

1 Q. Please provide any Service Level Agreements and/or service level metrics among
2 Nalcor entities.

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5 A. Please refer to Nalcor's response PUB-Nalcor-047. In addition, the following
6 agreements are provided:

7 1. PUB-Nalcor 167, Attachment 1: September 1, 1981 agreement between Hydro
8 and CFLCo regarding the 138 kV transmission line between Churchill Falls and
9 Happy Valley-Goose Bay;

10 2. PUB-Nalcor 167, Attachment 2: January 1, 2015 agreement between Hydro and
11 CFLCo regarding O&M services for two 230 kV between Churchill Falls and
12 Wabush Terminal Station;

13 3. PUB-Nalcor 167, Attachment 3: January 1, 2010 agreement between CFLCo and
14 Hydro regarding corporate services;

15 4. PUB-Nalcor 167, Attachment 4: January 1, 2010 agreement between CFLCo and
16 Nalcor regarding corporate services;

17 5. PUB-Nalcor 167, Attachment 5: November 29, 2013 services agreement
18 between LCMC and Nalcor; and

19 6. PUB-Nalcor 167, Attachment 6: June 25, 2015 services agreement between
20 LCMC and Hydro.

THIS AGREEMENT made at St. John's in the Province of
Newfoundland, as of the first day of
September, 1981

BETWEEN: NEWFOUNDLAND AND LABRADOR HYDRO-ELECTRIC CORPORATION, a corporation constituted by statute renamed and continued by the Act No. 3 of 1975, as amended, and having its head office at Philip Place, St. John's in the said Province (hereinafter called "Hydro") of the first part

AND: CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED, a company organized under the laws of Canada and having its head office in the City of St. John's aforesaid (hereinafter called "CF(L)Co") of the second part.

WHEREAS Hydro has constructed and installed a 138 kilovolt transmission line for the transmission of hydro-electric power between Churchill Falls and Happy Valley, in the Province of Newfoundland;

AND WHEREAS the terminal facilities of Hydro's said 138 kilovolt transmission line in Churchill Falls adjoin CF(L)Co's 230 kilovolt switchyard;

AND WHEREAS at the request of Hydro and subject to the provisions, terms and conditions of this Agreement CF(L)Co has agreed to provide operating and maintenance services for the said transmission line and facilities in the manner hereinafter set forth.

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

INTERPRETATION

1.01 In this Agreement, unless the context otherwise requires

- (a) "Hydro Transmission Facilities" means the 138 KV transmission line linking Churchill Falls

and Happy Valley in Labrador which was designed and constructed by Hydro for the transmission of power from Churchill Falls to Happy Valley and includes all terminal and communications facilities installed for use in connection with the said 138 KV transmission line, except the terminal facilities located at Happy Valley;

(b) "Maintenance Services" means the services to be performed by CF(L)Co under this Agreement in relation to the Hydro Transmission Facilities; and

(c) "Terminal Facilities" means the terminal facilities of the Hydro Transmission Facilities in Churchill Falls adjoining CF(L)Co's 230 KV switchyard.

1.02 All references to dollar amounts and all references to any other money amounts herein 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.

1.03 Words herein importing the singular number shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and neuter genders.

1.04 Where a word is defined anywhere in this Agreement, other parts of speech and tenses of the same word have corresponding meanings.

1.05 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.

1.06 Whenever this Agreement requires any notice to be given or request to be made on a Sunday or legal holiday, such notice or request 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.

1.07 The headings of all of the Articles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.08 Any reference in this Agreement to an Article or a Clause shall, unless the context otherwise specifically requires, be taken as a reference to an Article or a Clause of this Agreement.

1.09 This Agreement may be executed in two 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 and the same instrument.

ARTICLE 2

OBJECT

2.01.1 CF(L)Co shall provide in relation to the Hydro Transmission Facilities

- (a) supervision of the Hydro Transmission Facilities including, without limitation of the generality of the foregoing, the gathering of metering data and the keeping of logs, the formulation of operating procedures satisfactory to Hydro and the operation of the Hydro Transmission Facilities in accordance with those procedures;
- (b) routine maintenance and inspection of the Hydro Transmission Facilities carried out in such a manner and with such frequency as shall be satisfactory to Hydro and repairs reasonably required for maintenance whether or not such repairs are requested by Hydro and, if necessary, the purchase and warehousing of spare parts and tools reasonably required for the purposes of the Maintenance Services; and

- (c) all of such additional work and services, by way of replacement of parts and repair as well as maintenance, as are reasonably necessary to put and keep the Hydro Transmission Facilities in good working order and condition.

2.01.2 During the term of this Agreement, CF(L)Co shall also provide all of the supervision, maintenance, inspection and other works and services more particularly described in subclause (1) of this Clause 2.01 in relation to all of those extensions of the power system of CF(L)Co which are operated by Hydro on behalf of the Power Distribution District of Newfoundland and Labrador for the supply of power and energy

- (a) at Baikie Site to Newfoundland Telephone;
- (b) at Lobstick Lodge; and
- (c) at other points in the Churchill Falls area where power and energy are supplied from time to time to Hydro by CF(L)Co, pursuant to an Agreement between the parties hereto dated as of 1 September, 1976, as now or hereafter amended;

and all of the provisions of this Agreement shall mutatis mutandis apply in respect of such extensions of the power system of CF(L)Co, as if they were Hydro Transmission Facilities.

ARTICLE 3

TERM

3.01 Subject to Clause 3.02, the term of this Agreement shall run from the date hereof until and including the 31st. day of August, 1986.

3.02 This Agreement may be terminated by either of the parties hereto by ninety days notice in writing delivered to the other party hereto in accordance with Article 13.

ARTICLE 4

TIME OF PERFORMANCE

4.01.1 CF(L)Co shall perform the Maintenance Services in accordance with this Agreement.

4.01.2 The parties to this Agreement hereby agree that within thirty days after the execution and delivery of this Agreement, the Manager of Operations of each of the parties will jointly prepare a schedule prescribing details of the Maintenance Services to be furnished by CF(L)Co pursuant to this Agreement, and the said Managers may by mutual agreement amend the said schedule from time to time.

4.02 Notwithstanding anything to the contrary contained in this Agreement, CF(L)Co shall be entitled to give priority to its own operations and may reduce or suspend the Maintenance Services at any time, and from time to time, and for such periods when attention to its own operations or the discharge of any of its obligations whatsoever reasonably requires such reduction or suspension.

4.03 Whenever it is possible, CF(L)Co shall give Hydro reasonable written or other notice of any contemplated reduction or suspension of the Maintenance Services pursuant to Clause 4.02 and when that is not possible, CF(L)Co will inform Hydro of such reduction or suspension as soon as possible by oral and written communications and CF(L)Co will also inform Hydro orally and in writing of the cause of such reduction or suspension and the expected duration thereof.

4.04 CF(L)Co will use its best efforts to prevent any reduction or suspension referred to in Clause 4.02 and whenever the same shall occur to limit the duration thereof.

ARTICLE 5

LIAISON

5.01 Within ninety days after the execution and delivery of this Agreement, each of the parties hereto shall appoint and designate by written notice to the other a competent person to act on its behalf in the administration of this Agreement and the person so designated shall have authority to act for and make decisions on behalf of the party so designating him both with respect to foreseeable situations and emergencies that may arise from time to time.

5.02 Either of the parties to this Agreement may cancel the appointment and designation of any person made pursuant to Clause 5.01 and substitute another in his stead by notice to the other.

ARTICLE 6

CONSIDERATION

6.01 The consideration to be paid by Hydro to CF(L)Co for the Maintenance Services shall be calculated as follows:

- (1) For the services of persons who are ordinarily employed by CF(L)Co on its own operations and are engaged in working directly on the Hydro Transmission Facilities, an amount calculated at a rate equal to the prevailing CF(L)Co hourly wage rate for such persons, or the equivalent thereof for salaried employees, plus an overhead fee of ninety percent (90%) of such amount.
- (2) For the services of persons other than those ordinarily employed by CF(L)Co on its own operations who are engaged by CF(L)Co to work directly on the Hydro Transmission Facilities, an amount equal to their invoiced cost to CF(L)Co.

- (3) For materials and supplies used directly in rendering the Maintenance Services, an amount equal to their invoiced cost to CF(L)Co plus a sum equal to thirty-five percent (35%) thereof.
- (4) For the use of heavy mobile equipment including, without limitation of the generality of the foregoing, boom trucks, cranes, backhoes, large tracked vehicles and helicopters, an amount calculated at an hourly rate to be determined on an annual basis by mutual agreement of the parties hereto.

6.02 CF(L)Co shall render an account monthly to Hydro in respect of all sums required to be paid by Hydro under Clause 6.01.

6.03 All accounts received by Hydro from CF(L)Co shall be paid in full, without any abatement or setoff whatsoever, within thirty (30) days after the date on which such an account was rendered.

ARTICLE 7

PARTS AND TOOLS AND ACCESS TO TRANSMISSION FACILITIES

7.01 In order to enable CF(L)Co to render the Maintenance Services with promptness and efficiency, Hydro shall purchase and at all times keep in stock such spare parts and specialized tools as are from time to time reasonably required and requested by CF(L)Co.

7.02 All such spare parts and specialized tools shall be kept and stored in facilities to which CF(L)Co shall at all times have access.

7.03 CF(L)Co shall be entitled at all times to use such spare parts and specialized tools in the course of rendering the Maintenance Services.

7.04 CF(L)Co shall give notice in writing to Hydro each time it considers that the stock of spare parts and specialized tools requires to be replenished.

7.05.1 Before purchasing tools, spare parts or materials, CF(L)Co shall use, for the purposes of the Maintenance Services, all of the useable tools, spare parts and materials heretofore or hereafter passed over to it by Hydro for such purposes.

7.05.2 Subject to Clause 7.01 and subclause 7.05.1, CF(L)Co shall be entitled to order and obtain at the cost of Hydro and without Hydro's prior approval, all materials which may be reasonably necessary to maintain and repair the Hydro Transmission Facilities.

7.05.3 To the extent that time reasonably permits it, CF(L)Co will inform Hydro of all purchases of materials which it proposes to make pursuant to Clause 7.05.2, and in the event of loss of, or damage to major individual components of the Hydro Transmission Facilities, CF(L)Co shall inform Hydro of the same so that Hydro may decide whether such component should be repaired or replaced.

7.06 Upon the termination of this Agreement, CF(L)Co shall return to Hydro all tools, spare parts and materials furnished to it by Hydro or otherwise obtained by CF(L)Co pursuant to this Agreement for the purposes of the Maintenance Services.

ARTICLE 8

INDEMNIFICATION

8.01.1 Hydro shall indemnify and save CF(L)Co harmless from and against any and all claims, demands, actions and proceedings of whatsoever kind, made or taken by or on behalf of any third

party and arising out of the performance by CF(L)Co of the Maintenance Services, except all such claims, demands, actions or proceedings on account of or arising out of the negligence of CF(L)Co, its officers, employees, servants, agents or its contractor or sub-contractors.

8.01.2 CF(L)Co shall not be liable to Hydro for anything done by CF(L)Co in pursuance of this Agreement, except for a breach of this Agreement or the negligence of CF(L)Co, its officers, employees, servants, agents or its contractor or sub-contractors.

ARTICLE 9

RESPONSIBILITY

9.01 Hydro hereby assumes full responsibility for the design and specifications of the Hydro Transmission Facilities and for their suitability for the use to which they are to be applied and CF(L)Co makes no warranties with respect thereto and will not be responsible for such design or specifications.

9.02 Any suggestions made by CF(L)Co for changes in the design or specifications of the Hydro Transmission Facilities shall be submitted by CF(L)Co to Hydro for its approval but CF(L)Co shall assume no responsibility for any such changes approved by Hydro.

ARTICLE 10

MODIFICATION OF AGREEMENT

10.01 All previous communications between the parties hereto, either oral or written, with reference to the subject matter of this Agreement, are hereby abrogated and this Agreement shall constitute the sole and complete agreement of the parties hereto in respect of the matters herein set forth.

10.02 Any amendment to or change or modification of this Agreement shall be binding upon the parties hereto or either of them only if such amendment, change or modification is in writing and is executed by affixing to it the common seal of each of the parties to this Agreement in the presence of its duly authorized officers and in accordance with its regulations

or by-laws.

ARTICLE 11

SUCCESSORS AND ASSIGNS

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

ARTICLE 12

APPLICABLE LAW AND FORUM

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

ARTICLE 13

ADDRESS FOR SERVICE

13.01 Subject to Clauses 13.02 and 13.03, any notice, 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 may be delivered personally at, or by sending it by prepaid registered mail in the ordinary course addressed to if service is to be made

(a) on Hydro,

Newfoundland and Labrador Hydro,
Philip Place,
P.O. Box 9100,
St. John's, Newfoundland,
A1A 2X8

Attention: The Vice-President of Operations

(b) on CF(L) Co,

Churchill Falls (Labrador) Corporation Limited,
Philip Place,
P.O. Box 9200,
St. John's, Newfoundland,
A1A 2X9

Attention: The Vice-President of Operations
& Engineering.

13.02 Any notice, request or other instrument mailed as provided in Clause 13.01 shall be deemed to have been received by the party hereto to which it is addressed three (3) business days after the time of its being so mailed.

13.03 Either of the parties hereto may change the address to which a notice, request or other instrument may be delivered 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 in the manner prescribed in Clause 13.01 to such party at the new address.

IN WITNESS WHEREOF Newfoundland and Labrador Hydro and Churchill Falls (Labrador) Corporation Limited have each executed this Agreement by causing its common seal to be affixed hereto in accordance with its regulations or by-laws and in the presence of its duly authorized officers, the day and year first above written.

The Common Seal of
Newfoundland and Labrador
Hydro-Electric Corporation
was hereunto affixed in
the presence of:

Mandy P. Vitek
Witness

NEWFOUNDLAND AND LABRADOR
HYDRO-ELECTRIC CORPORATION

BY J. P. Henderson

AND J. M. Wright, Assistant Sec.

The Common Seal of
Churchill Falls (Labrador)
Corporation Limited was
hereunto affixed in the
presence of:

Maurice P. Greene
Witness

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

BY R. J. H. H.
V.P. FINANCE & C.F.D.

AND D. J. H. H.
PRESIDENT

THIS AGREEMENT made at St. John's in the Province of Newfoundland and Labrador as of the 1st day of January, 2015.

BETWEEN: **NEWFOUNDLAND AND LABRADOR HYDRO**, a corporation and an agent of the Crown constituted by statute, renamed and continued by the Hydro Corporation Act, 2007, Statutes of Newfoundland and Labrador 2007, Chapter H-17, (hereinafter called "Hydro") of the First Part;

AND: **CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**, a company organized under the laws of Canada and having its head office in the City of St. John's in the Province of Newfoundland and Labrador (hereinafter called "CFLCo") of the Second Part

WHEREAS Hydro has sublet two 230 kV transmission lines and related transmission facilities between Churchill Falls and the Wabush Terminal Station in Labrador in the Province of Newfoundland and Labrador;

AND WHEREAS at the request of Hydro and subject to the provisions, terms and conditions herein, CFLCo has agreed to provide operating and maintenance services for the said transmission facilities in the manner hereinafter set forth.

NOW 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 **INTERPRETATION**

- 1.01 In this Agreement, wherever they occur and unless the context otherwise requires,
- (a) "Operation and Maintenance Services" means the services to be performed by CFLCo for Hydro under this Agreement with respect to the Transmission Facilities;
 - (b) "Transmission Facilities" means the two 230 kV transmission lines linking the Churchill Falls generating station and switchyard to the Wabush Terminal Station and includes all terminal, protection and control, and communication facilities installed for use in connection with the said 230 kV transmission lines and located at either the Wabush Terminal Station or the CFLCo 230 kV switchyard;

- (c) "Wabush Terminal Station" means the step-down station owned by Twin Falls Power Corporation Limited until December 31, 2014 and situated near Wabush Lake, in the Town of Wabush, Labrador.
- 1.02 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.
- 1.03 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.
- 1.04 Where a word is defined anywhere in this Agreement, other parts of speech and tenses of the same word have corresponding meanings.
- 1.05 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. Whenever this Agreement requires any notice to be given or a request to be made on a Saturday, Sunday or holiday recognized by either of the Parties in running their business, such notice or request 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 Saturday, Sunday or holiday recognized by either of the Parties in running their business, such time will continue to run until the next succeeding business day.
- 1.06 The headings of all the articles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.07 Any reference in this Agreement to an Article, a Clause, a subclause or a paragraph shall, unless the context otherwise specifically requires, be taken as a reference to an article, a clause, a subclause or a paragraph of this Agreement.
- 1.09 This Agreement may be executed in two 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 and the same instrument.

