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SNL1961 CHAPTER 51

THE CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED (LEASE) ACT, 1961

Amended:

1963 No2; 1964 No43; 1966-67 No84; 1968 No101; 1969 No77;
1970 No62

CHAPTER 51

**AN ACT TO AUTHORIZE THE LIEUTENANT-GOVERNMENT IN
COUNCIL TO EXECUTE AND DELIVER AN INDENTURE LEASING
CERTAIN WATER POWERS IN LABRADOR TO CHURCHILL FALLS
(LABRADOR) CORPORATION LIMITED AND TO MAKE PROVISION
RESPECTING OTHER MATTERS CONNECTED THEREWITH**

1961 No51 LT; 1966-67 No84 s2

(March 13, 1961)

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Be it enacted by the Lieutenant-Governor and House of Assembly in Legislative Session convened, as follows:

Short title

1. This Act may be cited as *The Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961* .

1961 No51 s1; 1966-67 No84 s2

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Authority to execute and deliver Lease and other documents

2. The Lieutenant-Governor in Council is authorized to execute and deliver

- (a) a Lease to Hamilton Falls Power Corporation Limited the terms of which shall be substantially similar to the terms of the draft Lease set forth in the Schedule; and
- (b) any sublease, licence or permit, as an intervenor, or any amendment to a sublease, licence or permit pursuant to and in accordance with Clause 7 of Part IV of a Lease executed and delivered in accordance with paragraph (a) of this section.

1961 No51 s2

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Lease to have effect of law

3. The Lease authorized to be executed and delivered under Section 2 shall, upon its execution and delivery, be valid and binding upon the parties thereto, and all and singular the provisions therefor shall have the force and effect of law for all purposes as if expressly enacted in this Act, and the Lessor and Lessee named in the Lease, as well as all others claiming directly or indirectly under the Lessor or the Lessee including without limiting the generality of the foregoing Twin Falls Power Corporation Limited if it is a sublessee, licensee or permittee of the Lessee and the trustee for the holders of any bonds issued by Twin Falls Power Corporation Limited or the assignees of such trustee and any of them have, each of them according to his right, title or interest, full power and authority from time to time to do or perform or omit to do or perform all and singular the several acts, matters and things in and by the Lease provided to be done or not to be done, as the case may be, in the manner and with the effect and under the conditions stipulated and provided in the Lease.

1961 No51 s3

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Sec. 3 to have full effect

4. Section 3 of this Act shall have full effect notwithstanding anything to the contrary contained in *The Crown Lands Act*, chapter 174 of The Revised Statutes of Newfoundland, 1952, or in any other statute or law.

1961 No51 s4

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Part VI of Judicature Act to apply to arbitration

5. Notwithstanding anything to the contrary contained in Section 212 of *The Judicature Act*, chapter 114 of The Revised Statutes of Newfoundland, 1952, Part VI of that Act, except Section 212, shall apply to any arbitration held under a Lease or any amended sublease, licence or permit executed and delivered in accordance with Section 2 of this Act subject to the provisions of such Lease, or amended sublease, licence or permit.

1961 No51 s5

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Exemption from social security assessment

6. (1) Notwithstanding *The Social Security Assessment Act*, chapter 41 of The Revised Statutes of Newfoundland, 1952, as amended from time to time, or any Act standing in place of the said *The Social Security Assessment Act* or any other statute or law, Hamilton Falls Power Corporation Limited, its licensees, sublessees, permittees, transferees or assigns as well as the contractors and subcontractors (whether on a lump sum, fixed price, unit price contract basis or otherwise) of any of them shall on the execution and delivery of a Lease in accordance with Section 2 of this Act have the exemptions provided by that Lease.

Exemption from gasoline tax

(2) Notwithstanding *The Gasoline Tax Act, 1962*, the Act No. 55 of 1962, as amended from time to time, or any Act standing in place of the said Act or any other statute or law, Churchill Falls (Labrador) Corporation Limited, its licensees, sublessees, permittees, transferees or assigns as well as the contractors or subcontractors (whether on a lump sum, fixed price, unit price contract basis or otherwise) of any of them shall, on the execution and delivery of an agreement in accordance with Section 7 of this Act, have and be deemed to have had on and after the first day of January, 1967, the exemptions prescribed in the provisions inserted by Clause 1 of that agreement in the Lease referred to in that clause.

No refund of taxes

(3) Subsection (2) shall not apply in respect of any taxes imposed by or under *The Gasoline Tax Act, 1962*, as amended, and paid by the companies and persons referred to in that subsection at the date of the execution and delivery of the agreement referred to in that subsection and that subsection and the relevant provisions of the Lease referred to in that subsection shall be construed to the end that any such taxes that have been so paid, except those refundable by or under the said *The Gasoline Tax Act, 1962*, shall not be refunded.

1961 No51 s6; 1966-67 No84 s3

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The Public Utilities Act, 1964, not to apply in certain cases

7. *The Public Utilities Act, 1964*, the Act No. 39 of 1964, as now or hereafter amended shall not apply to

- (a) the supply of hydro-electric power from the full output of all units installed at any time and from time to time at the hydro-electric plant site of the Twin Falls Project (which Project is defined in paragraph (d) of Clause 2 of Part I of the form of Lease set forth in the Schedule) to Churchill Falls (Labrador) Corporation Limited or to any person or company engaged in mining, beneficiating, concentrating, agglomerating or otherwise treating or processing iron ore in Labrador which is derived from any mineral deposit in Labrador, under any written agreement with any such person or company, or to the issuance of any securities in connection with or to the financing or construction of facilities for the installation and transmission of hydro-electric power from the said hydro-electric plant site;
- (b) the supply of hydro-electric power developed under the Lease made pursuant to the Act No. 51 of 1961, as now or hereafter amended, at the Churchill Falls Power Plant in Labrador to
 - (i) Quebec Hydro-Electric Commission,
 - (ii) the Newfoundland and Labrador Power Commission, or
 - (iii) any company which, at the date of the enactment of this Act, is being supplied with hydro-electric power by Twin Falls Power Corporation Limited and which is then engaged in mining, beneficiating, concentrating, agglomerating or otherwise treating or processing iron ore in Labrador which is derived from any mineral deposit in Labrador,

under any written agreement with any of such Commissions or companies, or to the issuance of any securities in connection with or to the financing or construction of facilities for the installation and transmission of hydro-electric power from the said Churchill Falls Power Project; or

- (c) the supply of hydro-electric power by Churchill Falls (Labrador) Corporation Limited to Twin Falls Power Corporation Limited and the distribution by Twin Falls Power Corporation Limited of any such power so supplied to it to any company referred to in subparagraph (iii) of paragraph (b), subject to the condition that in every case referred to in this paragraph, the hydro-electric power referred to herein shall be the hydro-electric power supplied by Churchill Falls (Labrador) Corporation Limited to Twin Falls Power Corporation Limited in replacement of power formerly generated at the plant site referred to in paragraph (a) which is not then being generated,

but the said *The Public Utilities Act, 1964* , applies to the production, storage, transmission and supply of all other hydro-electric power developed under or in pursuance of the Lease executed and delivered pursuant to this Act.

1966-67 No84 s4

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Principal Agreement not to apply

8. Notwithstanding anything to the contrary contained in the Principal Agreement as defined in the Lease executed and delivered pursuant to this Act, none of the provisions of the said Principal Agreement as now or hereafter amended shall apply to the said Lease.

1964 No43 s3

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Application of Registration of Deeds Act

9. *The Registration of Deeds Act* , chapter 141 of The Revised Statutes of Newfoundland, 1952, applies to

- (a) a Lease executed and delivered in accordance with Section 2 of this Act;
- (b) an assignment, sublease, licence or permit issued with respect to all or any of the rights and liberties derived by or under that Lease; and
- (c) a mortgage of or charge upon all or any of the rights and liberties derived by or under such Lease, assignment, sublease, licence or permit,

as if that Lease, assignment, sublease, licence, permit, mortgage or charge was specifically mentioned in Section 6 of *The Registration of Deeds Act* .

1961 No51 s9

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Sec. 3 not restricted by Secs. 4 to 9

10. Nothing in Sections 4 to 9 shall be deemed to restrict the generality of Section 3.

1961 No51 s10

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Schedule

This Lease made at St. John's in the Province of Newfoundland this _____ day of _____ One thousand nine hundred and sixty-one BETWEEN His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter called the "Government", which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province) of the one part AND Churchill Falls (Labrador) Corporation Limited a company duly incorporated under the laws of Canada and having its Head Office in the city of St. John's in the Province of Newfoundland (hereinafter called the "Lessee", which expression shall, unless the context otherwise requires and subject to the provisions of this Lease, include the successors and assigns of the Lessee) of the other part;

WHEREAS under and by virtue of the powers conferred by the Act No. 63 of 1953 of the Province of Newfoundland there was executed on the twenty-first day of May, A.D. 1953, an Agreement in the terms set forth in the Schedule to the said Act between the Government and British Newfoundland Corporation Limited et al.;

AND WHEREAS under and by virtue of the powers conferred by the Act No. 18 of 1954 of the Province of Newfoundland there was executed on the third day of July, A.D. 1954, a Supplemental Agreement in terms set forth in the Schedule to the said Act between the Government and British Newfoundland Corporation Limited et al. amending the said Agreement;

AND WHEREAS under and by virtue of the powers conferred by the Act No. 48 of 1955 of the Province of Newfoundland there was executed on the twenty-sixth day of September, A.D. 1955, a further Supplemental Agreement in the terms set forth in the Schedule to the said Act between the Government and British Newfoundland Corporation Limited et al. further amending the said Agreement (the said Agreement as so amended being hereinafter called the "Principal Agreement");

AND WHEREAS under the Principal Agreement and in accordance with the provisions thereof, British Newfoundland Corporation Limited acquired an option exercisable at any time and from time to time during the period of twenty years from the twenty-first day of May, A.D. 1953, to take an exclusive right and concession (so far as the same should not be inconsistent with any grants or leases of water power rights theretofore granted or agreed to be granted by the Government and subsisting at the date of the Principal Agreement) to harness and make use of waters in Newfoundland and Labrador, including the Hamilton River and to be vested with all hydro-electric and hydraulic power rights in to and in respect of the same;

AND WHEREAS British Newfoundland Corporation Limited in pursuance of Clause 13 of the Principal Agreement did by an Assignment Agreement dated as of the thirtieth day of June, A.D., 1958, assign unto the Lessee, among other things, the option and water power rights which were granted to it by the Principal Agreement in respect of and limited to the portion of the Hamilton River known as the upper Hamilton River as defined in the Assignment Agreement as subsequently amended to bring the said definition into conformity with Clause 1 of this Lease;

AND WHEREAS by notice given by the Lessee to the Government pursuant to the provisions of sub-clause (2) of Clause 9 of the Principal Agreement, the Lessee on the twenty-sixth day of May, A.D. 1960, exercised the option so assigned to it and obliged itself to commence and proceed with due diligence with the development of the supply of electricity from the said upper Hamilton River, commencing with the Twin Falls hydro-electric development on the Unknown River, Labrador (hereinafter defined and referred to as the "Twin Falls Project");

AND WHEREAS the Lessee has applied to the Government for the grant, pursuant to sub-clause (2) of Clause 9 of the Principal Agreement, of such exclusive right and concession for a term of ninety-nine years renewable at the option of the Lessee for a further period of ninety-nine years, in respect of the area or areas covered by said Assignment Agreement upon which the said option was exercised;

AND WHEREAS the Twin Falls Project is being undertaken by Twin Falls Power Corporation Limited, a company organized under the laws of Canada and having its Head Office at St. John's in the said Province, which is to become a sublessee of Churchill Falls (Labrador) Corporation Limited;

AND WHEREAS the Government has deemed it desirable to enter into, execute and deliver this Lease, subject to the terms, conditions, reservations, qualifications and provisions hereinafter set forth;

1961 No51 Sch Preamble; 1966-67 No84 s2

NOW THEREFORE THIS LEASE WITNESSETH that

PART I
RIGHTS AND LIBERTIES LEASED AND RESERVATIONS MADE

1. In pursuance of the Principal Agreement and for and in consideration of the undertakings of the Lessee herein set forth and subject to the terms, conditions, reservations, exceptions and provisions herein contained, the Government hereby leases and demises unto the Lessee full right and liberty to use exclusively all usable waters upstream of the point of intersection of the Hamilton River with the meridian of 63 ° 40' west of Greenwich and within

