

1    Q.    What is the basis upon which Hydro paid for surplus energy from CBPPL and  
2           ACCC each of 1995 - 2002?

3

4

5    A.    Hydro paid for the surplus energy in accordance with agreements with these  
6           customers. The agreement with Corner Brook Pulp and Paper was signed  
7           on May 13, 1977 between Bowater Power Company Limited and Hydro. The  
8           agreement with Abitibi Consolidated Company of Canada was signed June  
9           23, 1982 and amended on June 20, 1995. Copies of these agreements are  
10          attached. The rate paid to Corner Brook Pulp and Paper was established by  
11          Public Utility Board order number P.U. 24 (1988).

THIS AMENDMENT OF AGREEMENT made at St. John's in the Province of Newfoundland on this 20<sup>th</sup> day of June, A.D., 19945

BETWEEN:

NEWFOUNDLAND AND LABRADOR HYDRO, a statutory body corporate organized and existing pursuant to the Hydro Corporation Act being Chapter H - 16 of the Revised Statutes of Newfoundland, 1990 (hereinafter called "Hydro") of the first part;

AND:

ABITIBI-PRICE INC., a body corporate organized and existing under the laws of Canada (hereinafter called the "Customer") of the other part;

WHEREAS on the 23rd day of June 1982 the parties hereto entered into an agreement for the sale of Power and Energy from Hydro to the Customer (hereinafter called the "Power Contract") which Power Contract was an amendment to and consolidation of previous agreements between the parties for these purposes;

AND WHEREAS the Customer has acquired a small hydro-electric generating plant in the vicinity of the Town of Buchans and the parties wish to amend the Power Contract to effect the changes which are appropriate and necessary to accommodate this additional generating capacity of the Customer;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and consideration herein set out, the parties hereto covenant and agree as follows:

1. The whole of Article 10, including the title thereto, is deleted and the following is substituted therefor:

ARTICLE 10

SUPPLY OF POWER AND ENERGY BY CUSTOMER

10.01 *The Customer may from time to time have surplus energy available from its generating facilities at Grand Falls. Hydro shall wheel such surplus energy to the Customer's Papermill in Stephenville.*

10.02 *In addition, the Customer operates a small hydro-electric generating plant situate at Buchans. The amount of Power and Energy generated from the Buchans plant, as it exists*

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as of the date of this amendment, shall be wheeled by Hydro through its system to the Customer at Grand Falls.

10.03 From time to time the Energy delivered by the Customer at Buchans may be in excess of the needs of the Customer at Grand Falls. At such times Hydro shall wheel such excess to the Customer's Papermill in Stephenville.

10.04 The amount of Power and Energy delivered to Grand Falls or Energy delivered to Stephenville will be the amount supplied by the Customer at Buchans or Grand Falls, or both, less the average percentage losses on the Hydro system as determined for the year previous. The percentage will be rounded off to the nearest whole percentage point above that determined.

10.05 Energy supplied by the Customer at Buchans for transfer to the Customer at either Grand Falls or Stephenville, or supplied at Grand Falls for transfer to Stephenville, shall be wheeled through Hydro's system for a wheeling charge to be approved from time to time by the Board of Directors of Hydro, or such regulatory authority as may be empowered to approve such charge.

10.06 The Customer may from time to time have Energy surplus to its requirements at both the Grand Falls and Stephenville Papermills and Hydro may agree to take such Energy on an interruptible basis. Hydro will pay the Customer for such surplus Energy not required by the Customer at Grand Falls or Stephenville at a rate prescribed in Clause 10.07.