**ARTICLE 2
OBJECTS**

- 2.01 CFLCo shall provide in relation to the Transmission Facilities
- (a) supervision of the Transmission Facilities including, without limitation of the generality of the foregoing, the gathering of metering data and the keeping of logs, the formulation of operating procedures satisfactory to Hydro and the operation of the Transmission Facilities in accordance with those procedures;
 - (b) routine maintenance and inspection of the Transmission Facilities carried out in such a manner and with such frequency as shall be satisfactory to Hydro, and routine maintenance whether or not such repairs are requested by Hydro and, if necessary, the purchase and warehousing of spare parts and tools reasonable required for the purposes of the Operation and Maintenance Services; and
 - (c) all such additional work and services, by way of replacement of parts and repair as well as maintenance, as are reasonably necessary to keep the Transmission Facilities in good working order and condition.

**ARTICLE 3
TERM**

- 3.01 The Term of this Agreement shall run from January 1, 2015 to June 30, 2015.
- 3.02 This Agreement may be terminated or its Term extended by agreement of the parties hereto, in accordance with the requirements of Clause 10.02.

**ARTICLE 4
PERFORMANCE**

- 4.01 (a) CFLCo shall perform the Operation and Maintenance Services in accordance with this Agreement.
- (b) The Parties to this Agreement hereby agree that, pursuant to this Article and to Article 5, within thirty days after the execution and delivery of this Agreement, each party will designate a person (hereinafter called the "Designate") who shall, together with the person so designated by the other Party, jointly prepare a schedule prescribing details of Operation and Maintenance Services to be furnished by CFLCo pursuant to this

Agreement, and the said designates may by mutual agreement amend the schedule from time to time.

- 4.02 Notwithstanding anything to the contrary contained in this Agreement, CFLCo shall be entitled to give priority to its own operations and may reduce or suspend the Operation and Maintenance Services at any time, and from time to time, and for such periods when attention to its own operations or the discharge of any of its obligations or the discharge of any of its obligations whatsoever reasonable requires such reduction or suspension.
- 4.03 Whenever it is reasonably possible, CFLCo shall give Hydro written or other notice of any contemplated reduction or suspension of the Operation and Maintenance Services pursuant to Clause 4.02 and when not reasonably possible, CFLCo will inform Hydro of such reduction or suspension as soon as possible by oral and written communications and CFLCo will also inform Hydro orally and in writing of the cause of such reduction or suspension and the expected duration thereof.
- 4.04 CFLCo will use its best efforts to prevent any reduction or suspension referred to in Clause 4.02 and whenever the same shall occur, to limit the duration thereof.

ARTICLE 5 **LIASON**

- 5.01 Each Party's Designate shall act on its behalf in the administration of this Agreement and shall have authority to act for and make decisions on behalf of the designating Party both with respect to foreseeable situations and emergencies that may arise from time to time.
- 5.02 Either of the Parties may cancel the appointment and designation of any person made pursuant to Clause 4.01 and substitute another Designate by notice to the other Party.

ARTICLE 6 **CONSIDERATION**

- 6.01 The consideration to be paid by Hydro to CFLCo for the Operation and Maintenance Services shall, in the case of labour, be calculated in accordance with the terms of the Services Agreement between CFLCo and Hydro dated January 1, 2010 and, in the case of equipment, material and supplies used directly in performing the Operation and Maintenance Services, be calculated on the basis of full recovery of costs incurred by CFLCo.
- 6.02 CFLCo shall render an account monthly to Hydro in respect of all sums required to be paid by Hydro under Clause 6.01.

- 6.03 All accounts received by Hydro from CFLCo shall be paid in full, without any abatement or setoff whatsoever, within thirty days after the date on which such an account was rendered.

ARTICLE 7
PARTS AND TOOLS AND ACCESS TO TRANSMISSION FACILITIES

- 7.01 In order to enable CFLCo to render the Operation and Maintenance Services with promptness and efficiency, Hydro shall purchase and at all times keep in stock such spare parts and specialized tools as are from time to time reasonably required and requested by CFLCo.
- 7.02 All such spare parts and specialized tools shall be kept and stored in facilities to which CFLCo shall at all times have access.
- 7.03 CFLCo shall be entitled at all times to use such spare parts and specialized tools in the course of rendering the Operation and Maintenance Services.
- 7.04 CFLCo shall give notice in writing to Hydro each time it considers that the stock of spare parts and specialized tools needs to be replenished.
- 7.05 (a) Where practical, before purchasing tools, spare parts or materials, CFLCo shall use, for the purposes of the Operation and Maintenance Services, all of the usable tools, spare parts and materials heretofore or hereafter provided to it by Hydro for such purposes.
- (b) Subject to Clause 7.01 and paragraph 7.01(a), CFLCo shall be entitled to order and obtain at the cost of Hydro and without Hydro's prior approval, all materials which may be reasonably necessary to maintain and repair the Transmission Facilities.
- (c) To the extent that time reasonably permits it, CFLCO will inform Hydro of all purchases of materials which it proposes to make pursuant to paragraph 7.05(b) and in the event of loss of or damage to major individual components of the Transmission Facilities, CFLCo shall inform Hydro of the same so that Hydro may decide whether such component should be repaired or replaced.
- 7.06 Upon the termination of this Agreement, CFLCo shall return to Hydro all tools, spare parts and materials furnished to it by Hydro or otherwise obtained by CFLCo pursuant to this Agreement for the purposes of the Operation and Maintenance Services.

**ARTICLE 8
INDEMINIFICATION**

- 8.01 Hydro shall indemnify and save CFLCO harmless from and against any and all claims, demands, actions and proceedings of whatsoever kind, made or taken by or on behalf of any third party and arising out of the performance by CFLCo of the Operation and Maintenance Services, except all such claims, demands, actions or proceedings on account of or arising out of the negligence of CFLCo, its officers, employees, agents or its contractors or subcontractors.
- 8.02 CFLCo shall not be liable to Hydro for anything done by CFLCo in pursuance to this Agreement except for a breach of this Agreement or the negligence of CFLCo, its officers, employees, agents or its contractors or subcontractors.

**ARTICLE 9
RESPONSIBILITY**

- 9.01 CFLCo accepts no responsibility for the design and specifications of the Transmission Facilities or for their suitability for the use to which they are applied and CFLCo makes no warranties with respect thereto.
- 9.02 CFLCo may submit to Hydro for Hydro's approval suggestions for changes to the design or specifications of the Transmission facilities but CFLCo shall assume no responsibility for any changes approved by Hydro.

**ARTICLE 10
MODIFICATION OF AGREEMENT**

- 10.01 All previous communications between the Parties hereto, either oral or written, with reference to the subject matter of the Agreement, are hereby abrogated and this Agreement shall constitute the sole and complete agreement of the parties hereto in respect of the matters herein set forth.
- 10.02 Any amendment to or change or modification of this Agreement, or termination or extension in accordance with Clause 3.02, shall be binding upon the parties hereto or either of them only if such amendment, change, modification, termination or extension is in writing and is duly executed by its authorized officers.

**ARTICLE 11
SUCCESSORS AND ASSIGNS**

- 11.01 This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

**ARTICLE 12
APPLICABLE LAW AND FORUM**

- 12.01 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 13
ADDRESS FOR SERVICE**

- 13.01 Subject to Clauses 13.02 and 13.03, any notice, 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 facsimile transmission, or mailed by prepaid registered post, addressed, if service is to be made

(a) on Hydro, to

The Secretary
Newfoundland and Labrador Hydro
Hydro Place
P.O. Box 12400
St. John's, Newfoundland and Labrador
Canada A1B 4K7
FAX: (709) 737-1782

or


(b) on CFLCo, to

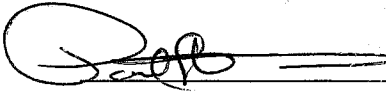
The Secretary
Churchill Falls (Labrador) Corporation Limited
Hydro Place
P.O. Box 12500
St. John's, Newfoundland and Labrador
Canada A1B 3T5
FAX: (709) 737-1782

- 13.02 Any notice, request or other instrument given, made or served as provided in Clause 13.01 shall be deemed to have been received by the party hereto to which it is addressed, on the third business day after the date of sending.
- 13.03 Either of the parties hereto may change 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 13.01 to such party at the new address.


IN WITNESS WHEREOF Newfoundland and Labrador Hydro and Churchill Falls (Labrador) Corporation Limited have each executed this Agreement in accordance with its regulations or by-laws.


NEWFOUNDLAND AND
LABRADOR HYDRO

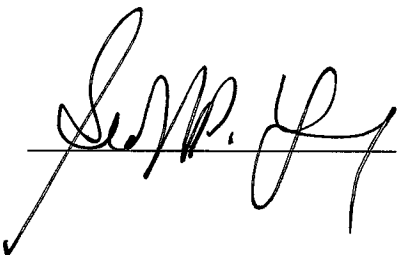

VP-NLH

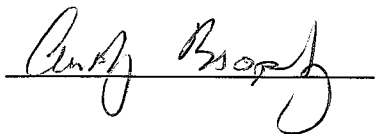

VP System
Operations &
Planning

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED


Derrick Sturge
VP, Finance & CFO


Asst Corporate Secretary





THIS AGREEMENT is made at St. John's, in the Province of Newfoundland and Labrador as of the 1st day of January, 2010.

BETWEEN : **CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**, a company incorporated under the laws of Canada and having its head office at Hydro Place, St. John's, in the Province of Newfoundland and Labrador (hereinafter referred to as "CF(L)Co") of the first part.

AND: **NEWFOUNDLAND AND LABRADOR HYDRO**, a body corporate existing pursuant to the *Hydro Corporation Act, 2007* being Chapter H-17 of the Statutes of Newfoundland and Labrador, 2007 (hereinafter referred to as "Hydro") of the second part.

(CF(L)Co and Hydro are hereinafter individually referred to as "Party" and collectively as the "Parties")

WHEREAS CF(L)Co has requested Hydro to provide certain corporate services to CF(L)Co;

AND WHEREAS the Parties wish to enter into an Agreement with respect to the determination and payment of the costs associated with the provision of such services;

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 of the date hereof as follows:

ARTICLE 1 – INTERPRETATION

1.01 (a) “Services” means corporate services, including but not limited to, management, general accounting, treasury, purchasing, legal, information systems and technology, human resources, safety and health, engineering, project execution and administration or as otherwise agreed to by the Parties; and

(b) “Operating Bill Rate” means a cost-based charge based on an employee’s base rate plus employee benefits, allowances and other pays as applicable, as determined by the following formula:

Operating Bill Rate =

$$\frac{\text{Base salary + employee benefits + allowances + other pays as applicable}}{\text{(divided by) Average total available working hours}}$$

ARTICLE 2 – PAYMENT FOR SERVICES

2.01 Hydro shall provide the Services to CF(L)Co.

2.02 All costs associated with the provision of the Services shall be charged to, and paid for by, CF(L)Co in accordance with the following:

- i) Subject to 2.02 ii), CF(L)Co shall be charged the Operating Bill Rate for time spent by any Hydro employee in providing the Services. In addition, a fixed charge for each hour of regular labour billed, up to a maximum of eight hours per day, shall be added to cover the additional cost, beyond those costs included in the Operating Bill Rate, of having an employee available to provide the Services. This cost-based charge shall be

calculated at a corporate level and shall cover costs such as office space, telephone, computer and other such overhead costs.

- ii) From time to time, certain departments may be identified as common service departments and costs associated with such departments shall be allocated to Nalcor Energy's various lines of business, including CF(L)Co, on an appropriate basis.

- 2.03 Prior to December 15th of each calendar year, Hydro will provide CF(L)Co with a list of the Services to be provided by Hydro to CF(L)Co during the following calendar year (the "Year"), as well as an estimate of the costs to be recovered from CF(L)Co by Hydro for the provision of said Services. Hydro shall bill CF(L)Co monthly for the costs commencing in January of the Year. If necessary, an adjustment shall be made by the Parties after the actual costs for the Year have been determined to the satisfaction of both Parties.

ARTICLE 3 – MISCELLANEOUS

- 3.01 Hydro agrees to provide the Services in a skilful and professional manner in accordance with its own methods and practices and will diligently carry out its obligations under this Agreement.
- 3.02 In carrying out the Services, Hydro shall not be responsible or liable for the consequences of any of its acts or omissions other than those attributable to its wilful misconduct or gross negligence or that of its employees.

- 3.03 Nothing contained herein shall constitute Hydro as an agent of CF(L)Co and Hydro shall not be entitled to contract in the name or on behalf of CF(L)Co or otherwise to incur obligations for or on behalf of CF(L)Co, unless the Parties otherwise agree.
- 3.04 Neither Party shall be permitted to assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.
- 3.05 This Agreement shall be governed by the laws of Newfoundland and Labrador.
- 3.06 This Agreement shall remain in effect until such time as it is terminated by the mutual agreement of the Parties or it is terminated by either Party, in which case such Party shall provide the other party with six (6) months written notice of its intention to terminate the Agreement.
- 3.07 The doctrine of *contra proferentem* shall not apply in the interpretation of this Agreement.

IN WITNESS WHEREOF each of the Parties hereto has caused this Agreement to be executed by its officers or representatives duly authorized in that behalf.

**CHURCHILL FALLS (LABRADOR)
COPORATION LIMITED**

Per: 

Title: President & CEO

Per: 

Title: General Counsel & Corporate Secretary



Witness


Witness

**NEWFOUNDLAND AND LABRADOR
HYDRO**

Per: 

Title: VP, Finance & CFO

Per: 

Title: Assistant Corporate Secretary


Witness


Witness

THIS AGREEMENT is made at St. John's, in the Province of Newfoundland and Labrador as of the 1st day of January, 2010.

BETWEEN : **CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**, a company incorporated under the laws of Canada and having its head office at Hydro Place, St. John's, in the Province of Newfoundland and Labrador (hereinafter referred to as "CF(L)Co") of the first part.

AND: **NALCOR ENERGY**, a body corporate existing pursuant to the *Energy Corporation Act* being Chapter E-11.01 of the Statutes of Newfoundland and Labrador, 2007, as amended, (hereinafter referred to as "Nalcor") of the second part.

(CF(L)Co and Nalcor are hereinafter individually referred to as "Party" and collectively as the "Parties")

WHEREAS CF(L)Co has requested Nalcor to provide certain corporate services to CF(L)Co;

AND WHEREAS the Parties wish to enter into an Agreement with respect to the determination and payment of the costs associated with the provision of such services;

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 of the date hereof as follows:

ARTICLE 1 – INTERPRETATION

1.01 (a) “Services” means corporate services, including but not limited to, management, general accounting, treasury, purchasing, legal, information systems and technology, human resources, safety and health, engineering, project execution and administration or as otherwise agreed to by the Parties; and

(b) “Operating Bill Rate” means a cost-based charge based on an employee’s base rate plus employee benefits, allowances and other pays as applicable, as determined by the following formula:

$$\begin{aligned} \text{Operating Bill Rate} = & \\ & \frac{\text{Base salary + employee benefits + allowances + other pays as applicable}}{(\text{divided by}) \text{ Average total available working hours}} \end{aligned}$$

ARTICLE 2 – PAYMENT FOR SERVICES

2.01 Nalcor shall provide the Services to CF(L)Co.

2.02 All costs associated with the provision of the Services shall be charged to, and paid for by, CF(L)Co in accordance with the following:

- i) Subject to 2.02 ii), CF(L)Co shall be charged the Operating Bill Rate for time spent by any Nalcor employee in providing the Services. In addition, a fixed charge for each hour of regular labour billed, up to a maximum of eight hours per day, shall be added to cover the additional cost, beyond those costs included in the Operating Bill Rate, of having an employee available to provide the Services. This cost-based charge shall be

calculated at a corporate level and shall cover costs such as office space, telephone, computer and other such overhead costs.

