

1 Q. (a) In Mary's Harbour, Labrador, who is the owner of the small hydro site.

2

3 (b) At what price is the electricity purchased and under what contractual
4 conditions?

5

6

7 A. (a) In Mary's Harbour, Labrador, the owner of the small hydro site is
8 Mary's Harbour Hydro.

9

10 (b) The price paid for energy supplied to NLH is based on NLH's policy for
11 the purchase of energy in non-interconnected areas. The unit price
12 (cents per kilowatt hour) for electricity is based on a "Share the
13 Savings" principle, for the system under consideration. The unit price
14 is essentially the supplier's cost of supply plus 50% of the difference
15 between the supplier's cost of supply and NLH's incremental cost of
16 diesel generation (fuel only), with an upper limit on the price paid by
17 NLH of 90 % of NLH's incremental cost of diesel generation. The
18 current price being paid for purchased energy is 12.4 cents per KWh.
19 A copy of the contract with Mary's Harbour Hydro is attached.

THIS AGREEMENT made in duplicate this SIXTH day
of OCTOBER, A.D., 1988.

BETWEEN THE BOARD OF TRUSTEES OF THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR a corporation constituted pursuant to The Rural Electrification Act, Chapter 340 of The Revised Statutes of Newfoundland, 1970, and having its Head Office at Philip Place, St. John's, in the Province of Newfoundland (hereinafter called "PDD") of the first part.

AND CHARLES SHEPPARD of Clarendville, aforesaid, ALLAN GREEN of St. John's, aforesaid, and REGINALD HEDGES of Gander, aforesaid, operating and trading as a partnership under the style and firm name of "Mary's Harbour Hydro" (hereinafter called "the Generator") of the second part.

WHEREAS the Generator proposes to operate a hydro-electric generation plant (hereinafter called "the Plant") at Mary's Harbour, Labrador, aforesaid, more particularly described in Schedule "C" attached hereto;

AND WHEREAS the Generator desires to sell to PDD electricity generated at the Plant;

AND WHEREAS the Plant is located within PDD's service area;

AND WHEREAS the parties hereto have agreed to enter into an agreement for the supply and purchase of electricity, upon the conditions hereinafter appearing;

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties hereto, each, in consideration of the premises and of the covenants, agreements and declarations made herein by the other, covenant, agree and declare as follows:

ARTICLE 1 - DEFINITIONS

1.01 In this Agreement, unless the context otherwise requires, the following definitions shall apply:

- (a) "Commencement Date" means the date the Generator brings into service its parallel generator with PDD's Facilities.
- (b) "Electricity" includes Power and Energy.
- (c) "Energy" means the amount of electricity delivered during a given period of time and measured in kilowatt hours ("kWh").
- (d) "Hydro" means the Newfoundland and Labrador Hydro - Electric Corporation.
- (e) "Internal Load" means equipment or any device wholly owned by the Generator and connected to PDD's Facilities.

- (f) "Month" or "Monthly" means a calendar month.
- (g) "PDD's" Facilities" means any and all equipment associated with the generation, transmission or distribution of electricity, owned by Hydro whether operated by either Hydro or PDD.
- (h) "Power" means that amount of electrical power delivered at any time and measured in kilowatts.
- (i) "Province" means the Province of Newfoundland.

ARTICLE 2 - INTERPRETATION

- 2.01 In this Agreement all references to dollar amounts and all references to any other money amounts are, unless specifically otherwise provided, expressed in terms of coin or currency of Canada which at the time of payment or determination shall be legal tender herein for the payment of public and private debts.
- 2.02 Words in this Agreement importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders.

- 2.03 Where a word is defined anywhere in this Agreement, other parts of speech and tenses of the same word have corresponding meanings.
- 2.04 Wherever in this Agreement a number of days is prescribed for any purpose, the days shall be reckoned exclusively of the first and inclusively of the last.
- 2.05 Whenever this Agreement requires a notice to be given or a request or payment to be made on a Sunday or legal holiday, such notice, request or payment may be given or made on the first business day occurring thereafter, and, whenever in this Agreement the time within which any right will lapse or expire shall terminate on a Sunday or legal holiday, such time will continue to run until the next succeeding business day.
- 2.06 The headings of all the articles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 2.07 Any reference in this Agreement to an Article, a Clause, a subclause, a paragraph or a section shall, unless the context otherwise specifically requires, be taken as a reference to an article, a clause, a subclause, a paragraph or a section of this Agreement.