- (a) the catchment area of the Hamilton River upstream of that point; and
- (b) any other catchment areas that, by diversion, can be made tributary to the above-mentioned catchment area of the Hamilton River ,

and the total area of catchment of the waters leased and demised by this Lease (hereinafter called the "Upper Hamilton Watershed") is described in Appendix A to this Lease and delineated on the map shown in that Appendix (And Appendix A is hereby declared to be part and parcel of this Lease, subject to alteration and correction of description and delineation by a supplementary lease when a final survey of the said area is available, but such alteration and correction of description and delineation shall be made without infringing any of the rights reserved to Labrador Mining and Exploration Company Limited under paragraph (d) of this clause, and the waters in respect of which rights and liberties are leased and demised by this Lease are hereinafter called the "Upper Hamilton");

TO HOLD the same unto the Lessee for the full term of ninety-nine years from the _____ day of _____, A.D., 1961 YIELDING AND PAYING therefor the tax to be calculated and paid in the manner prescribed by this Lease TOGETHER WITH the rights described in Clause 2 of this Part and the full right and liberty to flood during the term created by this Lease and any renewal hereof all those areas of the Upper Hamilton Watershed described in Appendix B to this Lease and delineated on the map shown in that Appendix to the levels indicated on the said map (and the said Appendix B is hereby declared to be part and parcel of this Lease, subject to alteration and correction of such description and delineation by a supplementary lease when a final survey of the said areas is available, and those areas of the Upper Hamilton Watershed described and delineated in the said Appendix B are hereinafter called the "main development area") EXCEPTED AND RESERVED to the Government, its licensees, lessees, assignees, transferees or any other persons whomsoever authorized by the Government in that behalf

- (c) (i) all minerals both metallic and non-metallic, coal, oil, salt, natural gas and related hydro-carbons, all quarry materials, surface rights, and all other rights not leased and demised by this Lease, and

- (ii) all timber

on in and under the Upper Hamilton Watershed;

- (d) all of the usable waters upstream of a point that is one and one-half miles downstream

from the northeastern face of the main dam at the outlet of Menihék Lakes and the leave, licence, permission, authority and all other rights licensed by the Crown to Labrador Mining and Exploration Company Limited by a Licence dated the first day of December, A.D. 1950, as amended by *The Labrador Mining and Exploration Company, Limited Water Power Licence (Clarification and Revision) Act, 1961* ;

- (e) the full right and liberty for the Government, its licensees, lessees, grantees, assignees, transferees and any other persons whomsoever authorized by the Government in that behalf
 - (i) to explore, prospect, search for, work, get, carry away and dispose of all minerals, both metallic and non-metallic, coal, oil, salt, natural gas and related hydro-carbons and other rights in the Upper Hamilton Watershed not leased and demised by this Lease;
 - (ii) to fell, cut down, dispose of and carry away all timber in the Upper Hamilton Watershed; and
 - (iii) to occupy and use all of the Upper Hamilton Watershed the occupation and use of which is in the opinion of the Government necessary for any of the purposes referred to in this paragraph (e);

AND EXCEPTED AND RESERVED ALSO for all of the purposes referred to in paragraph (e) of this clause

- (f) the right of ingress, egress and regress over the Upper Hamilton Watershed and to make, sink, erect and use all mines, pits, plants, shafts, wells, machinery, buildings, erections, dams, roads and other necessary works and conveniences;

AND EXCEPTED AND RESERVED ALSO

- (g) the right for the public to use freely all lakes, ponds and rivers included in the Upper Hamilton for floating logs or other timber of any kind whatsoever;
- (h) to the Government, its grantees, lessees, licensees and permittees all fishing rights whatsoever on the Upper Hamilton TOGETHER WITH the right of ingress, egress and regress for the purpose of exercising any of such fishing rights; and
- (i) for the public the right subject to applicable laws and regulations now or hereafter existing, to fish, shoot, hunt, trap and travel on and over the Upper Hamilton Watershed and the Upper Hamilton and any and all streams, rivers and lakes included therein and to maintain on the Upper Hamilton for any such purpose any kind of vessel, boat or aircraft.

PROVIDED that subject to the other provisions of this Lease the rights reserved shall be exercised in such a manner as not to cause unnecessary interference with the use and enjoyment of the rights of the Lessee under this Lease.

1961 No51 Sch Part I s1

2. Subject to the provisions, terms, conditions, exceptions and reservations of this Lease, the lease and demise of the Upper Hamilton created hereby includes the grant to the Lessee during the term created by this Lease of

- (a) the exclusive right to harness and make use of the Upper Hamilton ;
- (b) all hydro-electric and hydraulic power rights in, to and in respect of the Upper Hamilton ;
- (c) the exclusive right to utilize all of the Upper Hamilton in all dams, tunnels, canals,

diversions, power houses and any and all other works, wheresoever located, necessary for the development of hydro-electric and hydraulic power;

- (d) the exclusive right to store so much of the Upper Hamilton as may be economic and/or beneficial for the purposes of the development by the Lessee of the Upper Hamilton and to regulate the flow of the Upper Hamilton subject to the condition that in so doing the Lessee shall not interfere, to the detriment of downstream proprietors of water power rights without the consent of all such proprietors, with the minimum daily mean unregulated flow of such waters occurring prior to the establishment of a hydro-electric plant at a site on the Unknown River having an initial generating capacity of approximately 120,000 horsepower together with appropriate related facilities including high voltage transmission lines to and a step down station near Wabush Lake (the said plant and facilities being herein called the "Twin Falls Project");
- (e) the right to transmit throughout the Province any electric power generated as the result of the harnessing of the whole or any part of the Upper Hamilton and to export from the Province such power: Provided that upon the request of the Government consumers of electricity in the Province shall be given priority where it is feasible and economic to do so; and
- (f) the right, subject to Clause 3 of Part III, to flood or otherwise impair the land comprised in any grant, lease, licence or other assurance of unoccupied Crown lands located in the main development area or of any rights therein or thereunder made after the date of execution and delivery of this Lease without paying any compensation, fine or other indemnity in respect of the loss or damage suffered by the grantee, lessee, licensee or other holder of rights in the land.

1961 No51 Sch Part I s2

PART II LESSEE'S COVENANTS

The Lessee hereby covenants with the Government as follows:

Royalty

1. (1) The Lessee shall during the term created by this Lease pay to the Minister of Mines, Agriculture and Resources for the said Province a royalty to be determined and paid in the manner and at the times prescribed by this clause.

(2) The Government shall determine the rate of royalty, applicable to each development or stage thereof, for the supply of electricity from the Upper Hamilton: Provided that the rate so determined shall not exceed the maximum rate of 50 cents (Canadian) per horsepower year generated and sent out of the station and for the purpose of this clause 6535 kilowatt hours shall constitute one horsepower year.

(3) During the term created by this Lease, the Lessee shall on or before every twenty-eighth day of February occurring after the delivery of electricity from any installation utilizing the whole or any part of the Upper Hamilton is commenced submit to the Government all data required by it for determining the amount of the royalty for the calendar year (January 1 to December 31) or part thereof immediately preceding that twenty-eighth day of February, and all such data shall be certified by a responsible officer of the Lessee and shall be treated by the Government as confidential information.

(4) The royalty calculated from the data submitted to the Government as aforesaid shall be paid by the Lessee on or before the thirty-first day of March immediately following the end of each calendar year (January 1 to December 31).

1961 No51 Sch Part II s1

Government inspection

2. The Government by its servants and agents may at all reasonable times during the term of this Lease enter upon the Upper Hamilton and examine the condition thereof.

1961 No51 Sch Part II s2

Due diligence

3. The Lessee will commence and proceed with due diligence with the development of the supply of electricity from the Upper Hamilton, beginning with the development by Twin Falls Power Corporation Limited of a supply of electricity from the Twin Falls Project.

1961 No51 Sch Part II s3

Newfoundland labour and materials

4. The Lessee shall in the procuring of materials, equipment and labour for any work undertaken by it or for its account under the terms of this Lease give preference, where it is feasible and economic to do so, to material and equipment originating, manufactured or distributed and serviced in the Province of Newfoundland and prior opportunity to workmen whose usual place of residence is in the said Province and shall use its best endeavours to give effect to this provision.

1961 No51 Sch Part II s4

Flow gauging information

5. When as and if the Lessee undertakes recording information concerning the characteristics of the Upper Hamilton, or any part thereof, it will supply and furnish to the Government upon request copies of such flow gauging information and data at least once each year.

1961 No51 Sch Part II s5

Operating practices

6. The Lessee shall keep and maintain in good working order all structures, works and plant erected from time to time for the development and utilization of the Upper Churchill on the premises demised by this Lease or by any of the leases or licenses referred to in Clause 7 of Part III of this Lease which have been or in the future shall be granted to the Lessee and which structures, works and plant in accordance with sound utility practice are required in connection with or incidental to said development and utilization, and the Lessee shall attend to all necessary repairs in order to secure the normal and satisfactory working of all such structures, works and plant. The Lessee shall, however, be entitled at any time and from time to time to alter any structures, works and plant erected from time to time for the development and utilization of the Upper Churchill on such demised premises and to remove any thereof when desirable in the conduct of its business in accordance with sound utility practice, to change the position of any thereof, to replace or renew any thereof and to dismantle and remove any thereof no longer useful in the conduct of its business in accordance with sound utility practice.

1969 No77 Sch s1

6A. The Government acknowledges that, so long as this Lease or any of the leases or licenses referred to in Clause 7 of Part III of this Lease shall be in force, all right, title and interest in and to all fixtures, structures and other improvements located on the premises demised by this Lease or such other leases or licenses (but not any personal property located thereon), and all proceeds and avails of such fixtures, structures and improvements shall be part of the Lessee's leasehold estate and

may, subject to the restrictions on alienation of the leasehold estate and to the other covenants of the Lessee contained in this Lease and said other leases and licenses, be assigned together with the Lessee's other rights hereunder as security or otherwise disposed of by the Lessee without restriction; provided, however, that (under reserve of the Lessee's right to remove upon, or within a reasonable period following, termination of the demise, all trade fixtures and all other fixtures not being landlord's fixtures) all fixtures, structures and other improvements remaining on the premises demised by this Lease or by said other leases or licenses shall, upon termination thereof, become the property of the Government.

1969 No77 Sch s1

7. During the term created by this Lease, the Lessee will once at least in every calendar year procure the preparation of a Consolidated Statement of Profit and Loss of the Lessee and its subsidiary companies for the preceding calendar year. In addition, the Lessee undertakes to procure to be made out a Consolidated Balance Sheet of the Lessee and its subsidiary companies as at the dates to which the said Consolidated Statements of Profit and Loss are made up. The said Consolidated Statement of Profit and Loss and Consolidated Balance Sheet are hereinafter referred to as the "Consolidated Accounts". For the purposes of this Lease a subsidiary company means a company in which the Lessee holds directly, or through a nominee, shares comprising more than fifty per centum (50%) of the issued share capital of that other company, or shares entitling the Lessee to more than fifty per centum (50%) of the voting power of that other company or a company of which the Lessee has power directly or indirectly to appoint the majority of the directors, and a subsidiary company shall include a subsidiary company of a subsidiary company: Provided, however, that the Lessee shall not be required to procure the preparation of Consolidated Accounts for any year prior to the calendar year 1964, except on the written request of the Government.

1964 No43 Sch s1

8. (1) The Lessee shall pay a rental in each year during the term created by this Lease equal to eight per centum (8%) of the net profits of the Lessee as hereinafter defined.

(2) For the purpose of this Lease, the expression "net profits" means the net profits less losses of the Lessee and its subsidiary companies in so far as they are attributable to the Lessee's holding therein computed in accordance with generally accepted Canadian accounting principles and as shown in the Consolidated Accounts approved by the auditors of the Lessee in any financial year of the Lessee excluding any profit or loss arising on the disposal of fixed assets of the Lessee or of any subsidiary company of the Lessee otherwise than in connection with the assignment, sublease, licence or alienation of any of the rights and liberties granted to or hereby to be granted to the Lessee and after charging all usual and proper expenses, other than the rental payable pursuant to this clause but including the royalty payable under sub-clause (2) of Clause 1 of this Part II, interest payable in respect of borrowed moneys, provisions for depreciation, depletion and amortization based on but not exceeding amounts expended and all other provisions as charged in the Consolidated Accounts in respect of such financial year but before making any charge or provision for Federal and Provincial Income Tax or any other taxes on income whether of a Federal or Provincial nature and before charging any dividends paid or payable on any class of shares of the Lessee and before making any appropriations for reserves of a capital or revenue nature not allowable for the purposes of Canadian Federal taxation: Provided, always, that if the Lessee or any of its subsidiary companies shall carry on any activities other than operations the subject of the rights and liberties granted or to be granted under this Lease the net profits or losses attributable to such activities shall be excluded.