- ii) From time to time, certain departments may be identified as common service departments and costs associated with such departments shall be allocated to Nalcor's various lines of business, including CF(L)Co, on an appropriate basis.

2.03 Prior to December 15th of each calendar year, Nalcor will provide CF(L)Co with a list of the Services to be provided by Nalcor to CF(L)Co during the following calendar year (the "Year"), as well as an estimate of the costs to be recovered from CF(L)Co by Nalcor for the provision of said Services. Nalcor shall bill CF(L)Co monthly for the costs commencing in January of the Year. If necessary, an adjustment shall be made by the Parties after the actual costs for the Year have been determined to the satisfaction of both Parties.

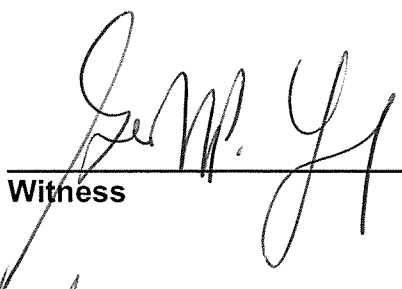
ARTICLE 3 – MISCELLANEOUS

- 3.01 Nalcor agrees to provide the Services in a skilful and professional manner in accordance with its own methods and practices and will diligently carry out its obligations under this Agreement.
- 3.02 In carrying out the Services, Nalcor shall not be responsible or liable for the consequences of any of its acts or omissions other than those attributable to its wilful misconduct or gross negligence or that of its employees.


- 3.03 Nothing contained herein shall constitute Nalcor as an agent of CF(L)Co and Nalcor shall not be entitled to contract in the name or on behalf of CF(L)Co or otherwise to incur obligations for or on behalf of CF(L)Co, unless the Parties otherwise agree.
- 3.04 Neither Party shall be permitted to assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.
- 3.05 This Agreement shall be governed by the laws of Newfoundland and Labrador.
- 3.06 This Agreement shall remain in effect until such time as it is terminated by the mutual agreement of the Parties or it is terminated by either Party, in which case such Party shall provide the other party with six (6) months written notice of its intention to terminate the Agreement.
- 3.07 The doctrine of *contra proferentem* shall not apply in the interpretation of this Agreement.

IN WITNESS WHEREOF each of the Parties hereto has caused this Agreement to be executed by its officers or representatives duly authorized in that behalf.


**CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED**




Witness



Witness


Per: 

Title: President & CEO

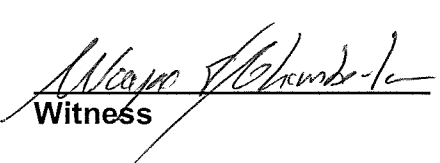
Per: 

Title: General Counsel & Corporate Secretary


NALCOR ENERGY



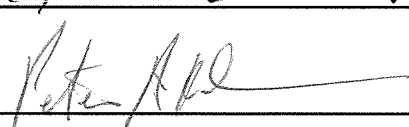
Witness



Witness

Per: 

Title: VP, Finance & CFO

Per: 

Title: Assistant Corporate Secretary

SERVICE AGREEMENT

Between

LOWER CHURCHILL MANAGEMENT CORPORATION

and

NALCOR ENERGY

ARTICLES OF AGREEMENT

THIS AGREEMENT made as of the 29th day of November, 2013

BETWEEN:

LOWER CHURCHILL MANAGEMENT CORPORATION, a corporation duly incorporated pursuant to the laws of Newfoundland and Labrador, in its capacity as project manager of the Lower Churchill Project and not in any other capacity (hereinafter called "**Company**").

- and -

NALCOR ENERGY, a body corporate constituted pursuant to the Energy Corporation Act, S.N. 2007, c. E-11.01 solely in its own right and not as agent of the Crown in right of the Province of Newfoundland and Labrador, and having its head office at the City of St. John's, Province of Newfoundland and Labrador (hereinafter called "**Contractor**").

WHEREAS Company wishes to arrange for Services and the delivery of such Services, as detailed in Exhibit I – Scope of Services, from Contractor;

AND WHEREAS the Parties wish to enter into an Agreement with respect to the determination of Compensation associated with the provision of such Services, as detailed in Exhibit II - Compensation;

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions contained herein, it is agreed by and between the Parties as follows:

1.0 INTERPRETATION

1.1 The following Exhibits are attached hereto and shall form and be read and construed as an integral part of this Agreement:

Exhibit	Description
I	Scope of Services
II	Compensation
III	Work Task Order
IV	Coordination Procedures

1.2 In this Agreement the following terms will have the meaning ascribed thereto:

- a) "**Affiliate**" or "**Affiliate(s)**" has the meaning given to affiliate in the Canada Business Corporation Act, R.S.C.1985, c. C-44 and includes any limited partnership whose general partner is an affiliate of Company under that statute.;
- b) "**Agreement**" means this document, including the Exhibits hereto, originally executed or as they may from time to time be supplemented, amended, revised or otherwise modified by a fully executed Variation;

-
- c) "**Applicable Laws**" means any laws, statutes, regulations, standards, codes, orders, directives or other rules enacted or issued from time to time by any Authority having jurisdiction over Contractor or Company or the activities carried out under this Agreement, including safety, occupational health, customs and excise, taxation, workers compensation, labour and environmental protection laws, statutes, regulations, standards, codes, orders, directives and other rules;
-
- d) "**Approval**" means express acceptance, concurrence or consent in writing and "Approve" and "Approved" shall be construed accordingly;
- e) "**Authority**" means any:
- i. government or government department or agency;
 - ii. municipality, local government authority or council;
 - iii. other statutory authority;
 - iv. fiscal or judicial body, commission, board, tribunal or agency; or
 - v. other regulatory person or body;
 - vi. (excluding the Company) having jurisdiction or authority in any way over Contractor or Company or the subject matter of the Agreement, including a right to impose a requirement or whose Approval is required with respect to the LCP or the Services;
-
- f) "**Confidential Information**" has the meaning ascribed thereto in Article 10;
-
- g) "**Contractor Group**" means Contractor and Subcontractors (including Contractor's Subcontractors of every tier) and its and their respective Affiliates and the respective Personnel of each of the foregoing;
-
- h) "**Exhibits**" means the Exhibits attached to this Agreement;
-
- i) "**LCP**" means means Lower Churchill Projects which include hydroelectric power developments on the lower Churchill River located in the Labrador portion of the Province of Newfoundland and Labrador and associated power transmission facilities;
- j) "**Notice**" has the meaning ascribed thereto in Article 13;
- k) "**Participants**" means, as of the date hereof, Muskrat Falls Corporation, Labrador Transmission Corporation, Labrador Island Link Limited Partnership and Labrador Island Link Operating Corporation, their successors and assigns;
- l) "**Parties**" means Company and Contractor; and "**Party**" means any one of Company or Contractor;
- m) "**Person**" means an individual, a partnership, a corporation, a trust, an unincorporated organization, a union, a government or any department or agency thereof and the heirs, executors, administrators, successors, assigns or other legal representatives of an individual, and words importing persons have a similar meaning;
-
- n) "**Personnel**" means the directors, officers, employees, consultants, non-employed representatives and agents of a Person;
-

- o) **"Services"** means corporate services, including but not limited to, general accounting, finance, treasury, legal, information systems and technology, human resources, environmental, risk and insurance, audit, safety and health, engineering and administration, all as further detailed in Exhibit I – Scope of Services and any services associated with Work Task Orders issued under this Agreement;
- p) **"Subcontract"** means an agreement (including any supplement or amendment) entered into between Contractor and any Person in the manner and to the extent permitted under the terms of this Agreement by which Contractor engages such Person to perform any part of the Services;
- q) **"Subcontractor"** means any Person engaged by Contractor to perform any part of the Services pursuant to a Subcontract, and shall include the successors and permitted assigns of any such Person;
- r) **"Term"** has the meaning ascribed thereto in Article 4.0;
- s) **"Variation"** means any amendment to the provisions of this Agreement which is made by all Parties in writing; and
- t) **"Work Task Order"** means a commercial document executed by the Parties to provide an instruction to Contractor to execute a scope of work. The Work Task Order, along with the attachments, describes the work scope, resources, hours, schedule, reporting requirements, costs, deliverables and desired outcome of the work scope.

- 1.3 In this Agreement, the singular shall, where appropriate, include the plural and vice versa.
- 1.4 The headings used herein are for the purposes of reference only and shall not be construed as in any way defining or limiting the meaning of any provision hereof.
- 1.5 For greater certainty, where a word is defined in this Agreement a derivative of that word shall have a corresponding meaning.
- 1.6 All dollar figures contained in this Agreement shall mean Canadian dollars, unless otherwise specified.
- 1.7 In the event of any conflict between the terms of the articles of the Agreement and any of the Exhibits, the terms and provisions of the articles of the Agreement shall prevail.
- 1.8 The doctrine of contra proferentem shall not apply in the interpretation of this Agreement, meaning that if there is any ambiguous language in this document it shall not be interpreted more strongly against the party who prepared or drafted the ambiguous language.
- 1.9 The titles, headings, captions or indices shall not be used in any way in construing or interpreting any provisions of this Agreement.
- 1.10 It is understood that Company, in conducting or arranging for Services in relation to the LCP, is acting on behalf of itself and the Participants from time to time; and that the Participants, or any of them, shall be entitled under arrangements with Company to certain of the benefits of this Agreement. Contractor shall nonetheless deal exclusively with Company in relation to this Agreement. Company shall be entitled to exercise, on behalf of itself and the Participants, all

rights of action existing under this Agreement in favour of the Participants and Company. The losses, damages, costs and expenses recoverable by Company on behalf of the Participants pursuant to this Agreement shall include all losses, damages, costs and expenses of the Participants and Company except that such losses, damages, costs and expenses shall be subject to the same limitations or exclusions of liability applicable to Company under this Agreement.

2.0 SERVICES

2.1 Contractor shall provide Services to Company pursuant to the terms of this Agreement and as further detailed in Exhibit I – Scope of Services and any Work Task Orders issued under this Agreement.

3.0 CONTRACTOR STATUS AND OBLIGATIONS

3.1 In the provision of Services, Contractor shall operate as an independent contractor. Nothing in this Agreement will be construed to constitute Contractor as an agent, servant, or employee or subcontractor of Company.

3.2 Contractor's Personnel shall be under the direct supervision and control of Contractor and not of Company. Contractor accepts complete responsibility as the principal for Contractor's Personnel.

3.3 Contractor is not an agent of Company or an agent of any Affiliate of Company. Contractor shall not represent or hold itself out as an agent of Company or an agent of any Affiliate of Company.

3.4 This Agreement shall not constitute a joint venture or partnership of Company and Contractor or of Company and any Subcontractor.

3.5 Contractor shall indemnify and hold Company harmless from all costs and expenses arising out of any claim or liability by reason that Contractor is considered an agent, servant, or employee or subcontractor of Company.

3.6 Contractor shall perform the Services and carry out all of its obligations under this Agreement. Without limiting the generality of the foregoing, Contractor shall:

- a) perform its obligations under this Agreement in a diligent, safe, efficient and timely manner and in accordance with Applicable Laws;
- b) ensure the Services conform strictly as to quality and description with the particulars stated in Exhibit 1 - Scope of Services and any Work Task Orders issued under this Agreement;
- c) comply, on a timely basis, with all requirements of Company consistent with the provisions of this Agreement, including safety requirements;
- d) provide all necessary qualified Personnel to perform its obligations under this Agreement;
- e) provide all necessary support services required to perform the Services, including without limitation, system hardware and software, administrative services and office space and related support; and
- f) rectify any and all deficiencies in its performance of the Services identified, discovered or noted by Company or any Authority.

- 3.7** Contractor acknowledges that it has received, reviewed, understood and verified the details contained in the Exhibit 1 - Scope of Services and that it has a full knowledge and understanding of the nature and the scope of the Services required under this Agreement. Contractor shall advise Company of any errors, omissions and inconsistencies in this Agreement and shall not proceed with any part of the Services affected by such until resolved by Company.
- 3.8** Contractor shall obtain and maintain all directions, guidelines, permits, certificates, authorizations, dispensations and licenses of any type whatsoever necessary for the performance of its obligations under this Agreement.
- 3.9** Contractor shall ensure that the Services provided are sufficient to encompass all matters necessary for the proper and efficient fulfillment of its obligations under this Agreement. Without limitation, Contractor shall perform the Services in accordance with Applicable Laws, this Agreement and as may be required by any Authority.
- 3.10** Contractor represents and warrants that during the Term:
- a) it has the required skills, experience, facilities, equipment and capacity to perform the Services in a timely manner and in accordance with this Agreement;
 - b) it has knowledge of all of the legal requirements and business practices which must be followed in performing the Services; and
 - c) it shall perform the Services with all due diligence and in a manner consistent with the standards in the industry for similar services.
- 3.11** Contractor shall take such action as Company may specify to enable Company to comply with all Applicable Laws which are in effect or which may come into effect during the Term.
- 3.12** Contractor shall not Subcontract the whole of the Services, and Contractor shall not Subcontract the performance of any portion of the Services, or its obligations under this Agreement, without Company's prior Approval. Company acknowledges and agrees that Contractor may utilize personnel employed by, or otherwise associated with, Contractor's Affiliates in the performance of the Services. Contractor warrants to Company that all Services performed by such personnel shall be in accordance with Exhibit 1 – Scope of Services and any Work Task Orders issued under this Agreement. Contractor shall be responsible for all aspects of the Services including the quality of the Services performed by such personnel.
- 3.13** Contractor shall ensure that all Subcontracts are consistent with the provisions of this Agreement and, in particular, with the rights of Company and the obligations of Contractor under this Agreement.
- 3.14** Contractor warrants to Company that all Services performed by any agent or Subcontractor shall be in accordance with Exhibit 1 – Scope of Services and Contractor shall be responsible for all aspects of the Services including the quality of the Services performed by such agents and Subcontractors.
- 3.15** Use of Subcontractors to perform aspects of the Services shall not relieve Contractor of any of its duties, obligations, warranties, liabilities or responsibilities under this Agreement. Contractor shall be responsible for the acts, omissions and negligence of any agent and any Subcontractors and any of their respective Personnel as fully as if they were the acts, omissions or negligence of Contractor's own Personnel.

- 3.16** Contractor shall oversee the performance of all Subcontractors and keep such records and accounts and furnish such reports and information relative to Subcontractors as Company may reasonably request.
- 3.17** No Subcontract shall bind or purport to bind Company. All Subcontracts shall contain:
- a) a clear statement that Contractor is entering into such Subcontracts as principal and not as agent for any other Person;
 - b) a provision permitting the assignment of the Subcontract by Contractor to Company; and
 - c) a clear statement binding the Subcontractor to the provisions of this Agreement to the extent applicable to the Subcontract.
- 3.18** Contractor shall preserve and protect the rights of Company under this Agreement with respect to the Services to be performed by any Subcontractors so that the subcontracting thereof shall not prejudice such rights.
- 3.19** Contractor shall maintain the highest possible standards of safety, environmental protection and loss prevention and shall comply with all safety and environmental standards, regulations and guidelines of any Authority having jurisdiction over the area in which the Services is being performed.
- 3.20** Contractor shall ensure that its Personnel performing the Services have received safety, accident and loss prevention orientation and training as it relates to the performance of the Services. ~~Contractor shall require of its Personnel, agents and Subcontractors that they strictly obey all~~ safety and environmental orders, government safety and environmental regulations and guidelines and instructions in force by Company.
- 3.21** All safety and environmental accidents and incidents shall be immediately reported verbally to Company by Contractor. Contractor will follow up within 7 days with a written document, in a format Approved by Company, of the accident or incident to Company.

4.0 TERM OF AGREEMENT

- 4.1** This Agreement shall commence on the day and year first above written and shall terminate 180 days from written notice given by one Party to the other Party.
- 4.2** In addition, the term of this Agreement shall automatically be extended to permit the completion of any Services in progress on the date this Agreement would otherwise terminate or expire.

5.0 COMPENSATION

- 5.1** Contractor shall submit invoices to Company, in a format acceptable to Company, accompanied by relevant supporting documentation at the beginning of each month for the Services performed during the previous month. Invoices shall be detailed in accordance with the Company's code of accounts, rates and items specified in Exhibit II – Compensation or other details as reasonably requested by Company.
- 5.2** Company shall pay all invoices within 30 days after receipt thereof, except that if Company disputes any item invoiced, Company shall notify Contractor of the item disputed, specifying the reason therefor. Payment of the disputed item shall be withheld until settlement of the dispute

and payment shall be made on the undisputed portion. Payments shall be made subject to the applicable statutory holdbacks.