- 2.08 This Agreement may be executed in two (2) or more counterparts, each of which when so executed shall be deemed to be an original, but all of such counterparts together shall constitute one (1) and the same instrument.

ARTICLE 3 - CONDITIONS FOR THE DELIVERY OF ELECTRICITY

- 3.01 The Terms and Conditions detailed in Schedule "A" and Schedule "B", which Schedules form part of this Agreement, shall apply to the delivery of Electricity.

ARTICLE 4 - TERM OF AGREEMENT

- 4.01 Except as otherwise provided herein, this Agreement shall continue in force for a period of fifteen (15) years commencing on the Commencement Date, and thereafter shall continue in force for an indefinite term; provided that either party may:

- (a) with at least five (5) years written notice to the other, terminate this Agreement during its original fifteen (15) year term; or

- (b) with at least one (1) months written notice to the other, terminate this Agreement upon the expiry of the original term or any time thereafter.

ARTICLE 5 - AVAILABILITY OF ELECTRICITY

- 5.01 Subject to the provisions of this Agreement the Generator shall sell Electricity exclusively to PDD, and PDD agrees to purchase all such Electricity delivered to the Point of Delivery; provided that PDD has sufficient load to absorb the Electricity.
- 5.02 Subject to the provisions of this Agreement PDD shall sell Electricity to the Generator and the Generator agrees to purchase all such Electricity delivered to the Point of Delivery (at the rates regularly charged by PDD in the Community of Mary's Harbour at the time of any such sale or sales).

ARTICLE 6 - DELIVERY OF ELECTRICITY

- 6.01 Electricity shall be at a nominal frequency of sixty (60) hertz and at a nominal voltage as outlined in Schedule "C" attached hereto. The maintenance of the nominal frequency and nominal voltage at the Point of Delivery shall constitute the supply of Electricity.

6.02 For the purposes of this Agreement, the term "Point of Delivery" means the jumper connection joining the load side of the Generator's group operated disconnect switch to PDD's Facilities, specifically the three (3) phase 4.16 kV primary distribution line which is deadended on the same structure as the Generator's group operated disconnect switch. The Point of Delivery is approximately one (1) kilometre from the Plant.

ARTICLE 7 - BILLINGS, RATES AND CHARGES

7.01 Payment for Energy made available by the Generator under this Agreement shall be subject to the provisions of Schedules "A" and "B" and to the rate outlined therein.

7.02 Payment for Energy made available by the Generator under this Agreement shall be made monthly. The Generator will prepare the bill for all payments required to be made for Energy delivered under this Agreement as soon as practicable after the end of each month. PDD shall pay the amount due to the Generator within twenty (20) days of the billing date, subject to interest on the amount remaining unpaid twenty (20)

days after billing, at the effective rate of interest of 1.5% per month.

7.03 Payment for Energy made available by PDD under this Agreement shall be at rates and rules regularly applied by PDD in the Community of Mary's Harbour at the time of any such sale or sales.

7.04 It is agreed that for the purposes of this Agreement, where the Generator sells Energy to PDD, losses shall be a constant factor of two percent (2%) of kWh metered.

7.05 It is agreed that for the purposes of this Agreement, where PDD sells Energy to the Generator, no account will be made for losses.

ARTICLE 8 - LIABILITY

8.01 The Generator shall assume all risk, liability or obligation in respect to:

(a) All damage to the property of either PDD or Hydro wheresoever situate to the degree that such damage shall have been due to the negligence of the Generator, its servants or agents; and

(b) All loss, damage or injury to property of the Generator or property of any third party on the said lands and premises, or to any person or persons (including loss of life) on the said land and premises, except to the degree that such loss, damage or injury shall have been due to the negligence of either PDD or Hydro, its servants or agents for which PDD or Hydro will assume full responsibility.