(3) The rental payable by the Lessee to the Government under this clause shall be paid on the completion and adoption of the audited accounts of the Lessee in every year and shall be certified by the auditors for the time being of the Lessee.

(4) Provided, always, that if the computation of net profits pursuant to this clause shall in any year result in net losses the amount of such net losses shall be set off against the first subsequent

net profits.

(5) The rental payable under this clause shall be calculated and paid only on the profits of the Lessee as herein defined and shall not devolve upon or be payable by any assignee of the Lessee.

1964 No43 Sch s1

PART III GOVERNMENT'S COVENANTS

The Government hereby covenants with the Lessee as follows:

Quiet enjoyment

1. The Lessee paying the royalty provided for in this Lease and observing, performing and fulfilling the several provisions, covenants, terms and conditions herein contained and on the part of the Lessee to be paid, observed, performed and fulfilled shall peaceably hold and enjoy the rights and liberties hereby leased and demised during the said term without any interruption or interference by the Government or any other person whomsoever rightfully claiming under or in trust for it.

1961 No51 Sch Part III s1

Renewal

2. Subject to all of the provisions of this Lease, the Government will on the written request of the Lessee made before the expiration of the term hereby created, if there shall not at the time of such request be any existing breach of the covenants, terms and conditions of this Lease on the part of the Lessee, grant to it a further lease of the rights and liberties leased and demised by this Lease for the further term of ninety-nine years from the expiration of the term created by this Lease subject to payment of the same royalty and containing the like covenants and conditions as are herein contained, except the covenant for renewal.

1961 No51 Sch Part III s2

Provisions of subsequent grants

3. (1) Whenever after the date of the execution and delivery of this Lease and subject to sub-clause (2) of this clause, a grant, lease, licence or other assurance is made of unoccupied Crown lands located in the main development area or of any rights therein or thereunder, a provision shall be inserted in such grant, lease, licence or other assurance reserving in favour of the Lessee the right to flood or otherwise impair the land comprised in the grant, lease, licence or other assurance and to the extent permitted by this Lease to construct and operate storage reservoirs thereon, therein or thereunder without paying any compensation, fine or other indemnity in respect of the loss or damage suffered by the grantee, lessee, licensee or other holder of rights in the land.

(2) Sub-clause (1) of this clause and paragraph (f) of Clause 2 of Part I shall not apply in respect of

- (a) any option or concession granted by or under any Act or agreement before the execution and delivery of this Lease to any person, company, partnership or association conferring on such person, company, partnership or association the right to acquire and occupy Crown lands or any rights thereon, therein or thereunder by way of grant, lease, licence, permit or other assurance of title; or
- (b) any grant, lease, licence, permit or other assurance of title made at any time before the execution and delivery of this Lease, or made at any time thereafter in pursuance of an option or concession referred to in paragraph (a) of this sub-clause.

1961 No51 Sch Part III s3

Reservation of minerals

4. The Government has reserved and will subject to this Lease keep reserved from the operation of *The Crown Lands (Mines and Quarries) Act, 1961*, as amended from time to time, for the full term created by this Lease all minerals on, in and under the main development area.

1961 No51 Sch Part III s4

Grant of minerals in main development area

5. Notwithstanding the provisions of Clause 4 and subject to the provisions of Clause 3 of this Part, the Government reserves the right to grant, lease or otherwise dispose of all or any part of the minerals referred to in Clause 4 of this Part or any rights in such minerals to any person, company, partnership or association.

1961 No51 Sch Part III s5

Notice

6. (1) Before making any grant or lease of minerals or of land anywhere in the Upper Hamilton Watershed, the Government will subject to this clause inform the Lessee in writing of its intention to do so and allow the Lessee at least sixty (60) days from the date of service of that notice to enable the Lessee to make any objection to such proposal that it wishes to make.

(2) Subject to Clause 3 of this Part, the Government reserves the right to make any grant or lease referred to in sub-clause (1) of this clause on the expiration of the period of notice prescribed by that sub-clause, whether or not the Lessee shall have objected thereto.

(3) The provisions of this clause shall not apply to any grant, lease, licence, permit or other assurance of title referred to in paragraph (b) of sub-clause (2) of Clause 3 of this Part.

1961 No51 Sch Part III s6

Acquisition of Crown lands

7. (1) Subject to sub-clause (2) of this clause, the Government will grant to the Lessee upon reasonable terms and conditions by lease or licence from time to time such Crown lands not then irrevocably granted, leased or otherwise alienated to any third party as may be reasonably necessary in connection with or incidental to any aspect of the development and transmission of hydro-electric power from any part of the Upper Hamilton.

(2) All of the Crown lands referred to above that are required for transmission and communication lines, access roads, dam sites, power sites, transformer stations and canals will be leased or licensed to the Lessee for a term coextensive with the term of this Lease and any renewal thereof and at a rent not exceeding one dollar a year, if demanded.

1961 No51 Sch Part III s7

Acquisition of private lands

8. If the Lessee is desirous at any time of acquiring private lands or any rights therein or thereover, reasonably necessary for or in connection with or incidental to any aspect of the development and transmission of hydro-electric power from any part of the Upper Hamilton, the Government will acquire such lands or rights by purchase, expropriation under *The Expropriation Act, 1957*, as now or hereafter amended, or otherwise (and the mode of acquisition shall be determined by mutual agreement) and the Government will transfer title and possession of such lands or rights to the Lessee at cost.

1961 No51 Sch Part III s8

Legislation to protect Lessee's improvements

9. The Government will use its best endeavours to secure legislation including regulations reasonably necessary to protect the improvements made in the Upper Hamilton Watershed by the Lessee or any sublessee, licensee or permittee of the Lessee from damage by any person exercising any of the rights reserved under paragraphs (g), (h) and (i) of Clause 1 of Part I, but all such legislation shall be consistent with the lawful exercise of such reserved rights.

1961 No51 Sch Part III s9

**PART IV
MUTUAL COVENANTS**

It is mutually agreed by and between the parties to this Lease as follows:

No assignment, etc., without consent

1. (1) Subject to this clause, the rights and liberties hereby demised or any of them may not be assigned, leased, licensed, mortgaged or otherwise howsoever alienated by Churchill Falls (Labrador) Corporation Limited, without the prior consent of the Government in writing, which consent shall not be unreasonably withheld.

(2) Subject to this clause the Lessee may not license or permit any company or body whether associated with it or not to utilize any of the rights and privileges granted hereunder or sublet or otherwise dispose of any of the said rights and privileges to any such company or body, without the prior consent of the Government, in writing, which consent shall not be unreasonably withheld.

(3) This clause shall not be deemed to apply to a permit for a period not exceeding one year issued by the Lessee nor shall this clause nor any corresponding restriction of any lease or license granted pursuant to Clause 7 of Part III hereof, be deemed to apply to any permits, licenses or other rights of utilization under the Power Contract (referred to in Clause 2A of Part IV hereof) or otherwise in respect of the construction of, or for the purpose of assuring the completion, bringing into operation and continued operation of, and delivery of energy from, the Churchill Falls power project in Labrador; provided, however, the giving of any such right by the Lessee shall not affect the Lessee's obligations hereunder.

(4) Forthwith, upon the execution of any assignment, sublease, licence or permit or of any assignment of any such assignment, sub-lease, licence or permit, the Lessee shall furnish to the Government a certified copy thereof together with the name and address of the assignee, sublessee, licensee or permittee.

(5) The Lessee shall not be liable to pay any fee or charge in respect of any consent given under this clause.

1961 No51 Sch Part IV s1; 1966-67 No84 s2; 1969 No77 Sch s2

Tax exemptions

2. (1) The Lessee and any of its sublessees, licensees, permittees, and agents, as well as the contractors and subcontractors (whether on a lump sum, fixed price or unit price contract basis or otherwise) of any of them shall be exempt

- (a) from all taxes heretofore or hereafter imposed by or under *The Social Security Assessment Act*, chapter 41 of The Revised Statutes of Newfoundland, 1952, as amended to the date of the coming into force of *The Social Security Assessment Act, 1963*, the Act

No. 83 of 1963, and from all taxes imposed by the said *The Social Security Assessment Act, 1963*, as amended from time to time or any Act standing in the place thereof and from any similar tax or assessment levied, authorized or imposed by the Province in respect of all machinery, equipment, goods, materials, articles, things, and all other tangible personal property heretofore or hereafter installed, consumed or used in the establishment, construction, equipping or expansion in Labrador of any works, buildings, structures and plant ("facilities") for or incidental to any aspect of the development, generation and transmission within the Province of hydro-electric power from the whole or any part of the Upper Churchill: Provided that such exemption shall not apply in respect of

- (i) any machinery, equipment, materials, articles and things and other than tangible personal property consumed or used in the operation of the facilities or in the establishment of any capital replacements made otherwise than in connection with the expansion of any of the facilities, or
 - (ii) renewals, replacements or repairs;
- (b) on and after the 1st day of January, 1967, from all taxes imposed by or under *The Gasoline Tax Act, 1962*, the Act No. 55 of 1962, as amended from time to time, or any Act standing in the place thereof and from any similar tax or assessment levied, authorized or imposed by the Province in respect of gasoline consumed or used in the establishment, construction, equipping or expansion of any facilities established in Labrador for or incidental to any aspect of the development, generation and transmission within the Province of hydro-electric power from the whole or any part of the Upper Churchill: Provided that such exemption shall not apply in respect of

- (i) gasoline consumed or used in the operation of any such facilities or in the establishment of any capital replacements made otherwise than in connection with the expansion of any such facilities, or
- (ii) renewals, replacements or repairs,

but nothing in this sub-clause (1) shall be deemed to confer any exemption in respect to the operation by Twin Falls Power Corporation Limited of its facilities, or from the tax imposed by or under *The Fuel Oil Tax Act, 1962*, or any Act substituted therefor.

(1A) For greater certainty it is hereby declared that

- (a) the completion of any facility or any part thereof shall not prevent the application of any of the exemptions referred to in paragraphs (a) and (b) of sub-clause (1) of this Clause 2 in respect of any uncompleted facility or part thereof; and
- (b) the total consumption of any tangible personal property in respect of which the exemption referred to in paragraph (a) of sub-clause (1) of this Clause 2 applies or the partial consumption or use of it to the point where it can no longer be consumed or used shall not prevent the application of that exemption in respect of the consumption or use of additional tangible personal property consumed or used in replacement of that already totally consumed or so partially consumed or used, if such additional tangible personal property is consumed or used for any of the purposes prescribed in the said paragraph (a) in respect of which an exemption is provided.

(2) Should the Lessee or any of its sublessees, licensees or permittees be subject to taxation by any municipality or other local taxing authority in Newfoundland Labrador, the amount of taxes levied by such municipality or other taxing authority against the Lessee or any of its sublessees, licensees or permittees for the year, together with the amount of taxes levied by such municipality or other taxing authority against all other industrial establishments and activities including hydro-electric developments for such year, shall not exceed in the aggregate forty per centum (40%) of the total amount of the taxes levied by such municipality or other taxing authority for such year.

(3) The Lessee and Twin Falls Power Corporation Limited shall not be liable for any taxes

other than taxes of general application.

1961 No51 Sch Part IV s2; 1966-67 No84 Sch s1; 1970 No62 Sch s1

Tax exemptions and rebates

2A. (1) In this Clause 2A,

- (a) "Lessee" means Churchill Falls (Labrador) Corporation Limited, its successors and assigns and the subsidiaries of Churchill Falls (Labrador) Corporation Limited, except Twin Falls Power Corporation Limited and the successors, assigns and subsidiaries of Twin Falls Power Corporation Limited; and
- (b) "Power Contract" means the first contract executed by and between the Lessee and Quebec Hydro-Electric Commission relating to the supply and sale by the Lessee to Quebec Hydro-Electric Commission of hydro-electric power developed under this Lease at Churchill Falls in Labrador, but does not include any renewal of such contract or the renewal of the term prescribed therein during which the Power Contract is to remain in force, and the said term is expected to be about forty years.

(2) This Clause 2A applies as of and from July 14, 1966, in respect of the development, transmission and supply of hydro-electric power by the Lessee under this Lease during the term of the Power Contract, but this Clause 2A applies only in respect of such development, transmission and supply of hydro-electric power.

(3) Notwithstanding anything to the contrary contained in sub-clause (3) of Clause 2 of this Part IV, this Clause 2A shall have effect to the extent provided in sub-clause (2) of this Clause 2A, and only to that extent, but subject to this Clause 2A, sub-clause (3) of the said Clause 2 shall continue to have full force and effect.