5.3 Any dispute concerning the amount of any payment(s) including, without limitation, any dispute as to Company's right under this Agreement or otherwise to offset any claim it may have, shall not relieve Contractor of its obligation to proceed with all due diligence to provide the Services to be performed under this Agreement.

5.4 If Company fails to make payments as they become due under the terms of this Agreement, interest shall be charged such that there is no net financing impact on Contractor. Finance charges are calculated by applying a rate to the outstanding balance that is equal to Contractor's cost of short-term financing.

5.5 In the absence of a valid election pursuant to s. 156 of the Excise Tax Act (Canada), R.S.C. 1985, c. E-15:

a) Contractor shall include the following particulars on all invoices:

- (i) it's HST registration number;
- (ii) the subtotal of all taxable supplies;
- (iii) the applicable HST rate(s) and the amount of HST charged on such taxable supplies; and
- (iv) a subtotal of any amounts charged for any "exempt" or "zero-rated" supplies as defined in Part IX of the Excise Tax Act (Canada), R.S.C. 1985, c. E-15.

b) Company shall pay Contractor HST, in accordance with Applicable Laws.

6.0 VARIATION TO AGREEMENT

6.1 Periodically the Parties will review Exhibit 1 – Scope of Services and Exhibit 2 – Compensation and make any revisions warranted. The Parties may also, at any time, make amendments to this Agreement by way of execution of a Variation.

6.2 In the event Company wishes to avail of any specific services from Contractor, which are not covered in Exhibit I – Scope of Services, Company will issue a Work Task Order, in the form outlined in Exhibit III hereto (as may be revised) to Contractor outlining the scope of the services to be provided and the associated compensation. Work performed under a Work Task Order will be performed in accordance with this Agreement and Exhibit IV – Coordination Procedures.

6.3 Contractor shall not perform and shall not be entitled to any compensation for services covered in Article 6.2 without a Company Approved Work Task Order issued by the Company to the Contractor for the services. Contractor shall commence with and shall execute all changes with all due diligence immediately upon receipt of a Company Approved Work Task Order.

6.4 Changes shall be invoiced and paid for in accordance with Article 5 and Exhibit II – Compensation and any rates and prices covered in the Company Approved Work Task Order. Compensation for Services performed under a Variation will reflect any discounts, rebates, refunds or free material credits earned with purchase of material or other goods and services charged under a Variation.

7.0 COMPLIANCE WITH LAWS

7.1 Contractor shall comply with, observe, perform and fulfill the obligations and requirements of all Applicable Laws in force and effect, and shall ensure that Contractor Group likewise comply

with, observe, perform and fulfill the obligations and requirements of all Applicable Laws in force and effect during the Term of the Agreement.

7.2 Company and Authorities, or their authorized representatives or agents, shall have the right to examine during normal business hours all documents, records, correspondence, receipts and memoranda of Contractor to ensure compliance with all Applicable Laws and relevant health and safety and environmental rules, regulations and practices. Such documentation shall be preserved and made available for audit, without charge, during the Term of this Agreement and for a period of 7 years after termination of this Agreement.

7.3 Contractor shall be responsible for obtaining from the proper Authority all permits, approvals, licenses and authorizations required for the Services, unless specifically addressed in this Agreement as the responsibility of the Company.

8.0 WORKERS' COMPENSATION

8.1 Contractor shall pay all assessments due under the relevant Workers' Compensation legislation. Upon failure to do so Company, in addition to any other rights available to it under this Agreement or at law, may retain the amount of such assessment or contribution from any payment then due or to become due to Contractor under this Agreement.

8.2 Contractor shall produce, upon the request of Company, a satisfactory certificate(s) clearing all indebtedness under relevant Workers' Compensation legislation prior to the payment of any monies owing to Contractor.

9.0 LIABILITIES AND INDEMNITIES

9.1 Each of Company and Contractor shall, with respect to its own employees, agents and contractors, the property of its own employees, agents and contractors, and its own property:

- a) waive any legal recourse against, and release and forever discharge, such other Party in respect of any damage, or injury or other claims whatsoever in law or in equity, whether known or unknown, which it hereafter may have; and
- b) indemnify and hold harmless such other Party against all actions, proceedings, claims, demands, losses, costs, damages, expenses and legal fees whatsoever which may be brought against or suffered by such other Party or which such other Party may sustain, pay or incur,

directly or indirectly arising from or in connection with this Agreement as a result of bodily injury to or death of such persons, or loss of or damage to such property.

This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful act or omission of any Party to this Agreement or any other person or otherwise.

9.2 Notwithstanding the foregoing, neither Contractor nor Company shall be liable to the other for damages arising under contract, tort or otherwise that:

- a) are in the nature of punitive or exemplary damages; or
- b) represent compensation for business interruption, loss of profits, loss of opportunity or opportunity costs.

however caused, that such other Party may suffer or incur in relation to this Agreement

9.3 The Parties agree that limitations on the liability of a Party, or indemnity granted to a Party pursuant hereto, shall extend to its respective officers, directors, employees, agents, and contractors and any person for whom such Party is responsible at law.

10.0 CONFIDENTIALITY

10.1 Any and all information and data provided by a Party under this Agreement, whether in writing, orally or by another means and whether directly or indirectly ("Confidential Information"), shall:

- a) be kept confidential by the receiving Party and not be disclosed to any Person (excepting a Participant or Affiliate of the receiving Party, provided that such Participant or Affiliate is bound by obligations of secrecy with respect to such Confidential Information no less onerous than the corresponding obligations assumed hereunder by the Party disclosing it) without the prior written consent of such other Party, which may not be arbitrarily or unreasonably withheld;

- b) not be used by the receiving Party for any purpose other than to facilitate and effect the terms of this Agreement;

- c) not be disseminated to personnel within the receiving Party's organization, except to those who require such Confidential Information on a strictly "need to know basis" only; and

- d) be safeguarded by the receiving Party from disclosure to third parties except as permitted by Article 10.1 (a).

10.2 The obligations set forth in Article 10.1 herein shall not apply:

- a) to the extent such Confidential Information and its manner of utilization and combination can be shown to:

- (i) be in the public domain;

- (ii) have been in the possession of a receiving Party at the time of receipt from the other Party so providing;

- (iii) have been developed independently by receiving Party; or

- (iv) have been independently received without breach of Article 10.0 herein by the receiving Party, or other confidentiality obligations by the receiving Party from a third party; or

- b) to the extent and in the manner that disclosure is required by applicable law, in which event the receiving Party shall provide notice of such requirement, as soon as reasonably practicable, to the Party which provided such Confidential Information.

10.3 Each Party further acknowledges and agrees that the Confidential Information is proprietary in nature and that the provision to such Party of Confidential Information by another Party does not give the receiving Party any property or other rights therein.

11.0 ASSIGNMENTS

11.1 Neither Party may assign this Agreement (or part thereof), or any moneys payable thereunder, without the prior written consent of the other Party and such consent shall not be unreasonably be withheld.

12.0 AUDIT

12.1 Contractor shall keep and maintain complete and accurate records of time and costs incurred with respect to the Services, and maintain books and accounts in accordance with generally accepted accounting principles, procedures and practices respecting all matters pertinent to this Agreement.

12.2 Company shall have the right to audit the cost and charges directly relating to the provision of Services under this Agreement and such right of audit shall continue in force for a period of 7 years after termination of this Agreement.

12.3 Audits shall be conducted in accordance with generally accepted auditing standards and reasonable access shall be given to all records, documents, and information possessed by or available to Contractor relevant to such audit.

12.4 Notification of any claims made or discrepancies disclosed from audits conducted by or on behalf of Company shall be made in writing to Contractor. Contractor and Company shall diligently attempt to resolve and agree upon such audit claims or discrepancies. Upon an audit claim or discrepancy being resolved and agreed upon, Contractor shall forthwith reimburse Company for any monies due as a result of such agreement or determination. Company may set off any amounts owed to it by Contractor for audit claim or discrepancies against any payments owed to Contractor by Company.

12.5 Contractor shall not be reimbursed for any costs it may incur as a result of Company conducting an audit pursuant to this Article 12.

13.0 NOTICES

13.1 Any Notice pursuant to the terms and conditions of this Agreement shall be in writing, delivered personally, sent by registered mail to the addresses given below:

to Company:

LOWER CHURCHILL MANAGEMENT CORPORATION
Lower Churchill Project
350 Torbay Road Plaza, Suite No. 2
St. John's, NL A1A 4E1

Attention: Project Director

to Contractor:

NALCOR ENERGY
P.O. Box 12800
500 Columbus Drive
St. John's, NL A1B 0C9

Attn: Corporate Secretary

or to any such other address or representative as either Party may specify to the other Party in writing at the addresses to which notices hereunder are to be sent to such other Party. Any notice given under or relating to this Agreement shall be deemed to have been duly delivered and received:

- a) at the time of delivery, if delivered personally;
- b) 2 days subsequent to the date and time of posting if sent by registered mail to an address within the same province.

14.0 GOVERNING LAW AND DISPUTES

14.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador, Canada. The Parties accept the courts of the Province of Newfoundland and Labrador as the proper and exclusive jurisdiction for the settlement of any controversy or dispute that may arise in connection with, or as a result of, this Agreement.

15.0 SEVERABILITY

15.1 The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision hereof. Any invalid or unenforceable portion or provision shall be deemed severed from this Agreement, and the balance of this Agreement shall be construed and enforced as if this Agreement did not contain such invalid or unenforceable portion or provision.

16.0 SURVIVAL OF AGREEMENT

16.1 Notwithstanding anything to the contrary contained in this Agreement, Articles 1.0, 3.0, 5.0, 7.2, 9.0, 10.0, 12.0, 13.0 and 14.0, shall survive the termination or expiry of this Agreement.

17.0 ENTIRETY OF AGREEMENT

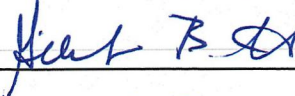
17.1 This Agreement, as executed by authorized representatives of Company and Contractor, constitutes the entire agreement between the Parties with respect to the subject matter dealt with herein. This Agreement replaces and supersedes all prior agreements, documents, writings and verbal understandings between the Parties in respect of the Services and there are no oral or written understandings, representations or commitments of any kind, express or implied, which are not expressly set forth herein.

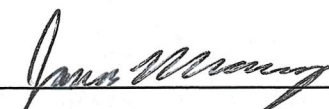
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LCMC – Nalcor Energy
Service Agreement


IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first above written.


LOWER CHURCHILL MANAGEMENT CORPORATION

BY: 
NAME: Gilbert Bennett, P.Eng.
TITLE: Vice President

BY: 
NAME: James Meaney
TITLE: General Manager, Finance

NALCOR ENERGY

BY: 
NAME: Derrick Sturge
TITLE: VP, Finance & CFO

BY: 
NAME: Peter Hickman
TITLE: Assistant Corporate Secretary

VP Finance & CFO
Derrick Sturge

EXHIBIT I

SCOPE OF SERVICES

Exhibit I
Scope of Services

Contractor may provide the following Services to the Company, along with any Services covered by a Company Approved Work Task Order. Services will be provided on an as needed basis, will be part time in nature and may also include support from student employment assignments or short term assignments of Contractor's full time personnel:

1. Administrative Services

Contractor's invoice to Company will include a monthly Administration Fee, as detailed in Exhibit II – Compensation, which covers the following Services:

1.1. Human Resources

- a) administration and coordination of all employee related services including payroll, recruitment, employee benefit programs, pensions, training and the rewards and recognition program as well as the maintenance of the human resources database; and
- b) administer the performance appraisal system and salary surveys.

1.2. Safety and Health

- a) provide occupational health services including coordinating efforts with regard to employee safety as well as wellness, disability and sick leave management, and medical screening.

1.3. Information Systems

- a) provide assistance and support in the areas of software applications, planning and integration and business solutions;
- b) Maintenance and administration of the company wide computer infrastructure and network and provides technical support.

1.4. Office Space

- a) Provide floor space at Hydro Place utilized exclusively by the Lower Churchill Project.

1.5. Telephone Infrastructure

- a) Provide telephone infrastructure and services.

2. Indirect Labour Support

The following Services are not included in the Administration Fee. Costs associated with the provision of these Services are recovered by Contractor, based on actual hours worked in support of the Lower Churchill Project; charged at the Direct Labour Rate. All labour will require assignment of a work order to track time charged to Company.

2.1. Finance Reporting Services

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.1.1. Corporate Controller

- a) engagement and oversight for the financial reporting processes;
- b) conduct accounting research as required;
- c) resolve accounting treatment issues as they arise; and
- d) support ad-hoc initiatives and analysis in liaison with LCP Finance and Accounting (F&A) staff in response to information requests.

Exhibit I
Scope of Services

2.1.2. Financial Reporting

- a) provide guidance and direction on corporate policy associated with financial reporting;
- b) provide guidance and direction with International Financial Reporting Standards compliance;
- c) provide direction and review required disclosures for the annual report;
- d) perform accounting research, as required; and
- e) update and maintain, in the JD Edwards system, the general ledger chart of accounts, in collaboration with LCP F&A.

2.2. Accounting Services

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.2.1. Accounts Payable

- a) data entry, both manual and electronic upload, of LCP invoices;
- b) downloading and processing of purchase card transactions; and
- c) processing of payments by both cheque and electronic funds transfer.

2.2.2. General Ledger Accounting

- a) electronic upload of LCP general journal entries;
- b) reconcile and analyze bank statements including the follow up and resolution of outstanding items;
- c) data input of accounts receivable billing requests and generation of related invoice; and
- d) maintain the accounts receivable sub ledger.

2.2.3. Capital Asset Accounting

- a) upload monthly capital accrual journal entries generated by LCP F&A.

2.3. Taxation Services

- a) interpret and ensure compliance with various international, federal, provincial and municipal tax laws;
- b) making representation to authorities in tax matters where necessary;
- c) providing training, advice and direction to Company personnel on new and existing tax laws;
- d) preparing income, non-resident withholding and commodity tax filings and returns related to the Lower Churchill Project group of companies;
- e) ensuring payment of all tax liabilities including the preparation of related journal entries; and
- f) perform periodic audits to ensure that commodity tax and non-resident withholding taxes have been appropriately recorded.

2.3.1. Administrator Services

Provide administrative services on behalf of Muskrat Falls/Labrador Transmission Assets Funding Trust and Labrador Island Link Funding Trust in accordance with the Administration Agreements with each of Muskrat Falls/Labrador Transmission Assets Funding Trust and Labrador Island Link Funding Trust.

2.4. Supply Chain

- a) set up of LCP vendors in JD Edwards.

2.5. Investment Evaluation

- a) facilitate the production, review and distribution of long-term financial projections;
- b) modeling and analysis of data and financial consulting related to various short and long term decisions including rate impacts, analysis of cumulative present worth supporting LCP's Decision Gate 3;
- c) participate in the LCP contract due diligence process;
- d) prepare and deliver presentations to various stakeholders related to project financing and negotiation of project financing in conjunction with the Treasury department;
- e) support the review of Lower Churchill Project being performed by external parties; responding to both internal and external inquiries and requests for information related to Investment Evaluation department activities including the data room for the legal and financing processes;
- f) provide support and assistance with the execution and administration of agreements including the Nalcor-Emera commercial agreements and the Nalcor-NLH commercial agreements;
- g) provide analysis on asset impairments for external auditors; and
- h) any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6. Treasury and Risk Management

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6.1. Banking and Cash Management

- a) identify banking needs and obtain all required banking services;
- b) resolve any and all operational issues encountered with day to day banking services;
- c) day-to-day cash management;
- d) managing receipts (primarily associated with transactions between the Lower Churchill Project companies);
- e) processing electronic funds transfers (EFT) and wire transfers;
- f) purchasing of foreign currencies as required;
- g) interface with the Corporate Financial Reporting and the LCP F&A Team to ensure appropriate accounting treatment for all cash management activities and associated balances; and
- h) any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6.2. Financial Risk Management

- a) perform creditworthiness reviews of bidders in accordance with the Lower Churchill Project procedure - Guidelines for Credit Worthiness Verification (Document # LCP-PT-MD-0000-FI-PR-0003-01) and maintain the procedure;
- b) participate in the Lower Churchill Project contract due diligence process;
- c) purchase and manage hedging instruments (e.g. forwards, commodity price swaps and options) as required to support any financial risk management strategies devised by the General Manager, Finance for the Lower Churchill Project ; and
- d) interface with the Corporate Financial Reporting and the LCP F&A Team to ensure appropriate accounting treatment for any hedging instruments put in place.