8.02 The Generator shall indemnify PDD and Hydro and save them harmless from all liability assumed by the Generator under this Article and from all claims or demands in connection therewith.

ARTICLE 9 - WAIVER

9.0 Any failure by either party to exercise any right or to enforce any remedy under this Agreement shall be limited to the particular instance and shall not be deemed to waive any other right or remedy or affect the validity of this Agreement.

ARTICLE 10 - INSURANCE

- 10.01 The Generator shall at its own expense acquire and maintain, during the original fifteen (15) year term of this Agreement or in the absence of its termination any time thereafter, Comprehensive General Liability Insurance of not less than one million dollars (\$1,000,000.00) inclusive for any one (1) accident or occurrence.
- 10.02 Prior to supplying PDD with Power, the Generator shall deposit with PDD a copy of the said Comprehensive General Liability Insurance Policy ("the Policy") together with receipt for the payment(s) of the current premium(s).
- 10.03 The Policy shall have PDD and Hydro as additional named insureds and shall contain a cross liability clause.
- 10.04 The Policy shall not be cancelled, reduced, restricted, terminated or changed in any way or allowed to lapse without at least thirty (30) days written notice to PDD, sent by prepaid registered mail to the head office of PDD. In the event the Policy is cancelled, revised, restricted, terminated, changed or lapses the Generator shall immediately replace the Policy.

10.05 In the event that Comprehensive General Liability Insurance is not effected to the satisfaction of PDD, PDD may effect such insurance as described in this Article 10 and pay the premium in respect thereof. In such a case, PDD may set off the payment of any such premium against any amounts owed by PDD to the Generator pursuant to this Agreement. Any action in this respect shall in no way change or reduce the Generator's responsibilities and liabilities under this Agreement.

ARTICLE 11 - PREVIOUS AGREEMENTS

11.01 This Agreement contains all the terms and conditions agreed on by the parties and no other previous Agreements, written or verbal, respecting the subject matter of this Agreement shall be deemed to exist, or to bind either party.

ARTICLE 12 - PERMITS AND LAWS

12.01 The Generator shall obtain and pay for any and all permits, licenses or easements necessary or required for the delivery of Electricity pursuant to the provision of this Agreement. The Generator shall comply fully with all laws, regulations and ordinances

of the proper public authorities in connection with the performance of its duties under this Agreement.

ARTICLE 13 - ARBITRATION

- 13.01 Subject to Clause 13.07, in case of any dispute between PDD and the Generator relative to this Agreement, and where the dispute cannot be resolved by the parties themselves, the dispute shall be submitted to arbitration under the Arbitration Act, S.N. 1985, Chapter 8, as amended, and the provisions of the Act shall apply accordingly, but either party, if dissatisfied with the award of the board of arbitrators, may move to set aside the award, or may appeal from the award.
- 13.02 The board of arbitrators shall consist of three (3) members, one (1) appointed by each of the parties to this Agreement and a third member to be named by the two (2) arbitrators so chosen.
- 13.03 The charges of the third member of a board of arbitrators who shall be the chairman of the board, shall be borne by the unsuccessful party, and the parties shall bear the costs or charges of their own appointees.

- 13.04 If the two (2) appointees of the parties are unable to agree upon the third arbitrator or chairman, the chairman shall be appointed upon application of either party to the Trial Division of the Supreme Court of Newfoundland or a judge thereof.
- 13.05 The period of delay for appointment by the parties to this Agreement of their respective nominees shall be seven (7) days after notification by the other party to this Agreement of its nominee, and the period for agreement by the two (2) nominees on the chairman shall be ten (10) days.
- 13.06 The provisions of the Arbitration Act, S.N. 1985, Chapter 8, as now or hereafter amended shall apply to any arbitration held pursuant to this Article 13.
- 13.07 The provisions of this Article 13 from and including Clause 13.01 to and including Clause 13.06 shall not be applied to or in respect of any dispute involving or arising out of:
- (a) the interpretation of this Agreement;
 - (b) any matter of law; or
 - (c) any matter of mixed law and fact.