10.07 For Surplus Energy the rate shall be based upon the average cost of Bunker "C" Fuel in storage for the previous month at Hydro's Holyrood Thermal Plant as per the following formula:

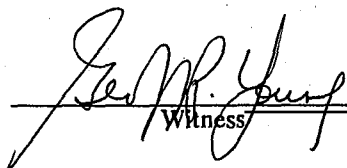
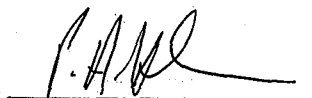
$$\begin{aligned}
 \text{Mill Rate} &= \frac{\text{Cost/Bbl. of Bunker C}}{\text{BTU's/Bbl. of Bunker C}} \times \text{BTU/KWh} \times \frac{\text{Electric Boiler Eff.}}{\text{Oil Fired Boiler Eff.}} \times 1000 \\
 &= \frac{\text{Cost/Bbl. of Bunker C}}{6,300,000} \times 3413 \times \frac{95}{.84} \times 1000 \\
 &= \text{Cost of Bbl. of Bunker C} \times .61
 \end{aligned}$$

2. Save as is expressly provided herein, all other provisions of the Power Contract shall continue in full force and effect.

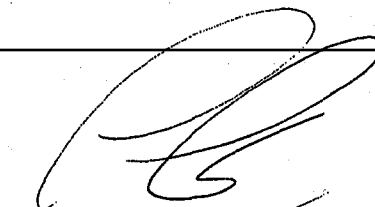
- 3 -

IN WITNESS WHEREOF Newfoundland and Labrador Hydro and Abitibi-Price Inc. have  
each executed this Agreement by causing it to be executed in accordance with their by-laws  
or regulations and by their duly authorized officers or agents, the day and year first above  
written.

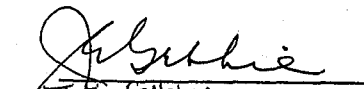
THE CORPORATE SEAL of  
NEWFOUNDLAND and  
LABRADOR HYDRO was  
hereunder affixed in  
the presence of:

  
Witness

DULY EXECUTED by  
ABITIBI-PRICE INC.  
in accordance with its Regulations  
or By-Laws in the presence of:



D.L. Loretto  
Executive Vice President

  
Witness  
J.E. Gribble  
Assistant Secretary

SCHEDULE "B"  
POWER CONTRACT

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*MS*

THIS AGREEMENT made this *13<sup>th</sup>* day of *May* Anno Domini, One  
Thousand Nine Hundred and Seventy-Seven.

BETWEEN:

THE BOWATER POWER COMPANY LIMITED,  
a body corporate, incorporated under  
the laws of the Province of Newfound-  
land and having its registered head  
office at the Town of Deer Lake in  
the said Province, hereinafter called  
"Bowater Power"

the party of the first part

AND:

NEWFOUNDLAND AND LABRADOR HYDRO  
ELECTRIC CORPORATION, a body corporat  
created by and existing under The  
Newfoundland and Labrador Power  
Commission Act, 1965, renamed and  
continued under the Newfoundland  
and Labrador Hydro Act, 1975, having  
its head office at the City of St.  
John's in the Province of Newfound-  
land, hereinafter called "Hydro"

the party of the second part

AND AS INTERVENOR:

BOWATER NEWFOUNDLAND LIMITED, a body  
corporate, incorporated under the  
laws of the Province of Newfoundland  
and having its registered head office  
at the City of Corner Brook in the  
said Province, hereinafter called  
"the Intervenor"

of the third part

WHEREAS by Order No. 43 (1976) of the Board of Commissioners of  
Public Utilities (the "Board") the Board granted approval to  
Bowater Power subject to the conditions set forth in the said  
Order:

- (a) to sell certain of its assets.
- (b) to discontinue electrical services to all of its  
customers other than Bowater Newfoundland Limited.
- (c) to sell to the Purchaser of the said assets its surplus power.

AND WHEREAS Bowater Power, Newfoundland Light & Power Co. Limited  
("Light & Power") and Hydro have carried on negotiations as a  
result of which Bowater Power and Hydro have entered into an

agreement for the sale of a portion of the said assets and are desirous of entering into this agreement for the sale of secondary energy.