Exhibit I
Scope of Services

2.7. Legal

- a) provision of legal services including corporate secretary services, regulatory work, commercial negotiations, property acquisitions, litigation matters;
- b) review of commercial agreements and templates, including due diligence and cold eyes review on Lower Churchill Project contracts; and
- c) Any other legal services required in connection with the activities of LCP.

2.8. Internal Audit

- a) provide auditing services as determined in conjunction with LCP management; and
- b) provide assistance to the external auditors in performing procedures related to the annual year end audit.

2.9. Environmental Services

- a) internal labor support for specific environmental initiatives; and
- b) corporate environmental services performing ISO 14000 audit services

2.10. Labour Relations

- a) provide labor relations support on an ad hoc basis at the request of LCP management.

2.11. Risk and Insurance

- a) provide services related to the placement, administration, risk control and risk financing of the corporate insurance program;
- b) coordinate preparation and resolution of all insurance claims; and
- c) provide support through participation in the due diligence process.

2.12. Project Engineering and Technical Services

- a) provide support to the LCP design, construction and project management, when requested; and
- b) provide support to engineering studies, technical specifications and construction coordination.

Services will be performed in accordance with Exhibit IV – Coordination Procedures and will be covered by a Company Approved Work Task Order.

EXHIBIT II

COMPENSATION

1.0 General

- 1.1 Company shall reimburse Contractor for all matters relating to and associated with performance of the Services, in accordance with the provisions of this Exhibit II, any rates and prices contained in a Company Approved Work Task Order and Article 5 of the Agreement. All sums, rates, prices, terms and conditions stated herein shall be deemed to include, without limitation, all Contractor's costs for all matters relating to and associated with the performance of Services, all as further described herein.
- 1.2 Unless otherwise specifically stated, all sums, rates and prices stated herein shall be in Canadian dollars.
- 1.3 For the complete performance of the Services described in Exhibit I and any Work Task Orders issued under this Agreement, Company shall compensate Contractor in accordance with the following principles:
- a) Compensation is based on the principle of cost recovery with no profit element included;
 - b) Employees charged at the Direct Labour Rate will track time worked using a weekly time sheet; and
 - c) There has to be demonstrated benefit for employee time charged to the Lower Churchill Project. Employees will not charge time related to Lower Churchill Project activities where the benefit is directed to the corporate activities of Contractor.
 - d) Costs associated with the operation of certain of Contractor's departments that provide common Services are covered by the Administration Fee and the IS Project Fee, as outlined in Section 2 and 3 of this Exhibit II.

2.0 Administration Fee

- 2.1 Contractor will charge Company a monthly Administration Fee to cover all Services identified in Section 1 of Exhibit 1 – Scope of Services. The Administration Fee is determined as follows:

Service Departments	Allocation Basis
Human Resources	Full Time Equivalent
Safety and Health	Full Time Equivalent
Information Systems (IS)	Average Users ¹
Office space and related costs	Square footage ²
Telephone and Local Area Network (LAN) costs	Average Users ³

¹ Operating costs incurred in providing IS services are allocated on an average user basis. Depreciation expense and a return on rate base at the weighted average cost of capital for costs capitalized such as servers and software are allocated on an average user basis. Costs that are directly for the benefit of the Lower Churchill Project will be charged directly and are excluded from the determination of shared costs.

² The square footage rental rate reflects the average annual capital and operating cost for Hydro Place as determined by the following formula:

$$\frac{\text{Hydro Place operating costs} + \text{return on rate base} + \text{annual depreciation}}{\text{Hydro Place total square footage}}$$

The cost based rate includes the following expenses for Hydro Place:

- i. Annual depreciation for all common assets which include:
 - Furniture for offices, cubicles and common areas;
 - Fitness equipment;
 - Cafeteria equipment;
 - Printers and fax machines;
 - Mailroom equipment;
 - Network services equipment;
- ii. System equipment maintenance expenses and operating projects;
- iii. Expenses relating to salaries, fringe benefits, group insurance and employee future benefits for Office Services, Building Maintenance and Transportation;
- iv. Heat and light;
- v. Office supplies;
- vi. Postage;
- vii. Safety supplies;
- viii. Consulting expenses for projects at Hydro Place;
- ix. Security card maintenance; and
- x. Return on rate base at weighted average cost of capital for all common assets.

- ³ The Local area network (LAN) costs provided by Network Services are divided by the total number of LAN ports to derive a cost per user. The telephone costs provided by Network Services are divided by the number of telephone, fax, and modem lines to derive a cost per telephone per user. The average number of users for each line of business forms the basis of cost allocation. Long distance charges are recovered at actual cost.

The estimated Administration Fee is determined no later than December 15th of each calendar year, based on the Contractor's approved budget. Contractor may adjust the estimated Administration Fee periodically throughout the year if it differs significantly from the Administration Fee, based on actual cost. At the end of the calendar year the estimated Administration Fee will be adjusted to reflect an actual Administration Fee, based on actual cost and Contractor will adjust previous charges accordingly.

3.0 IS Projects Fee

- 3.1 Contractor will charge Company a quarterly IS Projects Fee to cover the cost of shared information systems capital projects. The charge is determined on a cost per user basis and is allocated to all Contractor Affiliates, subsidiaries and lines of business, accordingly. The IS Projects Fee is determined as follows:

- a) Cost associated with software/hardware upgrades; and
- b) Allocation of cost based on FTE's/contractors, JDE Users, PC's issued, email accounts

4.0 Indirect Labour

Services not covered by either the Administration Fee or the IS Projects Fee will be invoiced by Contractor, based on actual hours worked, at the Direct Labour Rate. The Direct Labour Rate is determined as follows:

$$\text{Direct Labour Rate} = \frac{\text{Base Salary Components} + \text{Mark Up Components}}{\text{Average total available working hours}}$$

Components of the Direct Labour Rate include:

4.1 Base Salary Components:

- a) Salaries and temporary salaries including the payroll code for easeback/return to work
- b) Other salary costs - retroactive pay

4.2 Mark Up Components:

a) Fringe Benefit Costs

- i. Canada pension plan
- ii. Employment insurance
- iii. Public service pension plan (PSPP)
- iv. Group money purchase plan
- v. Prior service matched PSPP
- vi. Workplace Health Safety and Compensation premiums

b) Insurances

- i. Life insurances
- ii. Accidental death and dismemberment (AD&D) insurance
- iii. Medical insurance
- iv. Dental insurance

c) Company Costs

- i. Employee future benefits expense
- ii. Payroll taxes
- iii. Other salary costs - bonus, performance contracts & signing bonus

d) Leave

- i. Training hours
- ii. Short term sick leave
- iii. Long term sick leave
- iv. Medical travel
- v. Medical appointments
- vi. Annual leave
- vii. Floaters
- viii. Family leave
- ix. Compassion leave
- x. Jury duty
- xi. Statutory holiday
- xii. Union leave

xiii. Banked overtime

4.3 Fixed Charge

In addition to the Direct Labour Rate, a Fixed Charge will be applied to each regular labour hour invoiced. For clarity, the Fixed Fee is not charged on overtime hours. The Fixed Charge accounts for the additional cost, beyond basic salary and benefit costs, of having an employee available to provide service. The Fixed Charge recovers costs similar in nature to those covered in the Administration Fee as well as other employee related costs. Most employees who provide Services are located in Hydro Place, however this rate will also be used as a proxy for employees based in other locations. The Fixed Charge includes the following:

- a) Hydro Place operating and capital costs;
- b) Telephone infrastructure costs;
- c) Information Systems operating and capital costs;
- d) Human Resources/safety and health costs;
- e) Computer costs; and
- f) Employee related expenses such as:
 - i. Telephone and facsimile;
 - ii. Books and subscriptions;
 - iii. Memberships and dues;
 - iv. Conferences;
 - v. Training; and
 - vi. Employee expenses.

This Fixed Charge will be reviewed annually and adjusted, as warranted.

EXHIBIT III

WORK TASK ORDER

Exhibit III
Work Task Order

WORK TASK ORDER

PROJECT: Lower Churchill Project		WTO No.		Rev No. 0
CONTRACTOR:		AGREEMENT No.:		
DESCRIPTION:		DATE PREPARED:		
ORIGINATOR: LOWER CHURCHILL MANAGEMENT CORPORATION		WORK ORDER #		
SCOPE OF WORK:				
Schedule:				
Start Date: _____		Due Date: _____		
Duration Days: -				
Milestone		Milestone Date		
Deliverables:				
Type	Description	No. of Copies		Due Date
		Paper	Electronic	
COMPENSATION:				
1. Where the rates or terms contained herein or attached hereto conflict with Agreement rates, agreement rates shall prevail.				
2. Contractor shall not exceed the approved WORK Task Order amount without the prior written approval of Company.				
Comments:				
Work Task Order includes the Contractor completed and agreed 'Execution Plan' and 'Cost, Time and Resource Estimate' attached hereto.				
Work Breakdown Structure:		Cost Element:		
Cost Code:				
Approved Amount:				
This Revision	Previously Approved	Total Hours	Total Approved Amount	
\$ -	\$ -	0.0	\$ -	
Approvals LCP:	Name	Signature	Date	
Originator:				
Cost Control:				
Commercial Coordinator:				
Company Approval:				
Contractor Acceptance:				

AS

EXHIBIT IV

COORDINATION PROCEDURES

1. INTRODUCTION

This Coordination Procedure is intended to govern the relationship between Contractor and Company in the administration and management of work covered by approved Work Task Orders (WTO). Company will direct the extent of application of this procedure to meet its business requirements, based on the nature of the Services covered in a Work Task Order.

2. WORK TASK ORDERS

All work initiatives will be covered by a Company approved Work Task Order. Once a scope of work is identified, Contractor shall complete a proposal outlining:

- a) Work scope;
- b) Execution plan including identification of resources, strategy to complete the work and required Company inputs;
- c) Milestone schedule (by worksite);
- d) Detailed cost, time and resource estimate; and
- e) Contractor Representative

The proposal will be submitted to the relevant Company Project Manager and will be reviewed for acceptance and Approval in accordance with Company's Financial Authority Procedure or returned to the Contractor with comments.

Once the proposal is Approved by Company, Company will issue a Work Task Order, to the Contractor for execution. The executed Work Task Order represents authorization to the Contractor to start execution of the work.

Upon completion of the work approved by the Work Task Order, the Company and Contractor shall convene a close out meeting to ensure all aspects of the Work Task Order have been completed.

3. COMPANY CONTRACTOR REPRESENTATIVES

3.1 Company Representative

The Company Representative is responsible for ensuring all Company processes and procedures are followed in relation to the Work Task Order including: interface management (technical and non-technical), change management and progress reporting (cost and schedule) to the affected Component Manager(s).

The Company Representative is responsible for all coordination with the Contractor Representative and shall ensure that all issues raised by the Contractor Representative are addressed in a timely fashion.

3.2 Contractor Representative

The Contractor Representative is responsible for coordination of the work execution within its organization, including management of schedule and cost, as well as timely progress reporting to the Company Representative.

The Contractor Representative is responsible for all coordination with the Company Representative and shall ensure that all issues raised by the Company Representative are addressed in a timely fashion.

4. CORRESPONDENCE, MEETINGS AND REPORTING

4.1 Correspondence

All correspondence, reporting and inquiries from the Contractor shall be addressed to the Company Representative, as identified in the Work Task Order. Likewise all correspondence from Company shall be addressed to the Contractor Representative, as identified in the Work Task Order.

4.2 Kick-off Meeting

Upon approval of a Work Task Order, a kick-off meeting will be scheduled. The attendees and agenda for the kick-off meeting will be agreed by the Company and Contractor Representatives. As a minimum, the agenda will include the following:

- a) Review scope of work;
- b) Confirm baseline milestone schedule;
- c) Monthly report requirements, including cost report breakdown;
- d) Determine frequency of progress meetings; and
- e) Issues, risks and concerns.

4.3 Progress Meetings

The frequency of the progress meetings will be agreed by the Company and Contractor Representatives, however at a minimum, progress meetings should occur once per month.

At a minimum, the agenda for the progress meetings should include an update and discussion, by Work Task Order, of:

- a) Work completed in the previous period;
- b) Earned progress versus planned progress;
- c) Status of schedule milestones;
- d) Cost status, including forecast;
- e) Work planned for next period; and
- f) Issues and concerns

Minutes of meeting will be prepared by the Company Representative and issued to an agreed distribution list within three (3) working days. Actionees will be identified for all action items.

4.4 Monthly Progress Report

A monthly progress report will be issued by the Contractor Representative for each active Work Task Order to the Company Representative. The report will be based upon a cut-off date of the 25th of each month and submitted no later than the 15th calendar day of the following month. At a minimum, the monthly report will cover the following:

- a) Narrative of work completed in the previous period;

- b) Earned progress versus planned progress;
- c) Milestone schedule, baseline and current forecast;
- d) Cost report, budget and current forecast final cost;
- e) Narrative of work planned for next period;
- f) Issues, concerns and mitigation measures; and
- g) any other information as agreed by the Company and Contractor Representatives.

4.5 Milestone Schedule

The baseline milestone schedule will be agreed upon by the Company and Contractor Representatives at the time of the Work Task Order approval. The milestone schedule will be broken down by worksite.

The monthly report will include both the baseline and forecast milestone schedule. Mitigation measures to address any forecast deviation from the baseline schedule will be included in the monthly report.

4.6 Cost Reports

A cost report table will be included with the Monthly Progress Report and the breakdown will be as follows:

Cost Category	WTO Budget	Committed to Date	Incurred to Date	Final Forecast	Variance (Forecast-Budget)
Internal Contractor costs					
Material/Equipment					
Outside Consultants					
Construction					
Total					

Notes:

- a) Internal Contractor costs includes labour, travel, equipment
- b) Material/equipment by purchase order
- c) Outside consultants by contract
- d) Construction by contract
- e) WTO Budget – budget on approved WTO
- f) Committed – value of purchase orders/contracts placed
- g) Incurred – total value of work completed at end of reporting period
- h) Forecast – final forecast costs
- i) Variance – forecast minus WTO budget; include narrative explaining any variances.

The Contractor will submit to Company Representative, by the 15th day of each and every calendar month, an incurred cost flow report specifying:

- a) the costs actually incurred by the Contractor from the effective date of the WTO up to the 25th day of such month (accordingly, the final five day period of such month shall be estimated); and
- b) the estimated cost flow to be incurred by Contractor from the 25th day of such month to the remainder of the duration of the WTO.

Additional information, as warranted, can be included as agreed by the Company and Contractor Representatives.

5. MANAGEMENT OF SCOPE CHANGE

Changes from the approved scope of work or associated schedule and budget, as outlined in the Work Task Order, may be originated by either Company or Contractor. The Contractor Representative will prepare a change request and submit it to the Company Representative for Company Approval. If required, the Company Representative will process the requested change through Company's change management process.

If the change is Approved by Company, the Work Task Order will be revised, highlighting any impact on the approved budget and milestone schedule, and issued to the Company Representative for Approval.

The Approved revised Work Task Order will represent authorization for the Contractor to implement the scope change. All future monthly reports will include the updated current budget and baseline milestone schedule.

6. INVOICING AND PAYMENT

The Contractor shall submit accurate, complete and detailed invoices, that reflect the work completed in the previous month; accompanied by all necessary supporting documentation to enable LCP to efficiently attest the invoices.

6.1 Invoice Format

Invoices shall include:

- a) Name, address and tax identification number (HST registration number);
- b) Invoice date;
- c) invoice number;
- d) Work Task Order number and name;
- e) Charges detailed by LCP's code of accounts;
- f) Adjustments, if any, from prior invoices;
- g) Subtotal, tax (HST applicable to the invoice) and total; and
- h) Complete and accurate supporting documentation (including summary of hours spent by person) and any other pertinent information that LCP may require to verify completion of the work, the accuracy of the fees, charges and third party charges; complete with a summary sheet cross referencing all supporting documentation to the charges covered on the invoice.