ARTICLE 14 - ADDRESS FOR SERVICE

14.01 Any notice of request or other instrument which is required or permitted to be given, made or served under this Agreement by either of the parties hereto shall be given, made or served in writing and shall be deemed to be properly given, made or served if personally delivered or sent by prepaid telegram or telex, or mailed prepaid registered post, addressed, if service is to be made.

(a) on PDD, to:

The Secretary,

The Board of Trustees of the Power Distribution
District of Newfoundland and Labrador,

Philip Place, P.O. Box 9100,

St. John's, Newfoundland.

Canada. A1A 2X8

(b) on the Generator, to:

Charles Sheppard,

Mary's Harbour Hydro,

P.O. Box 1086,

Clareville, Newfoundland.

Canada. AOE 1J0

- 14.02 Any notice, request or other instrument given, made or served as provided in Clause 14.01 shall be deemed to have been received by the party hereto to which it is addressed, if personally served on the date of delivery, or if mailed three (3) days after the time of its being so mailed or if sent by prepaid telegram or telex, one (1) day after the date of sending.
- 14.03 Either of the parties hereto may change the designation of the person to be notified or the address to which a notice, request or other instrument may be sent to it by giving to the other party to this Agreement notice of such change, and thereafter, every notice, request or other instrument shall be delivered or mailed in the manner prescribed in Clause 14.01.

ARTICLE 15 - SUCCESSORS AND ASSIGNS

- 15.01 This Agreement shall extend to and be binding upon and enure to the benefit of PDD and of the Generator, and to their respective successors and assigns, provided that the Generator shall not be entitled to assign its entire interest in this Agreement or any portion thereof without the written consent of PDD.

- 15.02 The partnership agreement between the partners of the Generator, its successor or permitted assign, shall provide that in the event of the death of one (1) of the said partners, either during the original fifteen (15) year term of this Agreement or in the absence of its termination any times thereafter, this Agreement shall extend to and be binding upon and enure to the benefit of the surviving partners.
- 15.03 The partnership agreement between the partners of the Generator, or its successor or permitted assign, shall provide that in the event of the death of two (2) of the said partners, either during the original fifteen (15) year term of this Agreement or in the absence of its termination any time thereafter, this Agreement shall extend to and be binding upon and enure to the benefit of the surviving partner who shall continue the Generator as a sole proprietorship.
- 15.04 The Generator's solicitor shall certify to the satisfaction of PDD that the partnership agreement between the partners of the Generator, or its successors or permitted assign, contains, inter alia the provisions outlined in Clauses 15.02 and 15.03 of this Agreement.

ARTICLE 16 - APPLICABLE LAW AND FORUM

- 16.01 This Agreement shall be governed by and interpreted in accordance with the laws of the Province, and every action or other proceeding arising hereunder shall be determined exclusively by a court of competent jurisdiction in the Province, subject to the right of appeal to the Supreme Court of Canada where such appeal lies.

ARTICLE 17 - TIME

- 17.01 Time is of the essence of this Agreement.

ARTICLE 18 - SCHEDULES

- 18.01 The parties hereto acknowledge and agree that any and all Schedules to this Agreement are part of this Agreement and the contents of the said Schedules are binding upon the parties, their respective successors and permitted assigns.


ARTICLE 19 - AMENDMENTS

- 19.01 If at any time during the continuance of this Agreement the parties shall deem it necessary or expedient to


make any alteration or addition to this Agreement they may do so by means of a written agreement between them which shall be supplemental to and form part of this Agreement.

IN WITNESS WHEREOF The Board of Trustees of the Power Distribution District of Newfoundland and Labrador has affixed its common seal attested by the hands of its duly authorized officers, and Mary's Harbour Hydro, a partnership, has set its hand.

