Power, charged at non-firm rates, available for emergencies and planned outages up to 59 MW of 60 Hz of generation capacity; Demand Charge prorated for duration of outage (days per month)	8.01 Emergency Power available at energy-only rate based upon incremental cost at Holyrood or cost of gas turbine generation – available for short term emergencies only "Exceptional Power" (collateral to formal agreement)) available for longer term, non-emergency outages – charged at Firm Demand rates prorated for duration of outage (days per month) plus Emergency Energy Rates
No provision for the supply of Energy by Customer	10.01 Supply of Surplus Energy by Customer to Hydro when not required at Stephenville mill
10.01 General Force Majeure clause	13.06 General Force Majeure clause; 13.08(2) Special Force Majeure clause for strikes of mill employees
10.02(10) Hydro may make Billing Demand adjustments to decrease the bill to allow for unforeseen circumstances or to provide for testing of equipment or processes	A practice has arisen whereby Hydro has reduced power bills in some circumstances referred to in 10.02(10) of proposed agreement
12.02 Hydro and Customer indemnify each other for specified risks	15.01 Customer indemnifies Hydro for specified risks; no indemnification of Customer by Hydro

TABLE 2 **Abitibi-Consolidated Inc. (Grand Falls Division)**	
PROPOSED	**EXISTING**
13.04 Customer and Hydro to submit any claims under agreement to the other party within 60 days of having knowledge of the claims	16.04 Claims by Customer to be made on or prior to the last day of the month following the month the claim arose
14.02 Claims shall be submitted to arbitration within 3 months	17.01 Claims may be submitted to arbitration within 2 months
15.04 Upon abandonment of contract by Customer, liquidated damages become payable being 24 x 85% of Billing Demand for Firm Power plus the remaining book value of Specifically Assigned Plant less its salvage value	18.03 If Customer gives notice to terminate or abandons operations, Customer pays present worth of last Billing Demand amount for 5 years or until contract term expires, whichever comes first, plus $64,000 per month of remaining life of the contract

TABLE 3

Corner Brook Pulp and Paper Limited

PROPOSED	**EXISTING**
2.02 Maximum Power on Order = 70,000 kWh	3 blocks: First block = 18,000 kW, Deer Lake Power block = 2,000 kW; Second block minimum of 15,000 kW (Note [1])
2.05 If Customer increases its generating capacity, Power on Order can be reduced or eliminated on 36 months notice	16.04 If Customer increases its generating capacity, Power on Order can be reduced on 2 years notice
3.02 Billing Demand = Power on Order, or lesser of 75% of Power on Order in prior calendar year, and the Power on Order for the prior calendar year less 15,000 kW, or maximum demand (less any Interruptible Demand) whichever is greatest	4.01 Billing Demand = Power on Order or Maximum Demand in that month, whichever is greater
4.01 Interruptible Demand at new non-firm rate; amount available limited to lesser of 25% of Power on Order and 5,000 kW	3.05 Interruptible rates the same as firm rates; amount available limited to 5,000 kW

Note [1] Unless otherwise stated, references to contract Articles are to “Second block” document

TABLE 3

Corner Brook Pulp and Paper Limited

PROPOSED	EXISTING
5.01 Generation Outage Power charged at non-firm rates, available for emergencies and planned outages to up to 99,100 kW of 60 Hz generation capacity	7.01 (Deer Lake Power Block) Emergency power available for limited period (not beyond weekend following start of outage) for forced outages (except starting failures), and for low water; rate is energy-only rate based upon incremental cost at Holyrood or cost of gas turbine generation. “Exceptional Power” (collateral to formal agreements) available for longer term, non-emergency outages – charged at Firm Demand rates prorated for duration of outage plus Emergency Energy rates
10.01 General Force Majeure Clause	11.06 General Force Majeure clause; 11.08(2) Special Force Majeure clause for strikes of mill employees
10.02(10) Hydro may make Billing Demand adjustments to decrease the bill to allow for unforeseen circumstances or to provide for testing of equipment or processes	No established practice similar to subclause 10.02(10) of the proposed agreement
12.01, 12.02 Hydro and Customer indemnify each other for specified risks	13.01 Customer indemnifies Hydro for specified risks; no indemnification of Customer by Hydro
15.04 Upon abandonment of contract or operations by Customer, liquidated damages become payable being 24 x	16.05 If Customer gives notice to terminate or abandons operations, Customer pays 85% of Billing Demand amount