6.2 Invoice Submission

Lower Churchill Management Corporation
350 Torbay Road, Suite 2
St. John's, Newfoundland A1A 4E1
Attention: Accounts Payable

Invoices will be paid within thirty (30) calendar days after receipt of a correctly prepared invoice, less any amounts which Company notifies the Contractor as being insufficiently documented or otherwise disputed. Payment of invoices shall be made by electronic funds transfer to Contractor's bank account.

TABLE 1: Summary of Rate Mitigation Options and Impacts

Option	Impact	Impact Mitigation
Option 1	Impact 1	Mitigation 1
Option 2	Impact 2	Mitigation 2
Option 3	Impact 3	Mitigation 3
Option 4	Impact 4	Mitigation 4
Option 5	Impact 5	Mitigation 5
Option 6	Impact 6	Mitigation 6
Option 7	Impact 7	Mitigation 7
Option 8	Impact 8	Mitigation 8
Option 9	Impact 9	Mitigation 9
Option 10	Impact 10	Mitigation 10
Option 11	Impact 11	Mitigation 11
Option 12	Impact 12	Mitigation 12
Option 13	Impact 13	Mitigation 13
Option 14	Impact 14	Mitigation 14
Option 15	Impact 15	Mitigation 15
Option 16	Impact 16	Mitigation 16
Option 17	Impact 17	Mitigation 17
Option 18	Impact 18	Mitigation 18
Option 19	Impact 19	Mitigation 19
Option 20	Impact 20	Mitigation 20
Option 21	Impact 21	Mitigation 21
Option 22	Impact 22	Mitigation 22
Option 23	Impact 23	Mitigation 23
Option 24	Impact 24	Mitigation 24
Option 25	Impact 25	Mitigation 25
Option 26	Impact 26	Mitigation 26
Option 27	Impact 27	Mitigation 27
Option 28	Impact 28	Mitigation 28
Option 29	Impact 29	Mitigation 29
Option 30	Impact 30	Mitigation 30
Option 31	Impact 31	Mitigation 31
Option 32	Impact 32	Mitigation 32

SERVICE AGREEMENT

Between

LOWER CHURCHILL MANAGEMENT CORPORATION

and

NEWFOUNDLAND AND LABRADOR HYDRO

ARTICLES OF AGREEMENT

THIS AGREEMENT made as of the 25th day of June, 2015

BETWEEN:

LOWER CHURCHILL MANAGEMENT CORPORATION, a corporation duly incorporated pursuant to the laws of Newfoundland and Labrador, in its capacity as project manager of the Lower Churchill Project and not in any other capacity (hereinafter called "**Company**").

- and -

NEWFOUNDLAND AND LABRADOR HYDRO, a body corporate existing pursuant to the Hydro Corporation Act, 2007 being Chapter H-1 7 of the Statutes of Newfoundland and Labrador, 2007 (**hereinafter called "Contractor"**).

WHEREAS prior and subsequent to the creation of Company, Contractor provided Services, as detailed in Exhibit I – Scope of Services, to the Lower Churchill Project and continues to do so, the Parties hereto now wish to formalize the terms and conditions of the delivery of such Services, as detailed in Exhibit I – Scope of Services, from Contractor;

AND WHEREAS the Parties also wish to formalize the terms and conditions with respect to the determination of Compensation associated with the provision of such Services, as detailed in Exhibit II - Compensation;

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions contained herein, it is agreed by and between the Parties as follows:

1.0 INTERPRETATION

1.1 The following Exhibits are attached hereto and shall form and be read and construed as an integral part of this Agreement:

Exhibit	Description
I	Scope of Services
II	Compensation
III	Work Task Order
IV	Coordination Procedures

1.2 In this Agreement the following terms will have the meaning ascribed thereto:

- a) "**Affiliate**" or "**Affiliate(s)**" has the meaning given to affiliate in the Canada Business Corporation Act, R.S.C.1985, c. C-44 and includes any limited partnership whose general partner is an affiliate of Company under that statute.;

- b) **"Agreement"** means this document, originally executed or as they may from time to time be supplemented, amended, revised or otherwise modified by a fully executed Variation;
- c) **"Applicable Laws"** means any laws, statutes, regulations, standards, codes, orders, directives or other rules enacted or issued from time to time by any Authority having jurisdiction over Contractor or Company or the activities carried out under this Agreement, including safety, occupational health, customs and excise, taxation, workers compensation, labour and environmental protection laws, statutes, regulations, standards, codes, orders, directives and other rules;
- d) **"Approval"** means express acceptance, concurrence or consent in writing and "Approve" and "Approved" shall be construed accordingly;
- e) **"Authority"** means any:
- i. government or government department or agency;
 - ii. municipality, local government authority or council;
 - iii. other statutory authority;
 - iv. fiscal or judicial body, commission, board, tribunal or agency; or
 - v. other regulatory person or body;
 - vi. (excluding the Company) having jurisdiction or authority in any way over Contractor or Company or the subject matter of the Agreement, including a right to impose a requirement or whose Approval is required with respect to the LCP or the Services;
- f) **"Confidential Information"** has the meaning ascribed thereto in Article 10;
- g) **"Contractor Group"** means Contractor and Subcontractors (including Contractor's Subcontractors of every tier) and its and their respective Affiliates and the respective Personnel of each of the foregoing;
- h) **"Exhibits"** means the Exhibits attached to this Agreement;
- i) **"LCP"** means Lower Churchill Projects which include hydroelectric power developments on the lower Churchill River located in the Labrador portion of the Province of Newfoundland and Labrador and associated power transmission facilities;
- j) **"Notice"** has the meaning ascribed thereto in Article 13;
- k) **"Participants"** means, as of the date hereof, Muskrat Falls Corporation, Labrador Transmission Corporation, Labrador Island Link Limited Partnership and Labrador Island Link Operating Corporation, their successors and assigns;
- l) **"Parties"** means Company and Contractor; and **"Party"** means any one of Company or Contractor;
- m) **"Person"** means an individual, a partnership, a corporation, a trust, an unincorporated organization, a union, a government or any department or agency thereof and the heirs, executors, administrators, successors, assigns or other legal representatives of an individual, and words importing persons have a similar meaning;

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- n) "**Personnel**" means the directors, officers, employees, consultants, non-employed representatives and agents of a Person;
 - o) "**Services**" means corporate services, including but not limited to, general accounting, finance, treasury, legal, information systems and technology, human resources, environmental, risk and insurance, audit, safety and health, engineering and administration, all as further detailed in Exhibit I – Scope of Services and any services associated with Work Task Orders issued under this Agreement;
 - p) "**Subcontract**" means an agreement (including any supplement or amendment) entered into between Contractor and any Person in the manner and to the extent permitted under the terms of this Agreement by which Contractor engages such Person to perform any part of the Services;
 - q) "**Subcontractor**" means any Person engaged by Contractor to perform any part of the Services pursuant to a Subcontract, and shall include the successors and permitted assigns of any such Person;
 - r) "**Term**" has the meaning ascribed thereto in Article 4.0;
 - s) "**Variation**" means any amendment to the provisions of this Agreement which is made by all Parties in writing; and
-
- t) "**Work Task Order**" means a commercial document executed by the Parties to provide an instruction to Contractor to execute a scope of work. The Work Task Order, along with the attachments, describes the work scope, resources, hours, schedule, reporting requirements, costs, deliverables and desired outcome of the work scope.
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- 1.3 In this Agreement, the singular shall, where appropriate, include the plural and vice versa.
 - 1.4 The headings used herein are for the purposes of reference only and shall not be construed as in any way defining or limiting the meaning of any provision hereof.
 - 1.5 For greater certainty, where a word is defined in this Agreement a derivative of that word shall have a corresponding meaning.
 - 1.6 All dollar figures contained in this Agreement shall mean Canadian dollars, unless otherwise specified.
 - 1.7 In the event of any conflict between the terms of the articles of the Agreement and any of the Exhibits, the terms and provisions of the articles of the Agreement shall prevail.
 - 1.8 The doctrine of contra proferentem shall not apply in the interpretation of this Agreement, meaning that if there is any ambiguous language in this document it shall not be interpreted more strongly against the party who prepared or drafted the ambiguous language.
 - 1.9 The titles, headings, captions or indices shall not be used in any way in construing or interpreting any provisions of this Agreement.
 - 1.10 It is understood that Company, in conducting or arranging for Services in relation to the LCP, is acting on behalf of itself and the Participants from time to time; and that the Participants, or any
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of them, shall be entitled under arrangements with Company to certain of the benefits of this Agreement. Contractor shall nonetheless deal exclusively with Company in relation to this Agreement. Company shall be entitled to exercise, on behalf of itself and the Participants, all rights of action existing under this Agreement in favour of the Participants and Company. The losses, damages, costs and expenses recoverable by Company on behalf of the Participants pursuant to this Agreement shall include all losses, damages, costs and expenses of the Participants and Company except that such losses, damages, costs and expenses shall be subject to the same limitations or exclusions of liability applicable to Company under this Agreement.

2.0 SERVICES

2.1 Contractor shall provide Services to Company pursuant to the terms of this Agreement and as further detailed in Exhibit I – Scope of Services and any Work Task Orders issued under this Agreement.

3.0 CONTRACTOR STATUS AND OBLIGATIONS

3.1 In the provision of Services, Contractor shall operate as an independent contractor. Nothing in this Agreement will be construed to constitute Contractor as an agent, servant, or employee or subcontractor of Company.

3.2 Contractor's Personnel shall be under the direct supervision and control of Contractor and not of Company. Contractor accepts complete responsibility as the principal for Contractor's Personnel.

3.3 Contractor is not an agent of Company or an agent of any Affiliate of Company. Contractor shall not represent or hold itself out as an agent of Company or an agent of any Affiliate of Company.

3.4 This Agreement shall not constitute a joint venture or partnership of Company and Contractor or of Company and any Subcontractor.

3.5 Contractor shall indemnify and hold Company harmless from all costs and expenses arising out of any claim or liability by reason that Contractor is considered an agent, servant, or employee or subcontractor of Company.

3.6 Contractor shall perform the Services and carry out all of its obligations under this Agreement. Without limiting the generality of the foregoing, Contractor shall:

- a) perform its obligations under this Agreement in a diligent, safe, efficient and timely manner and in accordance with Applicable Laws;
- b) ensure the Services conform strictly as to quality and description with the particulars stated in Exhibit 1 - Scope of Services and any Work Task Orders issued under this Agreement;
- c) comply, on a timely basis, with all requirements of Company consistent with the provisions of this Agreement, including safety requirements;
- d) provide all necessary qualified Personnel to perform its obligations under this Agreement;
- e) provide all necessary support services required to perform the Services, including without limitation, system hardware and software, administrative services and office space and related support; and

- f) rectify any and all deficiencies in its performance of the Services identified, discovered or noted by Company or any Authority.
- 3.7** Contractor acknowledges that it has received, reviewed, understood and verified the details contained in the Exhibit 1 - Scope of Services and that it has a full knowledge and understanding of the nature and the scope of the Services required under this Agreement. Contractor shall advise Company of any errors, omissions and inconsistencies in this Agreement and shall not proceed with any part of the Services affected by such until resolved by Company.
- 3.8** Contractor shall obtain and maintain all directions, guidelines, permits, certificates, authorizations, dispensations and licenses of any type whatsoever necessary for the performance of its obligations under this Agreement.
- 3.9** Contractor shall ensure that the Services provided are sufficient to encompass all matters necessary for the proper and efficient fulfillment of its obligations under this Agreement. Without limitation, Contractor shall perform the Services in accordance with Applicable Laws, this Agreement and as may be required by any Authority.
- 3.10** Contractor represents and warrants that during the Term:
- a) it has the required skills, experience, facilities, equipment and capacity to perform the Services in a timely manner and in accordance with this Agreement;
 - b) it has knowledge of all of the legal requirements and business practices which must be followed in performing the Services; and
 - c) it shall perform the Services with all due diligence and in a manner consistent with the standards in the industry for similar services.
- 3.11** Contractor shall take such action as Company may specify to enable Company to comply with all Applicable Laws which are in effect or which may come into effect during the Term.
- 3.12** Contractor shall not Subcontract the whole of the Services, and Contractor shall not Subcontract the performance of any portion of the Services, or its obligations under this Agreement, without Company's prior Approval. Company acknowledges and agrees that Contractor may utilize personnel employed by, or otherwise associated with, Contractor's Affiliates in the performance of the Services. Contractor warrants to Company that all Services performed by such personnel shall be in accordance with Exhibit 1 – Scope of Services and any Work Task Orders issued under this Agreement. Contractor shall be responsible for all aspects of the Services including the quality of the Services performed by such personnel.
- 3.13** Contractor shall ensure that all Subcontracts are consistent with the provisions of this Agreement and, in particular, with the rights of Company and the obligations of Contractor under this Agreement.
- 3.14** Contractor warrants to Company that all Services performed by any agent or Subcontractor shall be in accordance with Exhibit 1 – Scope of Services and Contractor shall be responsible for all aspects of the Services including the quality of the Services performed by such agents and Subcontractors.
- 3.15** Use of Subcontractors to perform aspects of the Services shall not relieve Contractor of any of its duties, obligations, warranties, liabilities or responsibilities under this Agreement. Contractor shall be responsible for the acts, omissions and negligence of any agent and any Subcontractors

and any of their respective Personnel as fully as if they were the acts, omissions or negligence of Contractor's own Personnel.

3.16 Contractor shall oversee the performance of all Subcontractors and keep such records and accounts and furnish such reports and information relative to Subcontractors as Company may reasonably request.

3.17 No Subcontract shall bind or purport to bind Company. All Subcontracts shall contain:

- a) a clear statement that Contractor is entering into such Subcontracts as principal and not as agent for any other Person;
- b) a provision permitting the assignment of the Subcontract by Contractor to Company; and
- c) a clear statement binding the Subcontractor to the provisions of this Agreement to the extent applicable to the Subcontract.

3.18 Contractor shall preserve and protect the rights of Company under this Agreement with respect to the Services to be performed by any Subcontractors so that the subcontracting thereof shall not prejudice such rights.

3.19 Contractor shall maintain the highest possible standards of safety, environmental protection and loss prevention and shall comply with all safety and environmental standards, regulations and guidelines of any Authority having jurisdiction over the area in which the Services is being performed.

3.20 Contractor shall ensure that its Personnel performing the Services have received safety, accident and loss prevention orientation and training as it relates to the performance of the Services. Contractor shall require of its Personnel, agents and Subcontractors that they strictly obey all safety and environmental orders, government safety and environmental regulations and guidelines and instructions in force by Company.

3.21 All safety and environmental accidents and incidents shall be immediately reported verbally to Company by Contractor. Contractor will follow up within 7 days with a written document, in a format Approved by Company, of the accident or incident to Company.

4.0 TERM OF AGREEMENT

4.1 This Agreement shall commence on the day and year first above written and shall terminate 180 days from written notice given by one Party to the other Party.

4.2 In addition, the term of this Agreement shall automatically be extended to permit the completion of any Services in progress on the date this Agreement would otherwise terminate or expire.

5.0 COMPENSATION

5.1 Contractor shall submit invoices to Company, in a format acceptable to Company, accompanied by relevant supporting documentation at the beginning of each month for the Services performed during the previous month. Invoices shall be detailed in accordance with the Company's code of accounts, rates and items specified in Exhibit II – Compensation or other details as reasonably requested by Company.