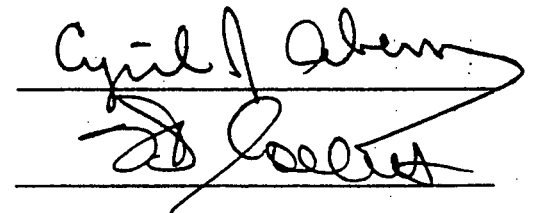
THE COMMON SEAL of The Board of Trustees of the Power Distribution District of Newfoundland and Labrador was hereunto affixed in the presense of:


Witness

SIGNED, SEALED AND DELIVERED
by Mary's Harbour Hydro,
a partnership, in the presence of:


Witness

THE BOARD OF TRUSTEES
OF THE POWER DISTRIBUTION
DISTRICT OF NEWFOUNDLAND
AND LABRADOR


Cyril J. Allen

MARY'S HARBOUR HYDRO


CHARLES SHEPPARD


ALLAN GREEN


REGINALD HEDGES

SCHEDULE "A"

Terms and Conditions for delivery of Electricity

Section 1 - Conditions of Supply

- 1.1 The Generator shall arrange for at its expense the connection between its facilities and PDD's Facilities. The Generator shall be financially responsible for the necessary modifications of PDD's Facilities to enable PDD to utilize the delivered Electricity, and for proper protection and safe operation arising from the connection.
- 1.2 The Generator shall assume financial responsibility for all power system components including transformation, switching and auxiliary equipment such as synchronizing and protection equipment deemed necessary by PDD on the Generator's side of the Point of Delivery.
- 1.3 It is agreed that PDD may require the Generator to follow appropriate operating procedures not substantially different to those procedures followed for PDD's own generators. Operating procedures amongst others will provide for routine switching operations for example, for schedule maintenance or for emergencies including forced outages and unexpected contingencies as well as a line of communication between PDD and the Generator. These procedures are to enable PDD to exercise control when needed over the flow of Electricity

from the Generator. PDD will provide the Generator with copies of the operating procedures and revisions or additions.

- 1.4 Except for abnormal operating conditions, variations from any nominal frequency or nominal voltage shall not exceed appropriate ranges of tolerable values. The Generator shall be responsible for installing protective equipment to protect its own property and operations from variations in frequency and voltage or from temporary delivery of other than three (3) phase power. In no event shall PDD be liable to the Generator for any loss, damage or injury resulting directly or indirectly from variations in frequency or voltage or for temporary delivery of other than three (3) phase power or any of them.

- 1.5 The Generator agrees to provide suitable transforming equipment and all other electrical equipment from the Point of Delivery of the Electricity, including electrical equipment PDD deems necessary from time to time during the continuance of this Agreement, for the safety and security of the operation of PDD's Facilities. All of the said equipment of the Generator shall be subject to the approval of PDD and shall be installed, maintained and operated in a manner satisfactory to PDD. Until such approval has been given, PDD shall not be bound to receive or supply any

Electricity under this Agreement or, if receipt or supply has commenced, to continue same.

1.6 The Generator shall operate in such a manner so as not to cause disturbance or fluctuations to PDD's Facilities, or interference with communication systems or control circuits of PDD or of any third party. The Generator shall take remedial measures at its own expense by way of installing suitable apparatus or otherwise as may be necessary to reduce any disturbance or fluctuations or any interference with the communication systems or control circuits to a tolerable level. In any event, the Generator shall indemnify PDD and Hydro from all claims and demands made against either PDD or Hydro by any third party in consequence of failure of the Generator to perform its obligations under this Section.

1.7 Where PDD has installed on its Facilities equipment for automatic reclosing of circuit breakers after an interruption of the supply of Electricity it shall be the obligation of the Generator to provide at its own expense, adequate protective equipment for all its facilities that might be adversely affected by such reclosing equipment, and as well, such equipment as may be required for the prompt disconnection of any of the Generator's apparatus that might affect the proper functioning of the reclosing equipment.

PDD will co-operate with the Generator and use its best endeavours with a view to mutual agreement as to the reclosing time of the equipment, but failing such agreement, the decision of PDD as to that time shall be final.