TABLE 3 **Corner Brook Pulp and Paper Limited**	
PROPOSED	**EXISTING**
85% of Billing Demand for Firm Power plus the remaining book value of Specifically Assigned Plant less its salvage value	(minimum monthly payment) plus specifically assigned charge for each month remaining in the contract or for 5 years, whichever period is less
17.01 Claims shall be submitted to arbitration within 3 months	15.01 Claims may be submitted to arbitration within 2 months
No provision requiring continued supply of the frequency converter	8.01 (First block 18,000 kW); 9.01 (DLP Contract 2,000 kW) Hydro to continue to provide the existing frequency converter

TABLE 4 **North Atlantic Refining Limited**	
PROPOSED	**EXISTING**
2.02 Customer declares Power on Order, not to exceed 45,000 kW	3.01/6.02 Customer agrees to purchase or pay for an amount not less than 20,000 kW, nor more than 35,000 kW
2.05 If Customer obtains new source of generation, Power on Order can be reduced or eliminated on 36 months notice	15.04 If Customer installs its own generation, it can reduce the minimum amount of power (20,000 kW) by giving one year's notice if up to a 10,000 kW reduction and by giving two years notice if more than a 10,000 kW reduction
3.02 Billing Demand = Power on order, or lesser of 75% of Power on order in prior calendar year, and the Power on Order for the prior calendar year less 15,000 kW, or maximum demand (less any Interruptible Demand), whichever is greatest	4.01 Billing Demand is maximum demand during previous 12 months
4.01 If Hydro has Secondary Energy available it will deliver it to the Customer for use in its electric boilers at a rate to be set by the PUB	No Secondary Energy provision
5.01 Interruptible Demand at new non-firm rate; amount available limited to lesser of 25% of Power on Order and 5,000 kW	No Interruptible Power provision
14.01 Claims shall be submitted to arbitration within 3 months	14.01 Claims may be submitted to arbitration within 2 months
15.04 Upon abandonment of contract or	15.05 Upon abandonment of the

TABLE 4

North Atlantic Refining Limited	
PROPOSED	**EXISTING**
operations by Customer, liquidated damages become payable being 24 x 85% of Billing Demand for Firm Power plus the remaining book value of Specifically Assigned Plant less its salvage value	contract or operations by the Customer, Customer pays as liquidated damages a lump sum of 85% of Billing Demand (minimum monthly payment) plus specifically assigned charges for each month remaining in the contract or for 5 years, if 5 years notice of termination is given

TABLE 5

Comparison of Revenue and RSP

Existing Rates vs. Proposed Rates
Based on 2001 Load Forecast
(Excludes HST)

	Revenue								
	Firm		Non-Firm		RSP (Using 2001 Rate)		Total Billing		
Customer	Existing 2001 Rate	Proposed 2002 Rate	Existing 2001 Rates	Proposed 2002 Rates	Existing	Proposed	Existing	Proposed	Proposed Increase / (Decrease)
ACI - Grand Falls	$4,776,819	$5,233,006	$0	$0	$409,612	$409,612	$5,186,431	$5,642,618	$456,187
ACI - Stephenville	$16,943,143	$18,734,844	$184,285	$272,352	$1,568,081	$1,554,188	$18,695,509	$20,561,384	$1,865,875
Corner Brook P&P	$12,251,830	$13,537,813	$234,204	$368,638	$1,139,127	$1,120,137	$13,625,161	$15,026,588	$1,401,427
North Atlantic Refining	$7,475,045	$8,224,146	$0	$0	$654,080	$654,080	$8,129,125	$8,878,226	$749,101