- 5.2** Company shall pay all invoices within 30 days after receipt thereof, except that if Company disputes any item invoiced, Company shall notify Contractor of the item disputed, specifying the reason therefor. Payment of the disputed item shall be withheld until settlement of the dispute and payment shall be made on the undisputed portion. Payments shall be made subject to the applicable statutory holdbacks.
- 5.3** Any dispute concerning the amount of any payment(s) including, without limitation, any dispute as to Company's right under this Agreement or otherwise to offset any claim it may have, shall not relieve Contractor of its obligation to proceed with all due diligence to provide the Services to be performed under this Agreement.
- 5.4** If Company fails to make payments as they become due under the terms of this Agreement, interest shall be charged such that there is no net financing impact on Contractor. Finance charges are calculated by applying a rate to the outstanding balance that is equal to Contractor's cost of short-term financing.
- 5.5** In the absence of a valid election pursuant to s. 156 of the Excise Tax Act (Canada), R.S.C. 1985, c. E-15:
- a) Contractor shall include the following particulars on all invoices:
 - (i) it's HST registration number;
 - (ii) the subtotal of all taxable supplies;
 - (iii) the applicable HST rate(s) and the amount of HST charged on such taxable supplies; and
 - (iv) a subtotal of any amounts charged for any "exempt" or "zero-rated" supplies as defined in Part IX of the Excise Tax Act (Canada), R.S.C. 1985, c. E-15.
 - b) Company shall pay Contractor HST, in accordance with Applicable Laws.

6.0 VARIATION TO AGREEMENT

- 6.1** Periodically the Parties will review Exhibit 1 – Scope of Services and Exhibit 2 – Compensation and make any revisions warranted. The Parties may also, at any time, make amendments to this Agreement by way of execution of a Variation.
- 6.2** In the event Company wishes to avail of any specific services from Contractor, which are not covered in Exhibit I – Scope of Services, Company will issue a Work Task Order, in the form outlined in Exhibit III hereto (as may be revised) to Contractor outlining the scope of the services to be provided and the associated compensation. Work performed under a Work Task Order will be performed in accordance with this Agreement and Exhibit IV – Coordination Procedures.
- 6.3** Contractor shall not perform and shall not be entitled to any compensation for services covered in Article 6.2 without a Company Approved Work Task Order issued by the Company to the Contractor for the services. Contractor shall commence with and shall execute all changes with all due diligence immediately upon receipt of a Company Approved Work Task Order.
- 6.4** Changes shall be invoiced and paid for in accordance with Article 5 and Exhibit II – Compensation and any rates and prices covered in the Company Approved Work Task Order. Compensation for Services performed under a Variation will reflect any discounts, rebates, refunds or free material credits earned with purchase of material or other goods and services charged under a Variation.

7.0 COMPLIANCE WITH LAWS

7.1 Contractor shall comply with, observe, perform and fulfill the obligations and requirements of all Applicable Laws in force and effect, and shall ensure that Contractor Group likewise comply with, observe, perform and fulfill the obligations and requirements of all Applicable Laws in force and effect during the Term of the Agreement.

7.2 Company and Authorities, or their authorized representatives or agents, shall have the right to examine during normal business hours all documents, records, correspondence, receipts and memoranda of Contractor to ensure compliance with all Applicable Laws and relevant health and safety and environmental rules, regulations and practices. Such documentation shall be preserved and made available for audit, without charge, during the Term of this Agreement and for a period of 7 years after termination of this Agreement.

7.3 Contractor shall be responsible for obtaining from the proper Authority all permits, approvals, licenses and authorizations required for the Services, unless specifically addressed in this Agreement as the responsibility of the Company.

8.0 WORKERS' COMPENSATION

8.1 Contractor shall pay all assessments due under the relevant Workers' Compensation legislation. Upon failure to do so Company, in addition to any other rights available to it under this Agreement or at law, may retain the amount of such assessment or contribution from any payment then due or to become due to Contractor under this Agreement.

8.2 Contractor shall produce, upon the request of Company, a satisfactory certificate(s) clearing all indebtedness under relevant Workers' Compensation legislation prior to the payment of any monies owing to Contractor.

9.0 LIABILITIES AND INDEMNITIES

9.1 Each of Company and Contractor shall, with respect to its own employees, agents and contractors, the property of its own employees, agents and contractors, and its own property:

- a) waive any legal recourse against, and release and forever discharge, such other Party in respect of any damage, or injury or other claims whatsoever in law or in equity, whether known or unknown, which it hereafter may have; and
- b) indemnify and hold harmless such other Party against all actions, proceedings, claims, demands, losses, costs, damages, expenses and legal fees whatsoever which may be brought against or suffered by such other Party or which such other Party may sustain, pay or incur,

directly or indirectly arising from or in connection with this Agreement as a result of bodily injury to or death of such persons, or loss of or damage to such property.

This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful act or omission of any Party to this Agreement or any other person or otherwise.

9.2 Notwithstanding the foregoing, neither Contractor nor Company shall be liable to the other for damages arising under contract, tort or otherwise that:

- a) are in the nature of punitive or exemplary damages; or
- b) represent compensation for business interruption, loss of profits, loss of opportunity or opportunity costs.

however caused, that such other Party may suffer or incur in relation to this Agreement

9.3 The Parties agree that limitations on the liability of a Party, or indemnity granted to a Party pursuant hereto, shall extend to its respective officers, directors, employees, agents, and contractors and any person for whom such Party is responsible at law.

10.0 CONFIDENTIALITY

10.1 Any and all information and data provided by a Party under this Agreement, whether in writing, orally or by another means and whether directly or indirectly ("Confidential Information"), shall:

- a) be kept confidential by the receiving Party and not be disclosed to any Person (excepting a Participant or Affiliate of the receiving Party, provided that such Participant or Affiliate is bound by obligations of secrecy with respect to such Confidential Information no less onerous than the corresponding obligations assumed hereunder by the Party disclosing it) without the prior written consent of such other Party, which may not be arbitrarily or unreasonably withheld;
- b) not be used by the receiving Party for any purpose other than to facilitate and effect the terms of this Agreement;
- c) not be disseminated to personnel within the receiving Party's organization, except to those who require such Confidential Information on a strictly "need to know basis" only; and
- d) be safeguarded by the receiving Party from disclosure to third parties except as permitted by Article 10.1 (a).

10.2 The obligations set forth in Article 10.1 herein shall not apply:

- a) to the extent such Confidential Information and its manner of utilization and combination can be shown to:
 - (i) be in the public domain;
 - (ii) have been in the possession of a receiving Party at the time of receipt from the other Party so providing;
 - (iii) have been developed independently by receiving Party; or
 - (iv) have been independently received without breach of Article 10.0 herein by the receiving Party, or other confidentiality obligations by the receiving Party from a third party; or

b) to the extent and in the manner that disclosure is required by applicable law, in which event the receiving Party shall provide notice of such requirement, as soon as reasonably practicable, to the Party which provided such Confidential Information.

10.3 Each Party further acknowledges and agrees that the Confidential Information is proprietary in nature and that the provision to such Party of Confidential Information by another Party does not give the receiving Party any property or other rights therein.

11.0 ASSIGNMENTS

11.1 Neither Party may assign this Agreement (or part thereof), or any moneys payable thereunder, without the prior written consent of the other Party and such consent shall not be unreasonably be withheld.

12.0 AUDIT

12.1 Contractor shall keep and maintain complete and accurate records of time and costs incurred with respect to the Services, and maintain books and accounts in accordance with generally accepted accounting principles, procedures and practices respecting all matters pertinent to this Agreement.

12.2 Company shall have the right to audit the cost and charges directly relating to the provision of Services under this Agreement and such right of audit shall continue in force for a period of 7 years after termination of this Agreement.

12.3 Audits shall be conducted in accordance with generally accepted auditing standards and reasonable access shall be given to all records, documents, and information possessed by or available to Contractor relevant to such audit.

12.4 Notification of any claims made or discrepancies disclosed from audits conducted by or on behalf of Company shall be made in writing to Contractor. Contractor and Company shall diligently attempt to resolve and agree upon such audit claims or discrepancies. Upon an audit claim or discrepancy being resolved and agreed upon, Contractor shall forthwith reimburse Company for any monies due as a result of such agreement or determination. Company may set off any amounts owed to it by Contractor for audit claim or discrepancies against any payments owed to Contractor by Company.

12.5 Contractor shall not be reimbursed for any costs it may incur as a result of Company conducting an audit pursuant to this Article 12.

13.0 NOTICES

13.1 Any Notice pursuant to the terms and conditions of this Agreement shall be in writing, delivered personally, sent by registered mail to the addresses given below:

to Company:

LOWER CHURCHILL MANAGEMENT CORPORATION
Lower Churchill Project
350 Torbay Road Plaza, Suite No. 2

to Contractor:

NALCOR ENERGY
P.O. Box 12800
500 Columbus Drive

St. John's, NL A1A 4E1

St. John's, NL A1B 0C9

Attention: Project Director

Attn: Corporate Secretary

or to any such other address or representative as either Party may specify to the other Party in writing at the addresses to which notices hereunder are to be sent to such other Party. Any notice given under or relating to this Agreement shall be deemed to have been duly delivered and received:

- a) at the time of delivery, if delivered personally;
- b) 2 days subsequent to the date and time of posting if sent by registered mail to an address within the same province.

14.0 GOVERNING LAW AND DISPUTES

14.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador, Canada. The Parties accept the courts of the Province of Newfoundland and Labrador as the proper and exclusive jurisdiction for the settlement of any controversy or dispute that may arise in connection with, or as a result of, this Agreement.

15.0 SEVERABILITY

15.1 The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision hereof. Any invalid or unenforceable portion or provision shall be deemed severed from this Agreement, and the balance of this Agreement shall be construed and enforced as if this Agreement did not contain such invalid or unenforceable portion or provision.

16.0 SURVIVAL OF AGREEMENT

16.1 Notwithstanding anything to the contrary contained in this Agreement, Articles 1.0, 3.0, 5.0, 7.2, 9.0, 10.0, 12.0, 13.0 and 14.0, shall survive the termination or expiry of this Agreement.

17.0 ENTIRETY OF AGREEMENT

17.1 This Agreement, as executed by authorized representatives of Company and Contractor, constitutes the entire agreement between the Parties with respect to the subject matter dealt with herein. This Agreement replaces and supersedes all prior agreements, documents, writings and verbal understandings between the Parties in respect of the Services and there are no oral or written understandings, representations or commitments of any kind, express or implied, which are not expressly set forth herein.

[Intentionally Left Blank]

LCMC – NLH
Service Agreement

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first above written.

LOWER CHURCHILL MANAGEMENT CORPORATION

NEWFOUNDLAND AND LABRADOR HYDRO

BY: NAME: Gilbert Bennett, P.Eng.TITLE: Vice PresidentBY: NAME: R.J. HendersonTITLE: VP - NLHBY: NAME: James MeaneyTITLE: General Manager, FinanceBY: NAME: Derrick SturgeTITLE: VP, Finance & CFO

VP, Finance & CFO
Dennis Smith

EXHIBIT I

SCOPE OF SERVICES

Exhibit I
Scope of Services

Contractor may provide the following Services to the Company, along with any Services covered by a Company Approved Work Task Order. Services will be provided on an as needed basis, will be part time in nature and may also include support from student employment assignments or short term assignments of Contractor's full time personnel:

1. Administrative Services

Contractor's invoice to Company will include a monthly Administration Fee, as detailed in Exhibit II – Compensation, which covers the following Services:

1.1. Human Resources

- a) administration and coordination of all employee related services including payroll, recruitment, employee benefit programs, pensions, training and the rewards and recognition program as well as the maintenance of the human resources database; and
- b) administer the performance appraisal system and salary surveys.

1.2. Safety and Health

- a) provide occupational health services including coordinating efforts with regard to employee safety as well as wellness, disability and sick leave management, and medical screening.

1.3. Information Systems

- a) provide assistance and support in the areas of software applications, planning and integration and business solutions;
- b) Maintenance and administration of the company wide computer infrastructure and network and provides technical support.

1.4. Office Space

- a) Provide floor space at Hydro Place utilized exclusively by the Lower Churchill Project.

1.5. Telephone Infrastructure

- a) Provide telephone infrastructure and services.

2. Indirect Labour Support

The following Services are not included in the Administration Fee. Costs associated with the provision of these Services are recovered by Contractor, based on actual hours worked in support of the Lower Churchill Project; charged at the Direct Labour Rate. All labour will require assignment of a work order to track time charged to Company.

2.1. Finance Reporting Services

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.1.1. Corporate Controller

- a) engagement and oversight for the financial reporting processes;
- b) conduct accounting research as required;
- c) resolve accounting treatment issues as they arise; and
- d) support ad-hoc initiatives and analysis in liaison with LCP Finance and Accounting (F&A) staff in response to information requests.

Exhibit I
Scope of Services

2.1.2. Financial Reporting

- a) provide guidance and direction on corporate policy associated with financial reporting;
- b) provide guidance and direction with International Financial Reporting Standards compliance;
- c) provide direction and review required disclosures for the annual report;
- d) perform accounting research, as required; and
- e) update and maintain, in the JD Edwards system, the general ledger chart of accounts, in collaboration with LCP F&A.

2.2. Accounting Services

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.2.1. Accounts Payable

- a) data entry, both manual and electronic upload, of LCP invoices;
- b) downloading and processing of purchase card transactions; and
- c) processing of payments by both cheque and electronic funds transfer.

2.2.2. General Ledger Accounting

- a) electronic upload of LCP general journal entries;
- b) reconcile and analyze bank statements including the follow up and resolution of outstanding items;
- c) data input of accounts receivable billing requests and generation of related invoice; and
- d) maintain the accounts receivable sub ledger.

2.2.3. Capital Asset Accounting

- a) upload monthly capital accrual journal entries generated by LCP F&A.

2.3. Taxation Services

- a) interpret and ensure compliance with various international, federal, provincial and municipal tax laws;
- b) making representation to authorities in tax matters where necessary;
- c) providing training, advice and direction to Company personnel on new and existing tax laws;
- d) preparing income, non-resident withholding and commodity tax filings and returns related to the Lower Churchill Project group of companies;
- e) ensuring payment of all tax liabilities including the preparation of related journal entries; and
- f) perform periodic audits to ensure that commodity tax and non-resident withholding taxes have been appropriately recorded.

2.3.1. Administrator Services

Provide administrative services on behalf of Muskrat Falls/Labrador Transmission Assets Funding Trust and Labrador Island Link Funding Trust in accordance with the Administration Agreements with each of Muskrat Falls/Labrador Transmission Assets Funding Trust and Labrador Island Link Funding Trust.

2.4. Supply Chain

- a) set up of LCP vendors in JD Edwards.

Exhibit I
Scope of Services

2.5. Investment Evaluation

- a) facilitate the production, review and distribution of long-term financial projections;
- b) modeling and analysis of data and financial consulting related to various short and long term decisions including rate impacts, analysis of cumulative present worth supporting LCP's Decision Gate 3;
- c) participate in the LCP contract due diligence process;
- d) prepare and deliver presentations to various stakeholders related to project financing and negotiation of project financing in conjunction with the Treasury department;
- e) support the review of Lower Churchill Project being performed by external parties; responding to both internal and external inquiries and requests for information related to Investment Evaluation department activities including the data room for the legal and financing processes;
- f) provide support and assistance with the execution and administration of agreements including the Nalcor-Emera commercial agreements and the Nalcor-NLH commercial agreements;
- g) provide analysis on asset impairments for external auditors; and
- h) any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6. Treasury and Risk Management

May include Services outlined below and any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6.1. Banking and Cash Management

- a) identify banking needs and obtain all required banking services;
- b) resolve any and all operational issues encountered with day to day banking services;
- c) day-to-day cash management;
- d) managing receipts (primarily associated with transactions between the Lower Churchill Project companies);
- e) processing electronic funds transfers (EFT) and wire transfers;
- f) purchasing of foreign currencies as required;
- g) interface with the Corporate Financial Reporting and the LCP F&A Team to ensure appropriate accounting treatment for all cash management activities and associated balances; and
- h) any other tasks and support as pre-approved by the General Manager Finance for the Lower Churchill Project.

2.6.2. Financial Risk Management

- a) perform creditworthiness reviews of bidders in accordance with the Lower Churchill Project procedure - Guidelines for Credit Worthiness Verification (Document # LCP-PT-MD-0000-FI-PR-0003-01) and maintain the procedure;
- b) participate in the Lower Churchill Project contract due diligence process;
- c) purchase and manage hedging instruments (e.g. forwards, commodity price swaps and options) as required to support any financial risk management strategies devised by the General Manager, Finance for the Lower Churchill Project ; and
- d) interface with the Corporate Financial Reporting and the LCP F&A Team to ensure appropriate accounting treatment for any hedging instruments put in place.