(4) The Lessee shall be exempt from

- (a) any increase in existing taxes,
- (b) any liability with respect to any new or additional taxes that may hereafter be imposed, levied or authorized, and
- (c) any liability with respect to any new or additional charges, dues, fees, rents, levies, royalties or other assessments of whatsoever nature or kind,

that are within the power of the Province or any municipality or subdivision thereof to impose, levy or authorize upon the Lessee, its assets (tangible or intangible), or revenues, including without limitation, its earnings, products, properties, rights, franchises, leases, licences, permits, investments, capital (share or loan), transactions, payrolls, purchases, sales or transfers, or upon any other thing, matter or act whatsoever that is within the corporate power of the Lessee as it is now or may hereafter be constituted: Provided, however, that the above exemptions shall not enlarge the exemptions enjoyed by the Lessee pursuant to sub-clauses (1) and (2) of Clause 2 of this Part IV from the taxes specifically referred to in the said sub-clauses (1) and (2); and provided further that if Canada reduces the rates of taxes on or measured by income at present imposed by it on any class of corporations, in which the Lessee is included, the Government reserves for the Province the right in such event to increase the present rates of taxes on or measured by income imposed by it on the Lessee up to, but not exceeding the reduction in the rates of taxes so made by Canada, provided, however, that the Lessee shall not be obligated to pay an amount greater than that which would have been payable by the Lessee had Canada not reduced such rates of taxes.

(5) Subject to sub-clauses (6), (7), (8) and (9) of this Clause 2A, the Government shall pay or cause to be paid to the Lessee for its own use and benefit forty-seven and nine-tenths per centum (47.9%) of all moneys

- (a) collected by Canada by way of existing taxes on or measured by income of the Lessee;

and

(b) paid by or for Canada to or upon the order of the Province.

(6) If the amount of the rental payable by the Lessee under Clause 8 of Part II hereof is not allowed as a deduction in determining the Lessee's taxable income, then the Government shall pay the Lessee an amount equal to all of the tax on such rental which is

(a) by reason of such disallowance, collected by Canada by way of existing taxes on or measured by income of the Lessee; and

(b) paid by or for Canada to or upon the order of the Province,

but the Government shall not make any payments under sub-clause (5) of this Clause 2A in respect of such tax.

(7) If the rates of the taxes on or measured by income at present imposed by Canada on the Lessee shall be increased, then, an amount equal to all additional tax

(a) collected, as a result of the increase of such rates, by Canada by way of taxes on or measured by income of the Lessee, whether or not the rental referred to in sub-clause (6) of this Clause 2A is allowed as a deduction in determining the Lessee's taxable income; and

(b) paid by or for Canada to or upon the order of the Province,

shall be payable by the Government to the Lessee, but the Government shall not make any payments under sub-clause (5) or (6) of this Clause 2A in respect of such additional tax; and if the rates of the taxes on or measured by income at present imposed by Canada on the Lessee shall be decreased, then, no payments shall be made to the Lessee under any provision of this Clause 2A in respect of the amount of the reduction of taxes resulting from the decrease of such rates. In either case of an increase or decrease in such rates of taxes, the Government shall be entitled to receive and to retain in each year an amount up to but not exceeding twenty-two and one-half per centum (22.5%) of the Lessee's taxable income

(c) collected by Canada, from time to time, by way of taxes on or measured by income of the Lessee; and

(d) paid by or for Canada to or upon the order of the Province.

(8) If the amount retained by Canada from taxes on or measured by income imposed by Canada on the Lessee shall be increased above the amount retained at present, namely, an amount equal to four and eight-tenths per centum (4.8%) of taxable income of the Lessee, then, no payments shall be made to the Lessee under any provision of this Clause 2A in respect of the amount of the increase; and if the amount retained by Canada from taxes on or measured by income of the Lessee shall be reduced below the amount retained at present namely, an amount equal to four and eight-tenths per centum (4.8%) of taxable income of the Lessee, then, payments shall be made, in accordance with sub-clauses (5), (6) and (7) of this Clause 2A, in respect of that part of the amount of such reduction which is paid by or for Canada to or upon the order of the Province.

(9) If the tax on or measured by income imposed by the Province shall cease to be collected in whole or in part by Canada, such tax shall nevertheless be treated as if it were so collected for the purpose of determining the sum or sums to be paid to the Lessee under sub-clause (5), (6) or (7) of this Clause 2A.

(10) The parties acknowledge that the Lessee is entering into the Power Contract on the basis that during the term of the Power Contract the methods now applicable for computing the income of the Lessee subject to taxes on or measured by income will not be materially changed, and agree that if the amount of such taxes should be materially increased or decreased by reason of any change in such method of computation, the parties will make adjustments to the sum or sums payable to the

Lessee pursuant to this Clause 2A, and/or such amendments to this Lease as may be appropriate to compensate for such increase or decrease: Provided that notwithstanding anything to the contrary contained in Clause 9 of this Part IV, the said Clause 9 shall not apply to or in respect of any dispute arising under this sub-clause (10), and any such dispute shall not be subject to arbitration in the manner prescribed in the said Clause 9 or in any other manner whatsoever.

(11) Notwithstanding any legislation to the contrary, the payments to the Lessee by the Government under this Clause 2A shall not be deemed to be income of the Lessee for the purposes of any tax on or measured by income imposed by the Province, and the Government undertakes that when so requested it will duly certify that payments so made have been paid or otherwise credited to the Lessee.

(12) Notwithstanding any provision of *The Revenue and Audit Act* or any other statute or law of the Province, the Government undertakes to appoint a bank or trust company acceptable to the Lessee and to be paid by the Lessee to act as agent or trustee of the Government for the purpose of receiving from Canada that part of the taxes on or measured by the income of the Lessee which relate to the development, transmission and supply of hydro-electric power by the Lessee during the term of the Power Contract, which shall have been imposed by Canada and which are payable by Canada to the Province pursuant to the *Public Utilities Income Tax Transfer Act*, 14-15 Elizabeth II C. 43 (Statutes of Canada) or amendments thereto or enactments in substitution thereof; and the Government undertakes, in the manner it deems expedient, duly to notify Canada of such appointment and to request it to make such payments to such agent or trustee. Such appointment, which shall be irrevocable, except with the written consent of the Lessee, shall be made by an instrument to which the Government, the Lessee and the bank or trust company thereby appointed shall be parties, and which shall set forth, *inter alia*, the powers, duties and obligations of the agent or trustee (including without limitation of the powers to receive the moneys payable by Canada to the Province as aforesaid, to hold or invest such moneys pending their disbursement and to disburse such moneys in the hands of the agent or trustee and any income earned thereon in such a manner as to give effect to this Clause 2A, taking into account, by appropriate set off or adjustment, payments in respect of taxes on or measured by the income of the Lessee which relate to the development, transmission and supply of hydro-electric power by the Lessee during the term of the Power Contract and which shall have been received directly by the Government from Canada or the Lessee) and shall provide for the appointment of a successor or successors to the agent or trustee in the event such office shall be vacated, all as to be provided in the instrument.

(13) Notwithstanding any provision of this Clause 2A, should the Lessee, because of the operation of the collection arrangements between the Government and Canada, make payments on account of taxes imposed by the Province on or measured by the income of the Lessee which relate to the development, transmission and supply of hydro-electric power by the Lessee during the term of the Power Contract, at a rate in excess of that applicable hereunder, then the Government shall forthwith upon receipt by the Government from the Lessee of satisfactory evidence of any such payment having been made to Canada, refund or cause to be refunded such excess to the Lessee.

1966-67 No84 Sch s2; 1969 No77 Sch s3; 1970 No62 Sch s2

Approval of developments

3. (1) Before commencing any development utilizing the Upper Hamilton or any part thereof, or any major modifications or improvements of any such development then existing, the Lessee shall obtain the written consent of the Minister of Mines, Agriculture and Resources for the said Province and in every such case such consent shall be a condition precedent to such development or modification or improvement but the consent of the said Minister shall not be unreasonably withheld.

(2) When the Lessee seeks the consent of the Minister of Mines, Agriculture and Resources in accordance with sub-clause (1) of this clause, it shall submit to the Minister in support of its application all information and data necessary to inform the Minister of the proposed development or major modifications or improvements, including without limiting the generality of the foregoing,

(a) profiles and other preliminary drawings showing and describing the projected dams,

tunnels, canals, diversions and any and all other works, together with all relevant general plans;

- (b) general plans of the lands required for the purpose of flooding the same, whether for the purpose of storage reservoirs or for regulating the flow of any stream within the Upper Hamilton or otherwise;
- (c) particulars with regard to the capacity of the machinery and its actual or possible production; and
- (d) all other information and data that the Minister may request.

(3) In respect of the Twin Falls Project, the Government hereby acknowledges to have received all necessary information and data referred to in sub-clause (2) of this clause and to have approved such development in all its aspects in accordance with sub-clause (1) of this clause.

(4) The Lessee shall not be liable to pay any fee or charge in respect of any consent given under this Clause 3.

1961 No51 Sch Part IV s3

Default provisions

4. (1) If the Lessee, in the opinion of the Government, has failed to observe or perform any term or condition which under this Lease it is required to observe or perform and such failure continues for a period of sixty (60) days from the date that notice thereof in writing has been given by the Government to the Lessee, the Government may, notwithstanding any provisions herein with respect to arbitration, upon giving the Lessee not less than sixty (60) days notice, refer the matter of such non-observance or non-performance to the Supreme Court of Newfoundland or a judge thereof and if the Court or judge finds that the Lessee has failed to observe or perform any term or condition which it is required to perform or observe under the provisions hereof as notified to it by the Government, the Court or judge may

- (a) order performance by the Lessee of the terms of this Lease; or
- (b) order the payment of a sum by way of liquidated damages for the failure of the Lessee to perform said terms; or
- (c) make both of the orders referred to in paragraphs (a) and (b) of this sub-clause.

(2) If any order is made under sub-clause (1) of this clause, and thereafter the non-observance or non-performance on the part of the Lessee shall be continued, or the Lessee shall refuse or fail to comply satisfactorily with such order and the Court or judge shall deem that the remedies referred to in sub-clause (1) of this clause are inapplicable in respect of such non-compliance, the Court or judge may

- (a) authorize any person immediately and without further proceedings to take possession of all works, lands and properties whether real or personal, owned or held by the Lessee within the power system of the Upper Hamilton Watershed and used or useful in respect to the undertaking, including books, statements, accounts, papers and records appertaining to such undertaking and to operate, manage and control the said undertaking, and to do all other things required to be done in the conducting or carrying on of the said undertaking, until
 - (i) a sufficient sum shall have been accumulated, exclusive of all operating expenses and all costs of taking possession, to liquidate the sums payable by the Lessee and interest thereon and the cost of any proceeding connected therewith, or
 - (ii) such other conditions are carried out as may, in the opinion of the Court or judge, have been required to satisfy the terms of this Lease; or

(b) order that upon a certain date not earlier than twelve months after the date of the order referred to in sub-clause (1) of this clause the lands, works and properties, whether real or personal, owned or held by the Lessee, and used or useful in respect of the power development shall be offered at execution sale.

(3) If an execution sale is ordered under paragraph (b) of sub-clause (2) of this clause, the Government shall fix an upset price below which the properties may not be sold and the Government shall also prepare a stipulation relative to the rights to be acquired and obligations to be assumed by the successful bidder, and no one shall be permitted to bid at such sale who has not previously agreed in writing to sign and abide by the terms of such stipulation and who has not been accepted by the Government as a bidder.

(4) If there is not a satisfactory buyer at the first execution sale, a second sale shall be held after a lapse of four months, under the same conditions as the first sale, except that the upset price of the sale shall not exceed the sum which represents the obligations of the Lessee to the Government as fixed by the Supreme Court of Newfoundland or a judge thereof and if no bids are received equal to or in excess of this sum from accepted bidders, this Lease shall be cancelled and determined and the Lessee shall forfeit all rights, and the works and undertaking shall become the property of the Government without any compensation to the Lessee.

(5) A completed execution sale made in pursuance of sub-clause (3) or (4) of this clause shall *ipso facto* bring about the cancellation and determination of this Lease.

(6) Any surplus arising out of a sale under sub-clause (3) or (4) of this clause, above the sum which in the opinion of the Court will satisfy the obligations of the Lessee, shall be repaid to the Lessee.