1.8 The Generator agrees to provide free of charge or rent a convenient and safe space for the meters and other service entrance equipment of PDD on or in the Generator's premises and further agrees that no one who is not a properly authorized agent of PDD or otherwise lawfully entitled to do so shall be permitted or suffered to repair, remove, inspect or tamper with any of the said meters and equipment and that the properly authorized agents of PDD shall, at all reasonable hours, have the right to read, inspect, repair, replace and remove any of the said equipment and have free access for that purpose of the said premises.

1.9 PDD may from time to time make tests to determine the electrical characteristics of the Generator's supply of Electricity and may install and use meters and equipment which it deems necessary.

Section 2 - Contract Performance

2.1 If at any time the Generator fails to perform any of its obligations affecting operation under this Agreement

including failing to operate as required by this Agreement or by any operating procedures, then PDD may give notice thereof to the Generator, which notice may be given by telephone to an employee of the Generator by an employee of PDD and the Generator shall immediately remedy the said failure. In case of continued failure for more than fifteen (15) minutes after the notice, PDD may discontinue the receipt of all Electricity or any part thereof and shall not be obliged to resume receipt of Electricity until the Generator has remedied the failure. The Generator shall designate in writing to PDD the name of the employee to whom notices under this Section are to be given, and in default of such designation or in the event of said employee not being immediately available to receive any such notice, the Generator agrees the notice may be given by telephone or otherwise to any other employee of the Generator.

- 2.2 If the Generator fails to perform any obligations under this Agreement, PDD may give written notice to the Generator that unless the obligation is completely fulfilled within a specified period after mailing of the notice, PDD shall discontinue the receipt of Electricity. If the Generator continues in default in respect of the obligation beyond the period specified in the notice, PDD may discontinue the receipt of Electricity and may refuse to resume receipt of Electricity until the Generator has fulfilled its

obligation. The right to discontinue the receipt of Electricity in this Section is in addition to and not in limitation of any other right provided elsewhere in this Agreement to discontinue the receipt of Power for failure of the Generator to perform a particular obligation.

2.3 Notwithstanding that PDD may have discontinued the receipt of Electricity to the Generator by reason of failure by the Generator to perform any of its obligations under this Agreement, or that PDD has discontinued receipt of Electricity upon the request of the Generator, such discontinuance shall not be construed as a breach of contract by PDD to receive Electricity from the Generator under this Agreement, nor shall such discontinuance relieve the Generator from its obligations to deliver Electricity in accordance with the provisions of this Agreement, and such provisions shall continue in force until termination of the Agreement, unless PDD otherwise agrees in writing.

2.4 Either party shall have the right to interrupt the supply or receipt of Electricity at any time to the extent necessary to safeguard life or property or for the purpose of construction, maintenance, operations, repair, replacement or extension of their equipment or works. Either party shall limit the duration of such interruptions as much as practicable and, except in emergencies, shall give to the

other party adequate warning of its intention to interrupt the supply or receipt of Electricity.

- 2.5 If the Generator's inability to make Electricity available or PDD's inability to take Electricity is in either case attributable to an Uncontrollable Event or the Electricity is interrupted by the Generator, or PDD for any of the purposes described in Section 2.4, then no party shall be liable to the other for damages or breach of contract. The term "Uncontrollable Event" shall be deemed to be a cause reasonably beyond the control of either the Generator, or PDD which inability includes but without limitation, strike of the Generator's, or PDD's employees, damage or destruction by the elements, fire, explosion, war, the Queen's enemies, legal acts of the public authorities, insurrection, Act of God, or inability to obtain or transport essential services, materials, products or equipment because of the effect of similar causes on the Generator's, or PDD's suppliers or carriers, accident to the electrical generation or delivery system including PDD's Facilities.

SCHEDULE "B"

Section 1 - Pricing

1.1 The unit price (cents per kilowatthour) which PDD will pay for Electricity will be based on a "Share - The - Savings" principle. An example of the "Share-The-Savings" principle is:

| | | |
|---|---|-----------------|
| Generator's cost of supply | - | 8.00 cents/kWh |
| PDD's incremental cost of diesel generation in Mary's Harbour | - | 12.00 cents/kWh |
| Difference to be shared | - | 4.00 cents/kWh |
| Share-The-Savings price | - | 10.00 cents/kWh |

The upper limit on the unit price which PDD will pay for Electricity is 90% of PDD's incremental cost of diesel generation in Mary's Harbour.