Exhibit I
Scope of Services

2.7. Legal

- a) provision of legal services including corporate secretary services, regulatory work, commercial negotiations, property acquisitions, litigation matters;
- b) review of commercial agreements and templates, including due diligence and cold eyes review on Lower Churchill Project contracts; and
- c) Any other legal services required in connection with the activities of LCP.

2.8. Internal Audit

- a) provide auditing services as determined in conjunction with LCP management; and
- b) provide assistance to the external auditors in performing procedures related to the annual year end audit.

2.9. Environmental Services

- a) internal labor support for specific environmental initiatives; and
- b) corporate environmental services performing ISO 14000 audit services

2.10. Labour Relations

- a) provide labor relations support on an ad hoc basis at the request of LCP management.

2.11. Risk and Insurance

- a) provide services related to the placement, administration, risk control and risk financing of the corporate insurance program;
- b) coordinate preparation and resolution of all insurance claims; and
- c) provide support through participation in the due diligence process.

2.12. Project Engineering and Technical Services

- a) provide support to the LCP design, construction and project management, when requested; and
- b) provide support to engineering studies, technical specifications and construction coordination.

Services will be performed in accordance with Exhibit IV – Coordination Procedures and will be covered by a Company Approved Work Task Order.

EXHIBIT II

COMPENSATION

1.0 General

- 1.1 Company shall reimburse Contractor for all matters relating to and associated with performance of the Services, in accordance with the provisions of this Exhibit II, any rates and prices contained in a Company Approved Work Task Order and Article 5 of the Agreement. All sums, rates, prices, terms and conditions stated herein shall be deemed to include, without limitation, all Contractor's costs for all matters relating to and associated with the performance of Services, all as further described herein.
- 1.2 Unless otherwise specifically stated, all sums, rates and prices stated herein shall be in Canadian dollars.
- 1.3 For the complete performance of the Services described in Exhibit I and any Work Task Orders issued under this Agreement, Company shall compensate Contractor in accordance with the following principles:
- a) Compensation is based on the principle of cost recovery with no profit element included;
 - b) Employees charged at the Direct Labour Rate will track time worked using a weekly time sheet; and
 - c) There has to be demonstrated benefit for employee time charged to the Lower Churchill Project. Employees will not charge time related to Lower Churchill Project activities where the benefit is directed to the corporate activities of Contractor.
 - d) Costs associated with the operation of certain of Contractor's departments that provide common Services are covered by the Administration Fee and the IS Project Fee, as outlined in Section 2 and 3 of this Exhibit II.

2.0 Administration Fee

- 2.1 Contractor will charge Company a monthly Administration Fee to cover all Services identified in Section 1 of Exhibit 1 – Scope of Services. The Administration Fee is determined as follows:

Service Departments	Allocation Basis
Human Resources	Full Time Equivalent
Safety and Health	Full Time Equivalent
Information Systems (IS)	Average Users ¹
Office space and related costs	Square footage ²
Telephone and Local Area Network (LAN) costs	Average Users ³

¹ Operating costs incurred in providing IS services are allocated on an average user basis. Depreciation expense and a return on rate base at the weighted average cost of capital for costs capitalized such as servers and software are allocated on an average user basis. Costs that are directly for the benefit of the Lower Churchill Project will be charged directly and are excluded from the determination of shared costs.

² The square footage rental rate reflects the average annual capital and operating cost for Hydro Place as determined by the following formula:

$$\frac{\text{Hydro Place operating costs} + \text{return on rate base} + \text{annual depreciation}}{\text{Hydro Place total square footage}}$$

The cost based rate includes the following expenses for Hydro Place:

- i. Annual depreciation for all common assets which include:
 - Furniture for offices, cubicles and common areas;
 - Fitness equipment;
 - Cafeteria equipment;
 - Printers and fax machines;
 - Mailroom equipment;
 - Network services equipment;
- ii. System equipment maintenance expenses and operating projects;
- iii. Expenses relating to salaries, fringe benefits, group insurance and employee future benefits for Office Services, Building Maintenance and Transportation;
- iv. Heat and light;
- v. Office supplies;
- vi. Postage;
- vii. Safety supplies;
- viii. Consulting expenses for projects at Hydro Place;
- ix. Security card maintenance; and
- x. Return on rate base at weighted average cost of capital for all common assets.

- ³ The Local area network (LAN) costs provided by Network Services are divided by the total number of LAN ports to derive a cost per user. The telephone costs provided by Network Services are divided by the number of telephone, fax, and modem lines to derive a cost per telephone per user. The average number of users for each line of business forms the basis of cost allocation. Long distance charges are recovered at actual cost.

The estimated Administration Fee is determined no later than December 15th of each calendar year, based on the Contractor's approved budget. Contractor may adjust the estimated Administration Fee periodically throughout the year if it differs significantly from the Administration Fee, based on actual cost. At the end of the calendar year the estimated Administration Fee will be adjusted to reflect an actual Administration Fee, based on actual cost and Contractor will adjust previous charges accordingly.

3.0 IS Projects Fee

- 3.1 Contractor will charge Company a quarterly IS Projects Fee to cover the cost of shared information systems capital projects. The charge is determined on a cost per user basis and is allocated to all Contractor Affiliates, subsidiaries and lines of business, accordingly. The IS Projects Fee is determined as follows:

- a) Cost associated with software/hardware upgrades; and
- b) Allocation of cost based on FTE's/contractors, JDE Users, PC's issued, email accounts

4.0 Indirect Labour

Services not covered by either the Administration Fee or the IS Projects Fee will be invoiced by Contractor, based on actual hours worked, at the Direct Labour Rate. The Direct Labour Rate is determined as follows:

$$\text{Direct Labour Rate} = \frac{\text{Base Salary Components} + \text{Mark Up Components}}{\text{Average total available working hours}}$$

Components of the Direct Labour Rate include:

4.1 Base Salary Components:

- a) Salaries and temporary salaries including the payroll code for easeback/return to work
- b) Other salary costs - retroactive pay

4.2 Mark Up Components:**a) Fringe Benefit Costs**

- i. Canada pension plan
- ii. Employment insurance
- iii. Public service pension plan (PSPP)
- iv. Group money purchase plan
- v. Prior service matched PSPP
- vi. Workplace Health Safety and Compensation premiums

b) Insurances

- i. Life insurances
- ii. Accidental death and dismemberment (AD&D) insurance
- iii. Medical insurance
- iv. Dental insurance

c) Company Costs

- i. Employee future benefits expense
- ii. Payroll taxes
- iii. Other salary costs - bonus, performance contracts & signing bonus

d) Leave

- i. Training hours
- ii. Short term sick leave
- iii. Long term sick leave
- iv. Medical travel
- v. Medical appointments
- vi. Annual leave
- vii. Floaters
- viii. Family leave
- ix. Compassion leave
- x. Jury duty
- xi. Statutory holiday
- xii. Union leave

- xiii. Banked overtime

4.3 Fixed Charge

In addition to the Direct Labour Rate, a Fixed Charge will be applied to each regular labour hour invoiced. For clarity, the Fixed Fee is not charged on overtime hours. The Fixed Charge accounts for the additional cost, beyond basic salary and benefit costs, of having an employee available to provide service. The Fixed Charge recovers costs similar in nature to those covered in the Administration Fee as well as other employee related costs. Most employees who provide Services are located in Hydro Place, however this rate will also be used as a proxy for employees based in other locations. The Fixed Charge includes the following:

- a) Hydro Place operating and capital costs;
- b) Telephone infrastructure costs;
- c) Information Systems operating and capital costs;
- d) Human Resources/safety and health costs;
- e) Computer costs; and
- f) Employee related expenses such as:
 - i. Telephone and facsimile;
 - ii. Books and subscriptions;
 - iii. Memberships and dues;
 - iv. Conferences;
 - v. Training; and
 - vi. Employee expenses.

This Fixed Charge will be reviewed annually and adjusted, as warranted.

EXHIBIT III

WORK TASK ORDER

Exhibit III
Work Task Order

WORK TASK ORDER

PROJECT: Lower Churchill Project		WTO No.		Rev No. 0	
CONTRACTOR:		AGREEMENT No.:			
DESCRIPTION:		DATE PREPARED:			
ORIGINATOR: LOWER CHURCHILL MANAGEMENT CORPORATION		WORK ORDER #			
SCOPE OF WORK:					
Schedule:					
Start Date: _____		Due Date: _____			
Duration Days: -					
Milestone		Milestone Date			
Deliverables:					
Type	Description	No. of Copies		Due Date	
		Paper	Electronic		
COMPENSATION:					
1. Where the rates or terms contained herein or attached hereto conflict with Agreement rates, agreement rates shall prevail.					
2. Contractor shall not exceed the approved WORK Task Order amount without the prior written approval of Company.					
Comments:					
Work Task Order includes the Contractor completed and agreed 'Execution Plan' and 'Cost, Time and Resource Estimate' attached hereto.					
Work Breakdown Structure:				Cost Element:	
Cost Code:					
Approved Amount:					
This Revision	Previously Approved	Total Hours	Total Approved Amount		
\$ -	\$ -	0.0	\$ -		
Approvals LCP:	Name	Signature	Date		
Originator:					
Cost Control:					
Commercial Coordinator:					
Company Approval:					
Contractor Acceptance:					

/s/

EXHIBIT IV

COORDINATION PROCEDURES

1. INTRODUCTION

This Coordination Procedure is intended to govern the relationship between Contractor and Company in the administration and management of work covered by approved Work Task Orders (WTO). Company will direct the extent of application of this procedure to meet its business requirements, based on the nature of the Services covered in a Work Task Order.

2. WORK TASK ORDERS

All work initiatives will be covered by a Company approved Work Task Order. Once a scope of work is identified, Contractor shall complete a proposal outlining:

- a) Work scope;
- b) Execution plan including identification of resources, strategy to complete the work and required Company inputs;
- c) Milestone schedule (by worksite);
- d) Detailed cost, time and resource estimate; and
- e) Contractor Representative

The proposal will be submitted to the relevant Company Project Manager and will be reviewed for acceptance and Approval in accordance with Company's Financial Authority Procedure or returned to the Contractor with comments.

Once the proposal is Approved by Company, Company will issue a Work Task Order, to the Contractor for execution. The executed Work Task Order represents authorization to the Contractor to start execution of the work.

Upon completion of the work approved by the Work Task Order, the Company and Contractor shall convene a close out meeting to ensure all aspects of the Work Task Order have been completed.

3. COMPANY CONTRACTOR REPRESENTATIVES

3.1 Company Representative

The Company Representative is responsible for ensuring all Company processes and procedures are followed in relation to the Work Task Order including: interface management (technical and non-technical), change management and progress reporting (cost and schedule) to the affected Component Manager(s).

The Company Representative is responsible for all coordination with the Contractor Representative and shall ensure that all issues raised by the Contractor Representative are addressed in a timely fashion.

3.2 Contractor Representative

The Contractor Representative is responsible for coordination of the work execution within its organization, including management of schedule and cost, as well as timely progress reporting to the Company Representative.

The Contractor Representative is responsible for all coordination with the Company Representative and shall ensure that all issues raised by the Company Representative are addressed in a timely fashion.

4. CORRESPONDENCE, MEETINGS AND REPORTING

4.1 Correspondence

All correspondence, reporting and inquiries from the Contractor shall be addressed to the Company Representative, as identified in the Work Task Order. Likewise all correspondence from Company shall be addressed to the Contractor Representative, as identified in the Work Task Order.

4.2 Kick-off Meeting

Upon approval of a Work Task Order, a kick-off meeting will be scheduled. The attendees and agenda for the kick-off meeting will be agreed by the Company and Contractor Representatives. As a minimum, the agenda will include the following:

- a) Review scope of work;
- b) Confirm baseline milestone schedule;
- c) Monthly report requirements, including cost report breakdown;
- d) Determine frequency of progress meetings; and
- e) Issues, risks and concerns.

4.3 Progress Meetings

The frequency of the progress meetings will be agreed by the Company and Contractor Representatives, however at a minimum, progress meetings should occur once per month.

At a minimum, the agenda for the progress meetings should include an update and discussion, by Work Task Order, of:

- a) Work completed in the previous period;
- b) Earned progress versus planned progress;
- c) Status of schedule milestones;
- d) Cost status, including forecast;
- e) Work planned for next period; and
- f) Issues and concerns

Minutes of meeting will be prepared by the Company Representative and issued to an agreed distribution list within three (3) working days. Actionees will be identified for all action items.

4.4 Monthly Progress Report

A monthly progress report will be issued by the Contractor Representative for each active Work Task Order to the Company Representative. The report will be based upon a cut-off date of the 25th of each month and submitted no later than the 15th calendar day of the following month. At a minimum, the monthly report will cover the following:

- a) Narrative of work completed in the previous period;

Exhibit IV

Coordination Procedures

- b) Earned progress versus planned progress;
- c) Milestone schedule, baseline and current forecast;
- d) Cost report, budget and current forecast final cost;
- e) Narrative of work planned for next period;
- f) Issues, concerns and mitigation measures; and
- g) any other information as agreed by the Company and Contractor Representatives.

4.5 Milestone Schedule

The baseline milestone schedule will be agreed upon by the Company and Contractor Representatives at the time of the Work Task Order approval. The milestone schedule will be broken down by worksite.

The monthly report will include both the baseline and forecast milestone schedule. Mitigation measures to address any forecast deviation from the baseline schedule will be included in the monthly report.

4.6 Cost Reports

A cost report table will be included with the Monthly Progress Report and the breakdown will be as follows:

Cost Category	WTO Budget	Committed to Date	Incurred to Date	Final Forecast	Variance (Forecast-Budget)
Internal Contractor costs					
Material/Equipment					
Outside Consultants					
Construction					
Total					

Notes:

- a) Internal Contractor costs includes labour, travel, equipment
- b) Material/equipment by purchase order
- c) Outside consultants by contract
- d) Construction by contract
- e) WTO Budget – budget on approved WTO
- f) Committed – value of purchase orders/contracts placed
- g) Incurred – total value of work completed at end of reporting period
- h) Forecast – final forecast costs
- i) Variance – forecast minus WTO budget; include narrative explaining any variances.

The Contractor will submit to Company Representative, by the 15th day of each and every calendar month, an incurred cost flow report specifying:

- a) the costs actually incurred by the Contractor from the effective date of the WTO up to the 25th day of such month (accordingly, the final five day period of such month shall be estimated); and
- b) the estimated cost flow to be incurred by Contractor from the 25th day of such month to the remainder of the duration of the WTO.

Additional information, as warranted, can be included as agreed by the Company and Contractor Representatives.

5. MANAGEMENT OF SCOPE CHANGE

Changes from the approved scope of work or associated schedule and budget, as outlined in the Work Task Order, may be originated by either Company or Contractor. The Contractor Representative will prepare a change request and submit it to the Company Representative for Company Approval. If required, the Company Representative will process the requested change through Company's change management process.

If the change is Approved by Company, the Work Task Order will be revised, highlighting any impact on the approved budget and milestone schedule, and issued to the Company Representative for Approval.

The Approved revised Work Task Order will represent authorization for the Contractor to implement the scope change. All future monthly reports will include the updated current budget and baseline milestone schedule.

6. INVOICING AND PAYMENT

The Contractor shall submit accurate, complete and detailed invoices, that reflect the work completed in the previous month; accompanied by all necessary supporting documentation to enable LCP to efficiently attest the invoices.

6.1 Invoice Format

Invoices shall include:

- a) Name, address and tax identification number (HST registration number);
- b) Invoice date;
- c) invoice number;
- d) Work Task Order number and name;
- e) Charges detailed by LCP's code of accounts;
- f) Adjustments, if any, from prior invoices;
- g) Subtotal, tax (HST applicable to the invoice) and total; and
- h) Complete and accurate supporting documentation (including summary of hours spent by person) and any other pertinent information that LCP may require to verify completion of the work, the accuracy of the fees, charges and third party charges; complete with a summary sheet cross referencing all supporting documentation to the charges covered on the invoice.

6.2 Invoice Submission

Lower Churchill Management Corporation
350 Torbay Road, Suite 2
St. John's, Newfoundland A1A 4E1
Attention: Accounts Payable

Invoices will be paid within thirty (30) calendar days after receipt of a correctly prepared invoice, less any amounts which Company notifies the Contractor as being insufficiently documented or otherwise disputed. Payment of invoices shall be made by electronic funds transfer to Contractor's bank account.