(7) If at any date after an execution sale has been ordered under paragraph (b) of sub-clause (2) of this clause, and if for any reason, the procedure provided in sub-clauses (3) and (4) of this clause has not been completed, the Supreme Court of Newfoundland or a judge thereof may make any order with respect to taking over and operating the works and undertaking of the Lessee for the time being as it may deem equitable under the circumstances.

1961 No51 Sch Part IV s4

Exercise of reserved rights, compensation

5. Whenever any of the rights reserved under paragraphs (e) and (f) of Clause 1 of Part I is duly exercised and thereby the Lessee or any sublessee, licensee or permittee of the Lessee suffers loss by reason of the removal or obstruction of or damage to any of the improvements lawfully made by the Lessee or any sublessee, licensee or permittee of the Lessee on the Upper Hamilton Watershed, the Government shall pay or arrange for the payment to the party suffering such loss of reasonable compensation for the loss so suffered in respect of such improvements, and the compensation in respect of improvements shall, in default of agreement, be determined by arbitration in the manner prescribed by this Lease.

1961 No51 Sch Part IV s5

Definitions

6. The expressions "mine", "minerals" and "quarry materials" shall respectively have the meanings assigned to them by *The Crown Lands (Mines and Quarries) Act, 1961*.

1961 No51 Sch Part IV s6

Rights under certain documents of title on determination of Lease

7. (1) For the purposes of this clause

(a) "document of title" means a sublease, licence or permit whereby the Lessee has granted any or all of the rights and liberties leased and demised to the Lessee by this Lease;

(b) "Twinco" includes

(i) Twin Falls Power Corporation Limited,

(ii) the trustee for the holders of any Bonds issued by Twin Falls Power Corporation Limited, if that trustee has a mortgage, charge, lien or hypothecation of any of the rights and liberties derived by Twin Falls Power Corporation Limited under a document of title, or

(iii) any assignee or nominee of a trustee referred to in subparagraph (ii) of this paragraph (b).

(2) If at any time after the execution and delivery of this Lease, the Lessee proposes to grant a document of title to Twin Falls Power Corporation Limited that is reasonably necessary for the development of the maximum economic capacity at the hydro-electric plant site of the Twin Falls Project the Government will, at the request of the Lessee and subject to sub-clause (3) of this clause, enter into, execute and deliver that document of title as an intervenor to the extent only of approving the terms of the document of title for the purposes of sub-clauses (4) and (5) of this clause and in order to give to Twinco a covenant enforceable at law which would enable Twinco to obtain an amended document of title under the circumstances and with the effect prescribed in sub-clauses (4) and (5) of this clause.

(3) Upon entering into, executing and delivering a document of title pursuant to sub-clause (2) of this clause, the Government shall not be required to make any warranty as to the title of Twinco or to establish any privity of contract with the Lessee or Twinco or to undertake any other obligations to any or all of them, except the approval and the covenant referred to in sub-clause (2) of this clause, nor shall the Government by entering into, executing and delivering such document of title pursuant to that sub-clause be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations, other than such approval and covenant.

(4) If after the granting by the Lessee of any document of title to Twin Falls Power Corporation Limited which the Government has entered into, executed and delivered as an intervenor pursuant to and in accordance with sub-clause (2) of this clause, this Lease is cancelled and determined at any time by reason of the default of the Lessee, then notwithstanding such cancellation and determination, the rights of Twinco under that document of title shall in no way be impaired or affected thereby but shall subject to sub-clause (5) of this clause continue in full force and with the same effect as though such cancellation and determination had not taken place.

(5) If this Lease is cancelled and determined at any time by reason of the default of the Lessee then every document of title which the Government has entered into, executed and delivered pursuant to and in accordance with sub-clause (2) of this clause shall be amended, without impairing or affecting the rights of Twinco thereunder, so as to provide that

(a) the Government shall be substituted for the Lessee; and

(b) all of the benefits of the Lessee theretofore accruing under that document of title shall thereafter accrue to the Government instead of to the Lessee,

and such document of title shall be altered accordingly both in substance and in form.

1961 No51 Sch Part IV s7; 1963 No2 s3

Investigations and surveys

8. The Lessee may enter upon, investigate and survey any unoccupied Crown lands for any purpose incidental to the development of a supply of electricity from the Upper Hamilton, but the Lessee shall be liable for all damages occasioned in the exercise of its rights pursuant to this clause by itself, its employees, agents and invitees.

1961 No51 Sch Part IV s8

Arbitration

9. (1) If any dispute arises under this Lease, the matter shall in default of agreement between the parties, be settled by arbitration at the request of either of such parties.

(2) For any arbitration under this Lease, the Lessee and the Government or other party to any dispute shall each appoint one arbitrator, and if either party fails to appoint an arbitrator after seven (7) clear days' notice in writing has been given to it by the other requiring it so to do, then the party who has given such notice may apply to the Supreme Court of Newfoundland or a judge thereof, and such Court or judge, after due notice to the party in default shall appoint such arbitrator and the two arbitrators so appointed shall appoint a third arbitrator or umpire, and if they shall fail to appoint such third arbitrator or umpire after seven (7) clear days' notice in writing from either party so to do, the Supreme Court of Newfoundland or a judge thereof, shall on the application either of the Lessee or the Government or other party to the dispute, appoint such third arbitrator or umpire, and the three so appointed shall proceed to hear the parties on the matter in dispute and make their decision and award.

(3) The award in any arbitration held under this Lease shall be made in writing and delivered promptly to the parties, and the decision and award of the arbitrators or any two of them shall be final and binding on the parties, except that either party may appeal therefrom to the Supreme Court of Newfoundland on questions of law only, by giving due notice of such appeal to the other party within one month following the receipt of the award.

(4) Costs of the arbitration including reasonable compensation for the arbitrators shall be borne and paid equally by the parties or as the arbitrators may otherwise direct.

(5) Notwithstanding anything to the contrary contained in Section 212 of *The Judicature Act*, chapter 114 of The Revised Statutes of Newfoundland, 1952, Part VI of that Act, except Section 212, shall subject to this Lease apply to any arbitration held under this clause to which the Government is a party.

1961 No51 Sch Part IV s9

Exchange of information

10. The Government will make available to the Lessee all information and particulars in its possession relating to the whereabouts of and previous investigations of the hydro power of Labrador (exclusive of information obtained by the Government from third parties on the terms that such information should be treated as confidential) and in particular the Government will make available all appropriate maps and surveys, and the Lessee will make available to the Government all surveys, data and information obtained and collected by it in relation to water power in Labrador which surveys, data and information shall be treated by the Government as confidential.

1961 No51 Sch Part IV s10

Certain delays not construed as non-performance

11. If the performance of any of the obligations of the Lessee set forth herein shall to any extent be prevented, restricted, delayed or interfered with by reason of

(a) war, revolution, civil commotion, riot, acts of public enemies, blockade or embargo;

- (b) any law, order, proclamation, regulation, ordinance, demand or requirement of any government or any subdivision, authority, agency or representative of any government; or
- (c) any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of the Lessee,

the Lessee shall, on prompt notice to the Government, be excused from the performance of such obligations to the extent of such prevention, restriction, delay or interference.

1961 No51 Sch Part IV s11

Governing law

12. This Lease shall be construed and interpreted in accordance with the laws of Newfoundland .

1961 No51 Sch Part IV s12

Notices

13. (1) Any notice requirement to be given under this Lease shall be sufficiently served on the Government if the notice is addressed to the Minister of Mines, Agriculture and Resources, Department of Mines, Agriculture and Resources, St. John's, Newfoundland, and delivered to that Minister personally or sent to him by registered mail, and on the Lessee if the notice is addressed to Churchill Falls (Labrador) Corporation Limited at its Head Office in the City of St. John's, in the Province of Newfoundland and delivered personally at or sent by registered post to such office and on Twin Falls Power Corporation Limited if the notice is addressed to it at its Head Office in the City of St. John's, in the Province of Newfoundland and delivered personally at or sent by registered post to such office.

(2) Either of the parties to this Lease or Twin Falls Power Corporation Limited may at any time change its address for service, by notice in writing given to the others.

1961 No51 Sch Part IV s13; 1966-67 No84 s2

IN WITNESS WHEREOF His Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Lease and Churchill Falls (Labrador) Corporation Limited has caused this Lease to be duly executed on the _____ day of _____ 1961.

BY HIS HONOUR'S COMMAND

Minister of Provincial Affairs

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By _____
President

And _____
Secretary

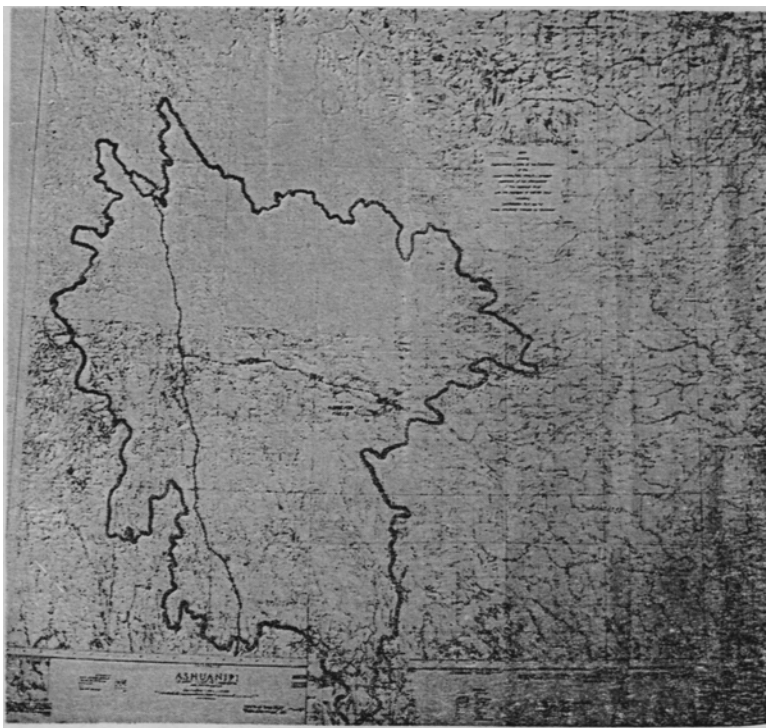
1961 No51 Sch Ending; 1966-67 No84 s2

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Appendix A

Description

All that part of Newfoundland Labrador bounded and described as follows: Beginning at a point situate upon the height of land between Highland Lake in the Province of Quebec and Alta Lake in the Province of Newfoundland and being located south of Mile Post 150 of the Quebec North Shore and Labrador Railway, the said point being described as station seven, nine zero, six plus zero, nine point two of the chainage of the said Railway measured from tide water at Seven Islands in the Province of Quebec; thence running along the height of land between the Province of Quebec and the Province of Newfoundland in general westerly and northerly directions to a point on the said height of land near Lake Emerillon; thence continuing along the said height of land in general southerly, westerly and northerly directions to a point near the headwaters of Howells River; thence continuing along the said height of land in general southeasterly and northerly directions to a point near Northern Lake; thence continuing along the said height of land in a general southeasterly direction to a point on the said height of land near the headwaters of a river emptying into Juliett Lake in the Province of Quebec and the headwaters of a river emptying into Frazer Lake in the Province of Newfoundland; thence running along the crest of the watershed between the drainage of Frazer Lake and the river flowing out of Wilbrow Lake in a general southeasterly direction to a point near the outlet of the said Frazer Lake; thence running in a southerly direction along the crest of the watershed between the drainage of Kasheshibaw Lake, Vollant Lake and the drainage of Canairiktok River and the Naskaupi River to a point on the south shore of Orma Lake; thence running in a southeasterly direction along the crest of the watershed between Lake Fremont, Windbound Lake, Pike Lake and the waters flowing into Marie Lake and Mary Lake; thence continuing in a southwesterly direction along the crest of the watershed between rivers flowing into the southeast angle of Michikamau Lake and rivers flowing into Metchin River to a point on Hamilton River where the meridian 63 ° 40' west of Greenwich intersects the said Hamilton River, which point is approximately fourteen point eight (14.8) miles upstream from the confluence of Metchin River and Hamilton River; thence running in general westerly, southerly and southeasterly directions along the crest of the watershed between rivers flowing into Winokapau Lake and rivers flowing into Hamilton River, Unknown River, Ossokmanuan Lake, Atikonak River and Atikonak Lake to a point on the height of land between the Province of Quebec and the Province of Newfoundland north of Lac Long; thence continuing in a general southerly direction along the height of land between the Province of Quebec and the Province of Newfoundland to a point near Lac Bellanca; thence continuing in a general northwesterly direction along the said height of land to the point of beginning, the said area being delineated on the map shown in this Appendix; excepting from the above described area all the area below the 425 foot contour line or all the area that lies below elevation 425 in the Valleys of the Churchill River and its tributaries upstream of the intersection of the Churchill River with the Meridian of Longitude of 63 ° 40' West.