NOW THIS AGREEMENT WITNESSETH that for and in consideration of the mutual covenants hereinafter contained the parties hereto HEREBY MUTUALLY COVENANT PROMISE AND AGREE each with the other as follows:

1. Existing Contracts:

1.1 The parties hereto and the Intervenor agree that the termination of existing contracts between Bowater Power and Light & Power by agreement bearing even date herewith does not constitute a circumstance which would give rise to the exercise by either Bowater Power or the Intervenor of its or their right to reduce the amount of first block power which they take from Hydro under the terms of their contracts with Hydro dated January 1, 1969, and to that extent and only that extent the Intervenor intervenes in and is a party to this agreement.

2. Surplus Secondary Energy:

2.1 Bowater Power will from time to time have amounts of secondary energy available on an intermittent basis. The amounts will depend upon run-off, reserve capacity, or arise as a result of a reduction or cessation of the operations of the paper mill at Corner Brook.

Subject to its obligation to supply firm power to Light & Power under the terms of an agreement bearing even date herewith, Bowater Power agrees to offer for sale to Hydro all such secondary energy as is from time to time at the sole discretion of Bowater Power surplus to Bowater Power's own requirements and to the manufacturing operations of Bowater Newfoundland Limited or its subsidiaries or as a reasonable reserve for further development of such operations as determined in accordance with the Board's Order Number 43 (1976) hereinafter referred to as the "secondary energy".

- 2.2 Bowater Power agrees to give Hydro annual estimates of the amounts of secondary energy which it expects to be available for sale to Hydro and to give prompt notice of any major changes in the amounts available which may occur from time to time.
- 2.3 Upon receipt of the annual estimate or of any change therein referred to in paragraph 2.2 herein Hydro shall promptly give to Bowater Power an estimate of the amount of such secondary energy that it expects to purchase.
- 2.4 If Hydro is unable or unwilling to promptly take such secondary energy as Bowater Power from time to time has available Bowater Power may sell at wholesale (or to Bowater Newfoundland Limited) such amount of such secondary energy as Hydro does not take to persons other than Hydro.

3. Calculation of Amount of Secondary Energy:

- 3.1 The amount of secondary energy available under this agreement is a function of run-off, reserve capacity and unforeseen reductions in the requirements of Bowater Newfoundland Limited. The contractual commitments of Bowater Power and Bowater Newfoundland Limited to purchase firm power and energy from Hydro and of Bowater Power to sell firm power and energy to Light & Power are factors determining the method of calculating the amount of secondary energy.

- 3.2 The amount of secondary energy delivered each month hereunder shall be determined as follows:

\*  
The firm energy sold by Hydro to Bowater Power and Bowater Newfoundland Limited (20 MW at 90% Load Factor), plus the energy metered at the delivery points number 1 to 4 as set out in Schedule I to the Power Contract between Bowater Power and Light & Power bearing even date herewith and attached hereto as Schedule I, minus the firm energy sold by Bowater Power to Light & Power as set out in Schedule II to the Power Contract between Bowater Power and Light & Power bearing even date herewith and attached hereto as Schedule II and committed annually on or before the 31st day of December in each year, three years in advance, plus or minus

Power flowing from Bowater Power's system to Hydro's system as identified at the metering point set out in Schedule III is to be considered a plus quantity and vice versa.

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If the determined quantity is positive, secondary energy is being supplied to Hydro. If the determined quantity is negative, power in excess of the 20 MW at 90% Load Factor is being supplied to Bowater Power and Bowater Newfoundland Limited and in such event:

(a) Hydro shall not by reason thereof incur any obligation to continue such excess supply, and

(b) Bowater Power and Bowater Newfoundland Limited shall use their best endeavours to eliminate their excess take; and

(c) Bowater Power and Bowater Newfoundland Limited shall pay to Hydro for such excess power supplied an amount equal to Hydro's established rate for industrial customers.

4. Rate:

4.1 The rate for secondary energy to be delivered hereunder shall be such rate as may from time to time be approved by the Board.

Subject to the approval of the Board the parties hereto agree that once approved the rate shall remain firm for a period of at least twelve (12) months and may, at the option of either party hereto, be adjusted annually to reflect differences in the cost of Bunker C fuel at Corner Brook on May 12, 1977, and the cost of Bunker C fuel at Corner Brook on May 12th of each subsequent annual period.