PDD's "incremental cost of diesel generation" for its Mary's Harbour diesel generating facilities shall be calculated in the following manner:

PDD's Incremental
Cost of Diesel Generation

Total Annual Fuel Cost
(Total Number of Litres
of Fuel Consumed x Plant
Efficiency).

PDD will provide the Generator with a statement of the actual cost of fuel consumed for its Mary's Harbour diesel generating facilities.

The term "plant efficiency" (of PDD's Mary's Harbour diesel generating facilities) for the immediately preceding year is the greater of either:

- (a) 3.00 kWh/litre of fuel (actual plant efficiency for the year 1987); or
- (b) The total number of kWh produced at PDD's Mary's Harbour diesel generating facilities in the preceding year divided by the total number of litres of fuel consumed at PDD's Mary's Harbour diesel generating facilities in the preceding year.

The Generator shall provide to PDD, no later than January 31st of each successive year, an annual audited statement showing the details of its cost of supply. The Generator's cost of supply is to be determined using generally accepted accounting principles in Canada.

The Generator's cost of supply, PDD's incremental cost of diesel generation in Mary's Harbour and the unit price which

PDD will pay for Electricity shall be updated annually, on a calendar basis, and are to be updated by February 15th of each successive year. If it is impossible to do so before the February 15th deadline, the figures for the preceding year are to be utilized and after the updating process is completed, the necessary retroactive adjustments shall be made. If however the updating process is not completed by July 31st, the decision or decisions of PDD shall be final and binding upon the Generator.

The Generator shall provide to PDD an annual audited statement showing details of its cost of supply. PDD will provide the Generator with a statement of its fuel costs for its Mary's Harbour diesel generating facilities.

- 1.2 For the year 1988 the unit price which PDD will pay for Electricity shall be determined by the following formula:

| | |
|--|----------------|
| Generator's estimated cost of supply | 6.43 cents/kWh |
| PDD's incremental cost of diesel generation in Mary's Harbour | 9.05 cents/kWh |
| Difference to be shared | 2.62 cents/kWh |
| Share-The-Savings price | 7.74 cents/kWh |

The formula set out in this Section 1.2 of Schedule "B" contains an estimate for the Generator's cost of supply for the year 1988. When the actual Generator's cost of supply for the year 1988 are determined, it is hereby agreed that the necessary retroactive adjustments shall be made (the actual figures will replace the estimates in the formula).

The actual Generator's cost of supply for the year 1988 are to be determined from an annual audited statement showing the details of the cost of supply for the year 1988. The statement shall be provided to PDD no later than January 31st, 1989. The actual Generator's cost of supply for the year 1988 shall be determined by February 15th, 1989. If it is impossible to do so before the February 15th, 1989 deadline, the decision or decisions of PDD shall be final and binding upon the Generator.

- 1.3 For the period of time between the Commencement Date and December 31st, 1987 the formula set out in Section 1.2 of Schedule "B" shall apply for determining the unit price which PDD will pay for Electricity.

SCHEDULE "C"

Generation Characteristics

Legal Name of Owner: Charles Sheppard, Allan Green, and
Reginald Hedges operating and trading as
a partnership under the style and firm
name of "Mary's Harbour Hydro".

Generator: Mary's Harbour Hydro

Location: Mary's Harbour, Labrador

Nominal Voltage at
Delivery Point: 4160 Volts

Type of Generator: Synchronous - 3 phase, 600 Volts

Generator Nameplate
Rating: 175 kW at .8 power factor

Mailing Address: Mary's Harbour Hydro
P.O. Box 1086
Clareville, Newfoundland
A0E 1J0

Person Designated to
Receive Notices: Charles Sheppard

Mailing Address if
different from above: N/A