1961 No51 AppA; 1966-67 No84 Sch s3

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Appendix B

Description of Main Development Area

Those parts of the watershed of the Upper Churchill River contained within the area reserved under the provisions of *The Labrador Lands (Reservation) Act*, chapter 176 of The Revised Statutes of Newfoundland, 1952, as amended, that lie east of the Quebec North Shore and Labrador Railway, which are described as follows:

AREA 1

All the area below the 1580 foot contour line or all the area that lies below elevation 1580 along Gabbro Lake, Ossokmanuan Lake, and all other lakes, rivers and tributaries connected therewith.

AREA 2

All the area below the 1560 foot contour line or all the area that lies below elevation 1560 along Lake Michikamau, Lake Michikamats, Adelaide Lake, Lake Agnes, Lake Windbound, Lake MacKenzie, Lake Fremont, Lake Orma, Lake Vollant, Lake Kasheshibaw, Sail Lake, Sandgrit Lake, Lobstick Lake, Overflow Lake, Timmins Lake, Shaw Lake, Birch Lake, Mackenzie River, Ashuanipi River, and all other lakes, rivers and tributaries connected therewith.

AREA 3

All the area below the 1490 foot contour line or all the area that lies below elevation 1490 along Lake Jacopie, Lake Flour and all other lakes, rivers and tributaries connected therewith and all the area below the 1480 foot contour line or all the area that lies below elevation 1480 along Lake Lookout, Lake Humbug, Lake Sona, Lake White Fish, and all other lakes, rivers and tributaries connected therewith, and all the area below the 1460 foot contour or all the area that lies below elevation 1460 along Portage River, commonly known as North River, downstream from a point which is approximately five miles measured northerly along the said Portage River from the intersection of the said river with the Churchill River, to a point which is approximately two miles upstream from the said intersection.

AREA 4

All the area below the 1505 foot contour line or all the area that lies below elevation 1505 along the Unknown River and all other rivers, tributaries and lakes connected therewith upstream of Scott Falls, and all the area along the Unknown River below elevation varying approximately uniformly along the hydraulic gradient of the said river from 1505 at the southernmost limit of the Unknown River to 1570 at the outlet of Ossokmanuan Lake.

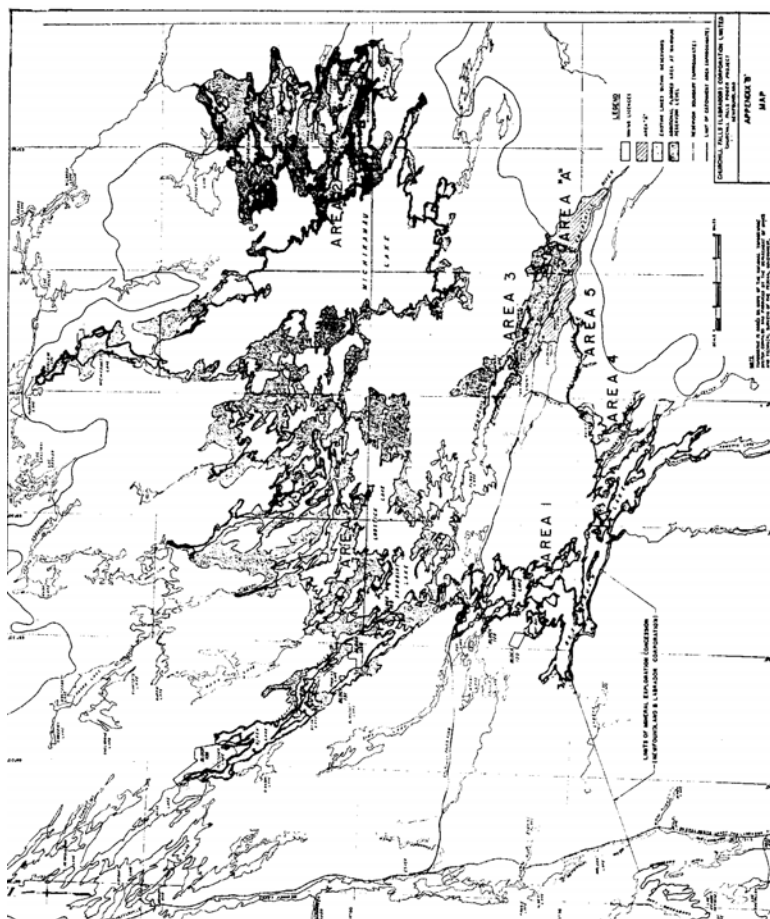
AREA 5

All the area below the 1205 foot contour line or all the area that lies below elevation 1205 along the Unknown River and all other rivers, tributaries and lakes connected therewith upstream of the confluence of the Unknown River with the Churchill River.

AREA "A"

All that area bounded on the south by the Churchill River, and on the north by the southern boundary of Area 3, above mentioned and its extension easterly to the nearest point on the crest of the watershed described in Appendix "A" and on the east by the crest of the said watershed and on the west by Churchill River and Jacopie Lake, excepting therefrom all that area lying below the 425 foot contour line and being on the north side of the Churchill River.

All elevations in respect to Areas 1 and 2 are referred to a benchmark 63-C-14 established by the Department of Mines and Technical Surveys of the Federal Government in 1963 adjacent to the Churchill Falls Road near Atikonak River, which benchmark is 1613.497 feet above mean sea level; all elevations for Areas 3, 4 and 5 are referred to a benchmark 63-C-23 established by the Department of Mines and Technical Surveys of the Federal Government in 1963 on the foundations of a cableway adjacent to the bridge over the Churchill River at Churchill Falls, which benchmark is 1344.647 feet above sea level, the said Areas and Area "A" being delineated on the map shown in this Appendix. The said elevations are "best considered mean sea level values - December 1966" as reconciled by the Department of Energy, Mines and Resources of the Federal Government and reflect correction of the order of 15 feet, applied by the Department of Energy, Mines and Resources of the Federal Government to benchmarks established in 1947 by barometric observations by the Department of Mines and Resources of the Federal Government and to benchmarks established by the Shawinigan Engineering Company Limited in 1954-1955.

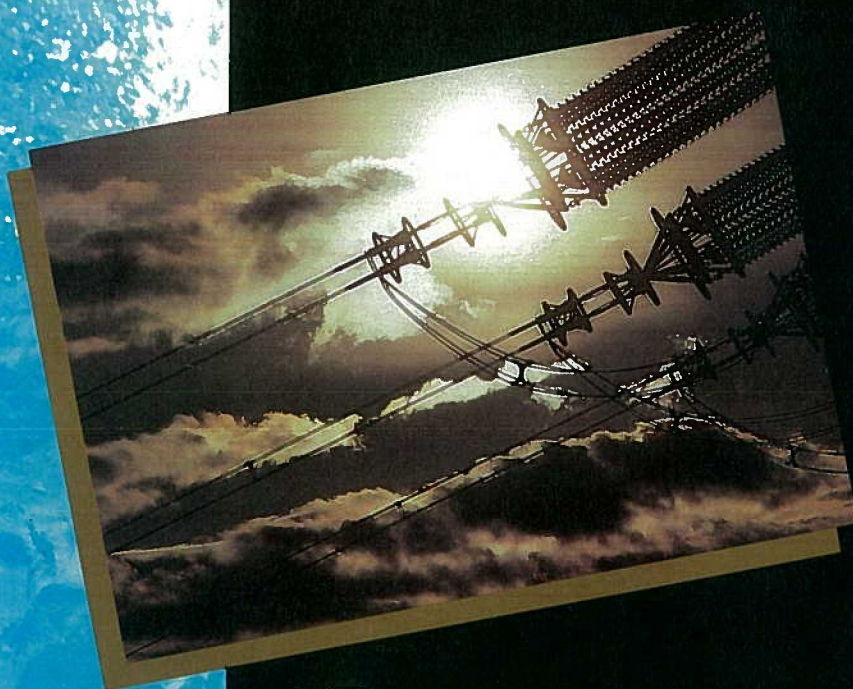


1969 No77 Sch s4

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An Energy Giant

The
Churchill
Falls
Power
Development



CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED



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Project Management	6
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One of The World's Great Natural Resources

Churchill Falls remained shrouded in mystery and native legend until 1839 when John McLean, on an expedition for the Hudson Bay Company, became the first recorded white man to visit the mighty falls.

A.P. Low, on an 1894 expedition for the Geological Survey of Canada, reported the availability of "several millions of horsepower", identifying the potential of Churchill Falls as a source of useable energy.

In the 1960s work commenced on the development of the hydro potential of the central Labrador plateau, one of the world's great natural resources.

This brochure describes the main features of the Churchill Falls hydro development, the infrastructure required to support it in the remoteness of the central Labrador wilderness, and the principal aspects of its operation. The heart of the project is the 5,428,500 KW underground power station, one of the largest in the world.

But Churchill Falls is more than a hydro development, it is a community of approximately 850 people who have made their home in this wilderness area.

The challenge of developing this project was not so much about developing complex technology as it was about scale and planning. The construction team met this challenge and completed the project on schedule and within budget, in spite of the harsh climate and remote location.

The development of the Churchill Falls power project was a great engineering achievement and it continues to be one of Canada's great success stories.





T

he Churchill River had been recognized since 1894 as a potentially huge source of hydro-electric power. The inhospitable terrain, severe climatic conditions, and geographic remoteness, were further complicated by long distance transmission requirements and lack of markets for such a large block of power.

The first geological survey of the area was conducted in 1894 but economic development of Labrador did not take place until the discovery of large iron ore deposits in western Labrador and northeastern Quebec. The construction of the Quebec North Shore and Labrador Railway was completed in 1954. By 1962 further field surveys, power studies and basic planning, proved the feasibility of development of Churchill Falls as a power source.

The significant advantages of Churchill Falls as a potential hydro-electric power site would enable the disadvantages of the area to be overcome. Precipitation and run-off patterns were forecasted to be dependable and extensive storage of water on the elevated plateau was readily achievable. The river's natural drop of over 300 meters (1000 feet) in less than 32 km (20 miles) was perhaps its most significant feature, with respect to hydro power development.

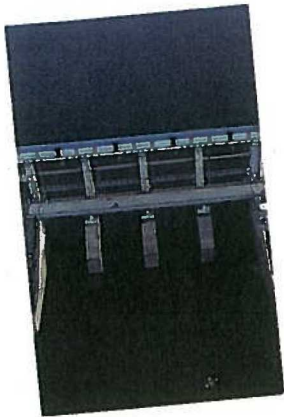
A great many people shared a vision that Churchill Falls would not only provide a world class source of hydro-electricity, but the opportunity to bring other economic development activity to Newfoundland and Labrador.

In response to the province's desire to see its largely untapped water and mineral resources developed, a group of banking and industrial firms established the British Newfoundland Corporation Limited (Brinco) in 1953.

Brinco was granted exclusive mineral and water rights for a 20 year period over more than 129,450 square kilometres (50,000 square miles) in both Newfoundland and Labrador, including the right to develop the river systems in both areas. Under the terms of its agreement with the province, Brinco undertook to carry out extensive exploration within Newfoundland. To carry out its commitment at Churchill Falls, the Churchill Falls (Labrador) Corporation Limited was established in 1961 and granted a 99 year lease authorizing development of the upper Churchill River watershed.

The Twin Falls hydro plant on the Unknown River, a tributary of the Churchill River, was constructed in the early 1960 s. This facility, with a capacity of 225 mw, supplied the power requirements for the iron mining industries in western Labrador.