5. Emergency Service:

5.1 After the date of closing of the agreement for the sale of assets made between the parties hereto, at the request of Hydro, Bowater Power will provide emergency service to Hydro within the limitations imposed by the available power generation facilities and contracts for the purchase of power. Hydro will pay for such service at the cost of providing the same.

6. Sharing of Facilities:

6.1 The parties hereto accept the principle that the maximum use of each other's facilities should be made for the most efficient and economical provision of power and energy to consumers in the Province and to



that end agree to co-operate in the use of each other's storage and transmission facilities where such use will not adversely affect the interests of the party whose facilities are being used.

7. Public Utility Board Approval:

7.1 Secondary energy supplied by Bowater Power to Hydro after the date of closing of the agreement for the sale of assets made between the parties hereto shall be on the terms and conditions set down in this agreement with such modifications as the Board has authority to and does order.

8. Delivery Points:

8.1 Bowater Power will deliver the secondary energy referred to herein to Hydro at the delivery points and at such voltages and frequencies as are specified in Schedule III attached hereto or such further or other points as may be agreed upon between the parties hereto.

9. Term of Agreement:

9.1 Subject to the necessary approvals being obtained for the agreement of sale referred to in the second recital hereof this agreement shall commence upon the date of closing for the agreement for the sale of assets made between the parties hereto and shall continue in full force and effect until terminated by order of the Board or by mutual agreement between the parties hereto.

10. Billing and Conditions of Payments:

10.1 Billing shall be on a monthly basis. All payments for secondary energy supplied hereunder shall be made by Hydro in monthly instalments. Payments shall be made within thirty days from the date of invoice for secondary energy delivered during the course of the proceeding month. All payments shall be made without deduction for any claim or counterclaim which Hydro may have or claim to have against Bowater Power arising under this

agreement or otherwise and shall be made at the offices of Bowater Power in lawful money of Canada.

10.2 Hydro shall pay interest on all amounts overdue hereunder at the prime bank rate in effect during the period amounts are overdue plus one percent. Interest shall be calculated from the date such amounts should have been paid provided that no interest shall be payable on disputed amounts unless the dispute shall have been resolved in favour of Bowater Power.

10.3 In the event that Hydro pays and successfully disputes all or a portion of the payment Bowater Power shall repay the successfully disputed amount together with interest at the prime bank rate in effect during the period of the overpayment plus one percent.

11. Right-of-way:

11.1 Hydro hereby grants to Bowater Power, without compensation therefor, the right to construct transmission lines and accessory apparatus on locations approved by Hydro, on, under or over its property for the purpose of serving Hydro, with the right to access thereto at all times for the construction, maintenance or removal of such lines and apparatus.

12. Purchaser Responsible for Bowater Power Transmission Lines and Apparatus on its Premises:

12.1 All transmission lines and apparatus of Bowater Power furnished and installed by it on Hydro's premises remain the property of Bowater Power and may be removed by Bowater Power on the expiration or other termination of this agreement.

If any of the transmission lines and apparatus of Bowater Power installed on Hydro's premises are destroyed or damaged by fire or from any other cause, other than ordinary wear and tear, Act of God, or negligence of the servants or agents of Bowater Power, Hydro shall

reimburse Bowater Power for the cost of replacement or repair thereof.

13. Bowater Power Relieved of Responsibility for Damages:

13.1 For secondary energy delivered under this contract

Hydro shall, beyond the point of delivery, indemnify and hold Bowater Power harmless with respect to any and all claims, demands, actions and causes of action that may be made for injuries or damages to persons and property, caused in any manner whatsoever by electric circuits or apparatus of any kind whether owned by Bowater Power or by Hydro unless such injuries or damages are caused by gross negligence on the part of the employees or agents of Bowater Power.

13.2 Bowater Power shall indemnify and hold Hydro harmless with respect to any and all claims, actions, costs and expenses that may be made for injuries or damages to persons or property caused in any manner whatsoever by electric current and by the presence and the use on Bowater Power's premises of electric circuits or apparatus whether owned by Hydro or by Bowater Power, unless such injuries or damages are caused by gross negligence on the part of the employees of Hydro.

14. Temporary Suspension of Agreement:

14.1 If at any time during the continuance of this agreement the operation of the systems of either party is suspended in whole or in part by reason of war, invasion, rebellion, civil disturbances, serious epidemics, Queen's or public enemies, storms, floods, droughts, Acts of God, or ice or low water, fire, or other cause of a similar nature beyond the control of either party, the parties whose operations are so suspended shall not be required to take or to supply power as the case may be until the cause of such suspension has been removed. In every such event the party whose operations are so suspended shall use all reasonable diligence to remove the cause of suspension.

15. Meters

15.1 The metering equipment and meters to register the amount of secondary energy to be taken by Hydro hereunder shall be provided in such a manner as to register the total amount of secondary energy taken by Hydro. The meters associated with delivery points 1 to 4, Schedule I attached hereto, will be provided and intalled by Bowater Power to accurately measure the quantities of power and energy delivered at these points. The meter associated with delivery point number 1 of Schedule III attached hereto will be provided and installed by Hydro and the meters associated with delivery points number 2 and 3 of Schedule III attached hereto, will be provided and installed by Bowater Power to accurately measure the power and energy flows between the two systems. Authorized employees of Hydro shall at all reasonable times have the right of access for the purpose of reading and inspecting such meters.

15.2 Should any of the meters fail to register accurately Bowater Power may, at its option, in the case of delivery points 1 to 4, Schedule I attached hereto, determine quantities supplied during the periods of alleged failure by estimating them to be similar to a corresponding term immediately succeeding or preceding the period of alleged inaccurate registration or during a corresponding term the previous year or on the basis of quantities established by available evidence. In the case of the delivery points referred to in item 5 of Schedule I attached hereto, it will be necessary to use quantities recorded by check meters to determine the amount of secondary energy delivered by Bowater Power.

15.3 Hydro shall have the right at its own expense to install, equip and maintain check meters adjacent to Bowater Power's meters.

16. Frequency and Voltage:

16.1 Bowater Power will use reasonable efforts to prevent a greater variation in frequency than 2% above or below normal, or in voltage than 4% above or below normal, but any variation greater than either of these percentages caused by load conditions on Bowater Power equipment shall not give rise to any claim by Hydro against Bowater Power for damages in any form.

17. Arbitration:

17.1 All claims or counterclaims which Hydro may have or claim to have against Bowater Power arising hereunder shall be submitted in writing to Bowater Power before the last day of the month following the month in which the claim arose, otherwise Hydro shall be deemed to have waived all rights for the recovery of such claim or claim. If any such claim so made is not agreed to by both parties, the matters in dispute shall be submitted, within two (2) months from the time the claim was submitted, for decision to a Board of three arbitrators, one to be named by each party to the agreement and the third to be named by the two so chosen. The decision of any two members of the Board shall be final and binding upon both parties.

The charges of the third appointee, who shall be the Chairman of the Board, shall be borne by the losing party, and parties shall bear the costs or charges of their own appointees.

If the two 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 Supreme Court of Newfoundland or a Judge thereof. The period of delay for appointment by the parties of their respective nominees shall be seven (7) days after notification by the other of its nominee and for agreement by the two nominees on the chairman shall be ten (10) days.

18. General:

18.1 Any notice to be given to either of the parties hereto shall be mailed by registered mail, postage prepaid, telexed or hand delivered to:

Bowater Power Company Limited  
Deer Lake  
Newfoundland

and

Newfoundland and Labrador Hydro  
Philip Place  
St. John's, Newfoundland

or such other address as either party may by written notice to the other substitute therefore and shall be deemed to have been given on the third day after posting or on the day after it being telexed or hand delivered.

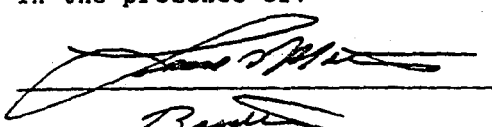
18.2 This agreement shall be deemed to have been made in and shall be construed in accordance with the laws of the Province of Newfoundland.