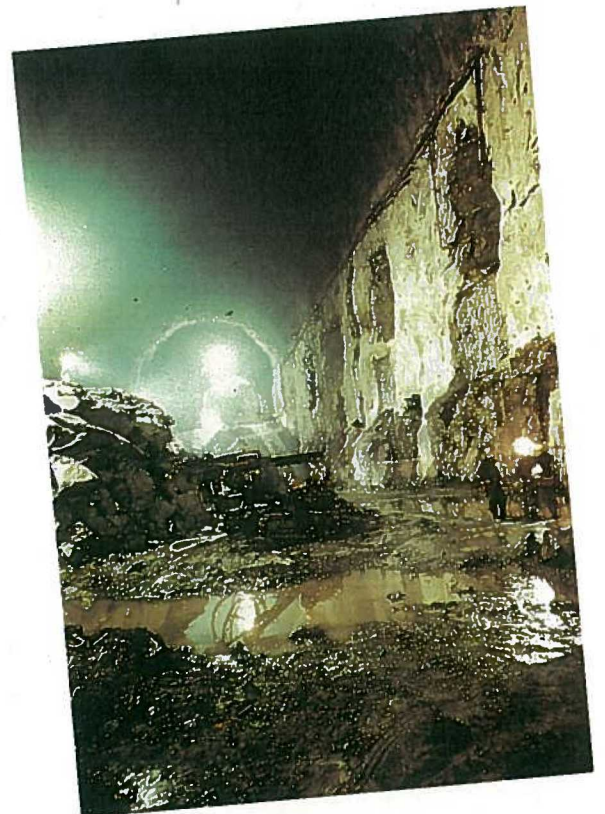




Twin Falls power was essential to the development at Churchill Falls. It helped open up the area and supplied the power required during the construction phase of the project. In the planning however, it became apparent that greater efficiency in the production of electricity could be achieved by diverting the flow of water from the Ossokmanuan Reservoir into the Smallwood Reservoir. Utilizing this water at the Churchill Falls plant enabled approximately three times as much electricity to be produced from the same volume of water. In July, 1974 the Twin Falls plant was closed and the water diverted into the Smallwood Reservoir.

The development of 735 kv transmission lines permitted power to be moved over long distances. Negotiations for the sale of the power started in 1963 and continued until 1966 when a letter of intent with Hydro-Quebec provided the market and removed a significant barrier to development of the project. A further three years of negotiations were required to finalize the power contract and financial agreements concluding in 1969.

Many years of planning, five years of non-stop field work by approximately 6,300 workers and 946 million dollars of construction costs culminated at 5:17 pm on December 6, 1971 when the first two generating units began delivering power to Hydro-Quebec, five months and three weeks ahead of schedule.



A significant feature of the Churchill Falls development was the retention of project management functions by the owner, Churchill Falls (Labrador) Corporation Ltd. (CF(L)Co), a separate and autonomous company set up by Brinco to deal with all aspects of engineering, construction, public and government realtions.

The Acres Canadian Bechtel (ACB) consortium acted as agents for CF(L)Co, charged with responsibility for engineering and construction management. The construction organization in the field had ultimate responsibility for contract administration, inspection and construction coordination.

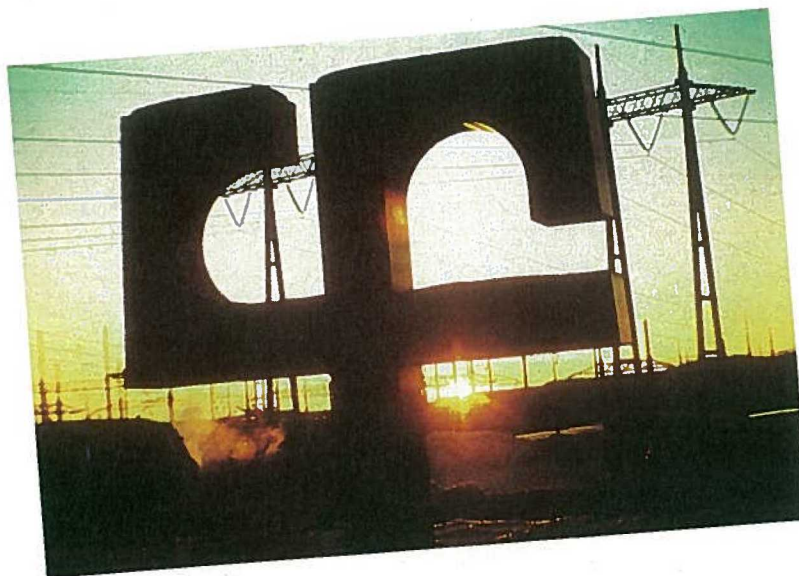
All work on the project was carried out by contractors. More than 180 construction and services contracts were awarded, ranging widely in value, but with a maximum of \$75 million for a single contract.

Owner supplied transportation and catering services removed an item of uncertainty from bids. The controls established by ACB/CF(L)Co ensured that materials were shipped according to priority and delays were not experienced.

During construction, a total of 663,000 tonnes (730,000 tons) of material, equipment and fuel were moved to the site.

Schedule and financial control was exercised by monitoring progress continuously, enabling early warning of significant variations and allowing time for remedial action where required.

CF(L)Co took over operation of permanent facilities as they were completed, including the townsite and airport. A uniformly high standard of accommodations and mess facilities were provided by CF(L)Co for a work force which peaked at 6,300 workers.



The Hydro Group of Companies

Churchill Falls(Labrador) Corporation Limited became a subsidiary of the Newfoundland and Labrador Hydro-Electric Corporation, when the government of Newfoundland and Labrador purchased 65.8% of the issued share capital of CF(L)Co from Brinco in 1974. The remaining share capital is held by Hydro Quebec.

The Hydro Group today includes: Newfoundland and Labrador Hydro-Electric Corporation, Churchill Falls (Labrador) Corporation Limited, Twin Falls Power Corporation Limited, Lower Churchill Development Corporation Limited, and Gull Island Power Company Limited.

The Mission of the Hydro Group of Companies is to provide electrical power and energy, on behalf of the people of the province, at the lowest cost consistent with reliable service, due consideration for the environment and the safety of our employees and the customers which we serve.

The Hydro Group of Companies is committed to the maintenance of a corporate organization and managerial structure which operates effectively and efficiently and earns recognition for corporate leadership, productivity, financial responsibility and integrity.

Each of our employees contributes to achieving our mission. We seek to attract, retain and promote high quality employees in order to ensure maximum productivity and efficiency, by rewarding performance through competitive compensation and benefit programs, comprehensive management training and nondiscriminatory opportunities for career development.





THE CHURCHILL FALLS PROJECT

1. RATED CAPACITY

Original	5,225,000	kw
Upated (1985)	5,428,500	kw

2. GENERATING UNITS

Number of Turbines	11	
Type	Francis	
Rated Capacity	648,000	HP
..... (Upated)	680,000	HP
Rated Net Head	312.4 m	(1,025 ft)
Synchronous Speed	200	r.p.m.
Scroll Case Inlet Diameter	4.48 m	(14.7 ft)
Runner Inlet Diameter	5.82 m	(19.1 ft)
Runner Weight	77.13 t	170,000 lb
Long Term Plant Mean Flow	1387.52 m ³ /s	(49,000 ft ³ /sec)

Generators

Rated Voltage	15	kv
Rated Capacity	526,315	kva (7 units)
.....	500,000	kva (3 units)
.....	530,000	kva (1 unit)
Rated Power Factor	0.95	
Rotor Diameter	9.11 m	(29.9 ft)
Rotor Weight	576 t	(1,270,000 lb)
Stator Core Depth	2.99 m	(9.8 ft)

3. PENSTOCKS

Number	11	
Length	426.72 m	(1,400 ft)
Diameter - Concrete Lined		
Section	6.10 m	(20 ft)
Diameter - Steel Lined		
Section	4.48 m	(14.7 ft)

4. MACHINE HALL

Length	296.27 m	(972 ft)
Width	24.70 m	(81 ft)
Height	46.94 m	(154 ft)
Overhead Travelling	2 X 400	t

5. SURGE CHAMBER

Length	232.56 m	(763 ft)
Bottom Width	12.19 m	(40 ft)
Top Width	19.5 m	(64 ft)
Height	45.11 m	(148 ft)

6. VENT SHAFT

Diameter	6.10 m	(20 ft)
Depth	252.68 m	(829 ft)

7. TAILRACE TUNNELS (Unlined)

Number	2	
Width	13.71 m	(45 ft)
Height	18.29 m	(60 ft)
Length	1691.64 m	(5,500 ft)

8. TRANSFORMER GALLERY

Transformers	11	(5,500 mva)
Voltage	14.75/240	kv
Length	260.91 m	(856 ft)
Width	15.24 m	(50 ft)
Height	11.89 m	(39 ft)

9. CABLE SHAFTS

Cables (oil filled)	10.07	km
Voltage	240	kv
Number	6	
Diameter	2.13 m	(7 ft)
Depth	263.65 m	(865 ft)

10. SWITCHYARD

715/236 kv Transformers	18	(6,000 mva)
230/138 kv Transformers	2	(84 mva)
735 kv - 55 mva Reactors	9	(495 mva)
735 kv Circuit Breakers	12	
230 kv Circuit Breakers	16	

11. TRANSMISSION

735 kv Lines	3	608 km (378 mi)
230 kv Lines	2	463 km (288 mi)
138 kv Lines	1	267 km (166 mi)
66 kv Lines		200 km (124 mi)

INTAKE STRUCTURE

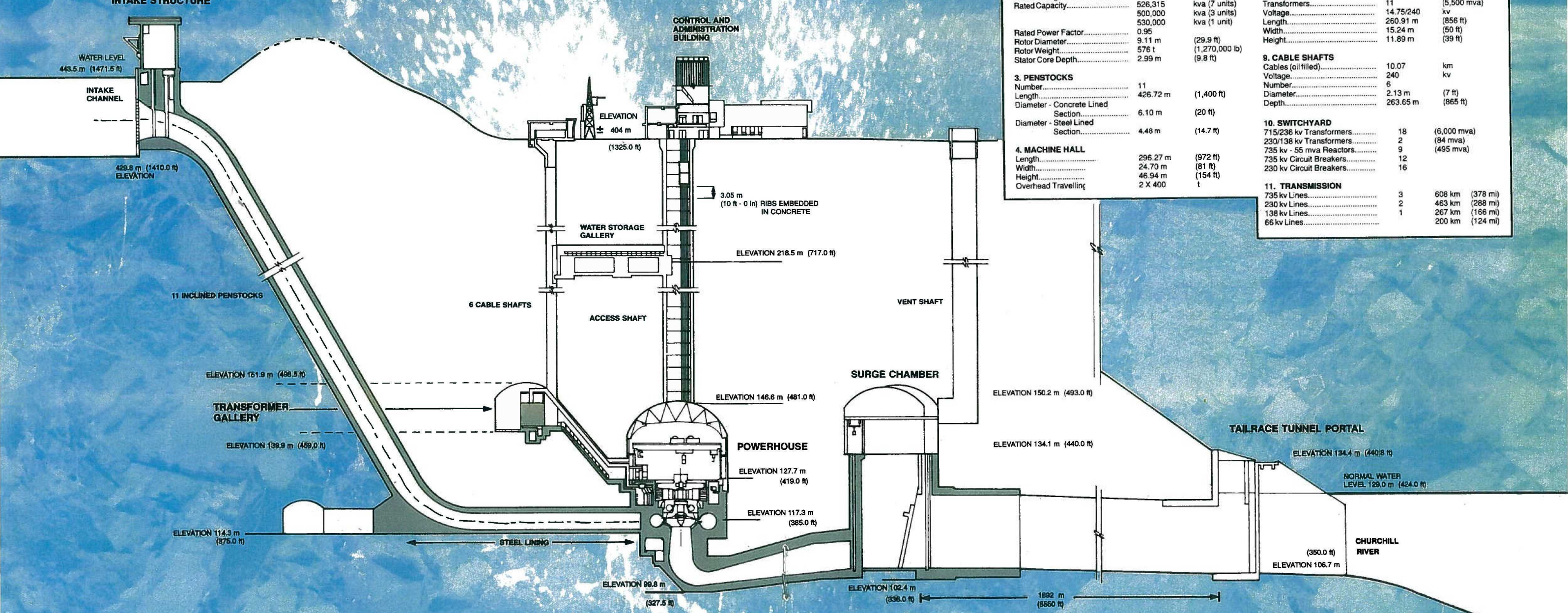
CONTROL AND ADMINISTRATION BUILDING

SURGE CHAMBER

POWERHOUSE

TAILRACE TUNNEL PORTAL

CHURCHILL RIVER



Beginning in 1967 and continuing throughout the construction years, the community of Churchill Falls consisted of rows of trailers and metal buildings designed to meet the needs of approximately 3000 construction workers. As the families of construction workers arrived, additional amenities such as schools and recreational facilities were required. By 1969 permanent houses were nearing completion and a permanent community was in the making.

Considerable effort went into making the community of Churchill Falls one of the most advanced and comfortable of its kind. The community revolves around a unique town centre complex, the Donald Gordon Centre. The centre houses a school, hotel, theatre, library, bank, beauty salon, post office, recreational and commercial facilities, all under one roof.

Residents enjoy modern living accommodations and recreational facilities. An indoor swimming pool, arena, bowling alley, gymnasium, ski-hill, cross-country ski trails, playground, ball diamond and community centre provide facilities for many hours of active living.