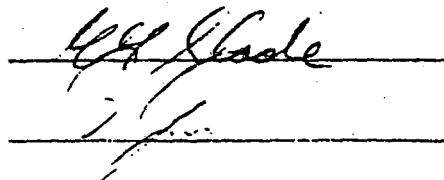
18.3 This agreement, including the schedules hereto, constitutes the entire agreement between the parties. There are not and shall not be any verbal statements, representations, warranties, undertakings or agreements between the parties. This agreement may not be amended or modified in any respect except by written instrument duly executed by the parties hereto.

18.4 This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have hereunto caused these presents to be executed in accordance with their respective corporate and statutory requirements the day and year first before written.

THE CORPORATE SEAL of Bowater Power Company Limited was hereunto affixed and these presents executed by its authorized signing officers in the presence of:

  
Bawter

  
Philip Place

THE CORPORATE SEAL of The  
Newfoundland and Labrador  
Hydro Electric Corporation  
was hereunto affixed and  
these presents executed by  
its authorized signing  
officers in the presence of:

Frederick A. Binkley  
Barrister

THE CORPORATE SEAL of Bowater  
Newfoundland Limited was hereunto  
affixed by its authorized signing  
officers in the presence of:

[Signature]  
Barrister

L. O'Keefe  
[Signature]

[Signature]  
P. D. Bunsen

DELIVERY POINTS TO LIGHT & POWER ON DATE OF CLOSING

1. The disconnect switch structure forming a part of Line Number 5 on the eastern bank of Junction Brook.
2. Deer Lake on the incoming feeder of Bowater Power Substation Number 3 supplying 50 HZ retail power to customers on Hospital Square. At 50 HZ and 6.0 KV.
3. Corner Brook at the 66 KV 50 HZ bus of the North Star Substation supplied from Bowater Power's transmission Line Number 4. At 50 HZ and 66 KV.
4. Pasadena at the 66 KV 60 HZ bus of Light & Power's Substation supplied from Bowater Power's transmission Line Number 1. At 60 HZ and 66 KV.
5. Delivery to the totalized supply point to Hydro from Bowater Power being the combined delivery points numbered 1, 2 and 3 in Schedule III to the Power Contract between Newfoundland Hydro and Bowater Power bearing even date herewith and attached hereto as Schedule III.



SCHEDULE II

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Surplus Power for the period  
From May 13, 1977 to December 31, 1980

		<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total firm surplus		27.2 MW	23.6 MW	21.2 MW	17.2 MW
Energy at 50% LF (gWh)		119.14	103.37	92.86	75.34
Month	% of Annual	1977 (gWh)	1978 (gWh)	1979 (gWh)	1980 (gWh)
January	11.12	13.25	11.49	10.33	8.38
February	10.37	12.35	10.72	9.63	7.81
March	10.24	12.20	10.58	9.51	7.71
April	8.49	10.10	8.78	7.88	6.39
May	7.40	8.82	7.65	6.87	5.58
June	5.79	6.90	5.99	5.38	4.36
July	5.26	6.27	5.44	4.88	3.96
August	5.41	6.45	5.59	5.02	4.08
September	6.03	7.18	6.23	5.60	4.54
October	8.32	9.91	8.60	7.73	6.27
November	9.79	11.67	10.12	9.09	7.38
December	<u>11.78</u>	<u>14.04</u>	<u>12.18</u>	<u>10.94</u>	<u>8.88</u>
	100.00%	119.14	103.37	92.86	75.34

SCHEDULE III

DELIVERY POINTS - HYDRO SYSTEM\*

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1. Hydro's Massey Drive 66,000 volt bus at Corner Brook.
  2. Hydro's 138,000 volt line termination at Bowater Power's generating station at Deer Lake.
  3. Hydro's 66,000 volt line termination at Bowater Power's generating station at Deer Lake.
- \* Demand and energy metering totalized and located at Bowater Power's Deer Lake control room.