Other facilities include an interdenominational church, a privately run school system, hospital, fire department, and a police detachment.

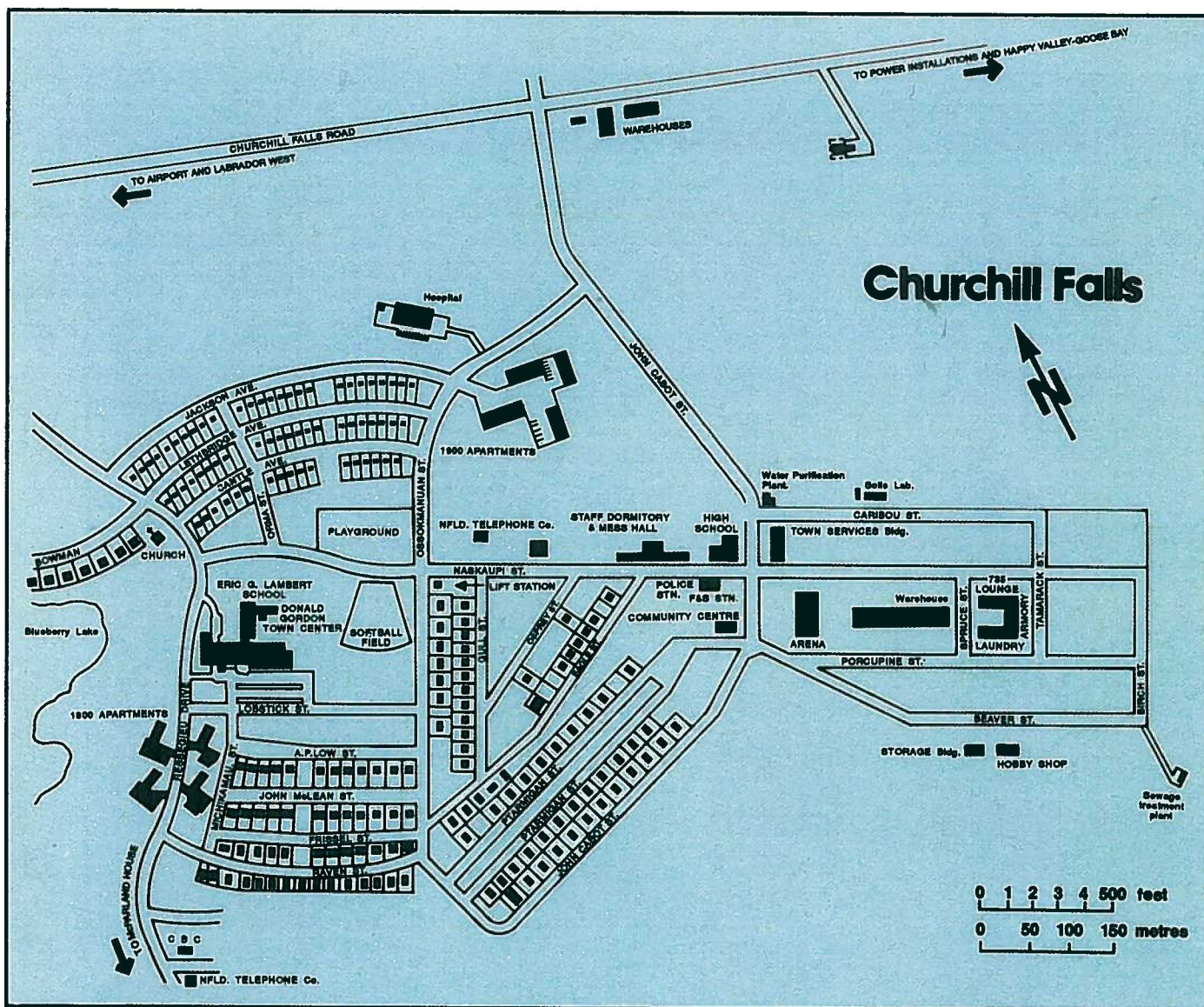




The community is linked through the Newfoundland Telephone Company to the continental telephone system. The Canadian Broadcasting Corporation provides television and radio programming in both English and French. Additional programming is provided by private sources and a community owned cable system.

Churchill Falls is serviced by regularly scheduled commercial airlines. The airstrip is 8 km (5 miles) from the community and is 1676 m (5500 feet) in length, capable of handling jet aircraft service.

The total population of Churchill Falls is approximately 850 people, some 240 families, providing the work force to operate one of Canada's largest hydro electric plants.



From the early phases of construction, the Churchill Falls (Labrador) Corporation Limited carried out its work with an awareness of its responsibility to minimize environmental disturbance and has endeavored to keep pace with changing environmental legislation and standards.



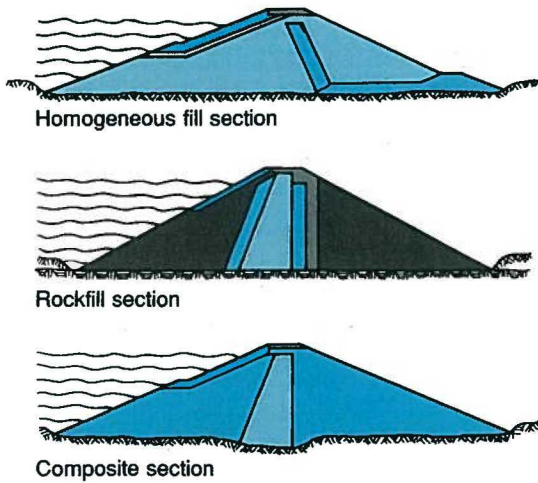
The Churchill Falls project was one of the first large scale users of PCB equipment to undertake a program to remove this equipment from service. This was done in advance of a national recommendation by the Canadian Council of Ministers of the Environment that such action be taken.

Various studies have been undertaken to investigate biological issues, such as: changes in local fish populations caused by reservoir structures and the effects of flooding on the shoreline and vegetation. These studies were carried out in conjunction with federal and provincial government agencies.

Care for the environment is an operational responsibility which is taken very seriously by CF(L)Co and finding a healthy balance between the needs of the operation and the constraints of the environment is one of its objectives.



-  Impervious fill
-  Sand and gravel
-  Rock spalls
-  Rock fill
-  Riprap



Cross sections of the three basic dyke designs, all of which contain riprap protection against wave action. Homogeneous dykes are the most common and are mainly built of compacted glacial till. Rockfill dykes are used when broken rock is available from nearby excavations. Composite dykes contain mainly sand and gravel fill.

RESERVOIRS

Smallwood

Maximum Water Level.....	473 m	(1,551 ft)
Minimum Water Level.....	464 m	(1,522.5 ft)
Reservoir Area.....	5698 km ²	(2,200 mi ²)
Active Storage.....	2.84 X 10 ⁹ m ³	(1022 X 10 ⁹ ft ³)

Ossokmanuan

Maximum Normal Water Level...	479 m	(1,572 ft)
Active Storage.....	2.84 X 10 ⁹ m ³	(100.1 X 10 ⁹ ft ³)

East and West Forebay

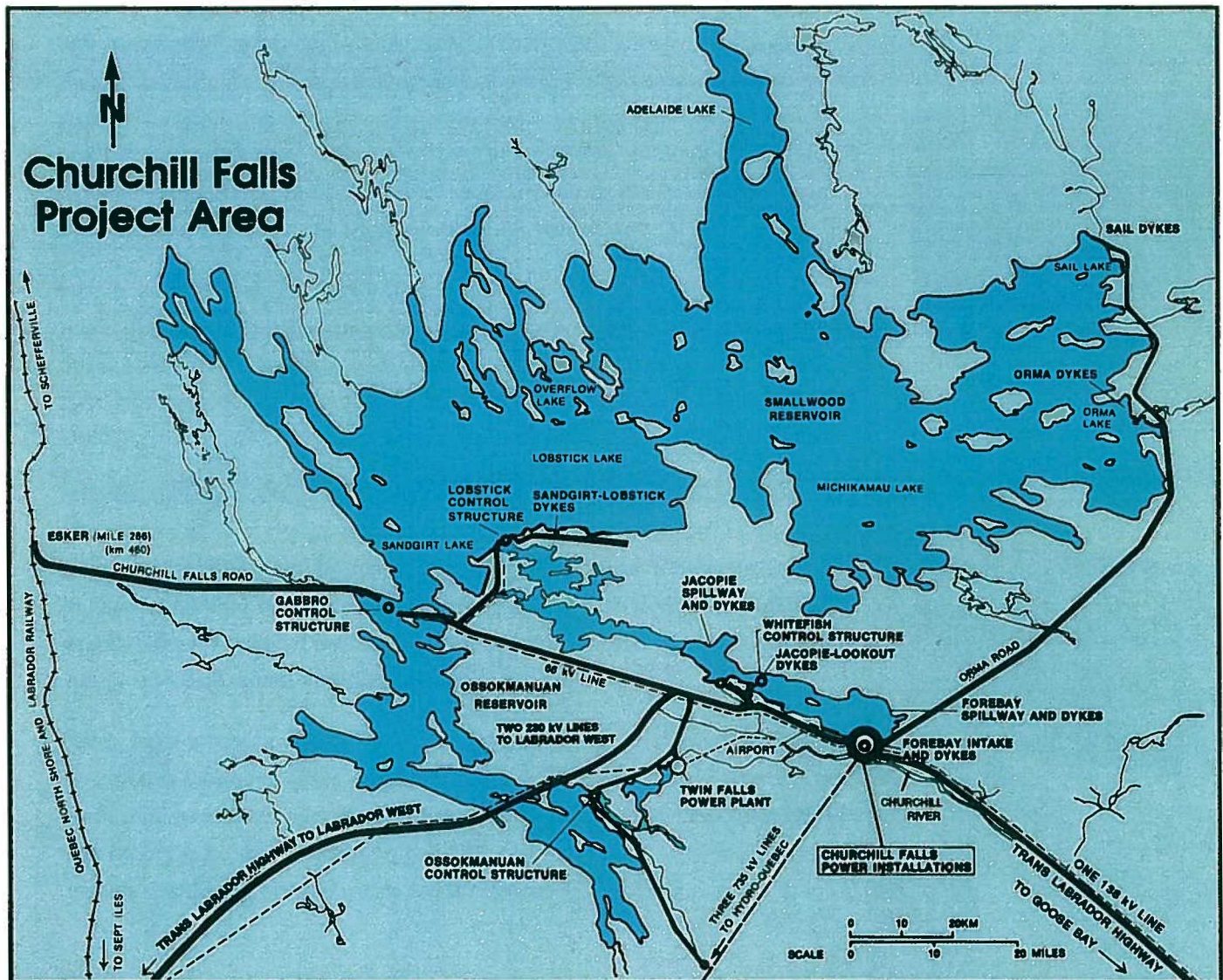
Active Storage.....	0.864 10 ⁹ m ³	(30.5 X 10 ⁹ ft ³)
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DYKES

Total Number.....	88	
Total Volume of Material.....	20,000,000 m ³	(26,000,000 cyd)
Average Height.....	9 m	(30 ft)
Maximum Height (Forebay area)	36 m	(117 ft)
Largest in Volume (Forebay area)	1,950,000 m ³	(2,551,000 cyd)
Longest (Sail Lake area).....	6041 m	(19,813 ft)
Total Crest Length.....	64.4 km	(40 mi)

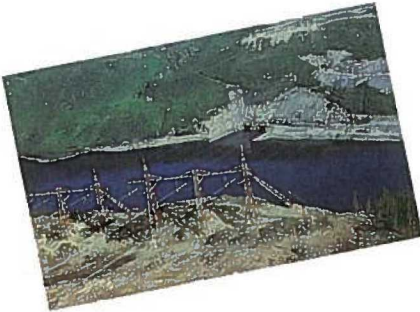
CLIMATE

Average Annual Precipitation	765 mm	(30.1 in)
Temperature Range	-48° C to 30° C	(-55° F to 87° F)
Temperature Average Annual	-4° C	(25° F)



C

hurchill Falls is a modern power installation utilizing mechanical, electrical and communications systems and civil structures designed and maintained according to modern techniques and standards. The 265 staff members are trained appropriately to operate and maintain the reservoir dykes and spillways, the power plant and switchyard, the transmission lines, the network of roads, and townsite housing and service facilities.



The variety of work requirements demands that staff are equally versatile in their duties and knowledge. A communications technician, for example, will work on troposcatter and point to point microwave systems, UHF and VHF systems, satellite ground stations and numerous other smaller systems.

While outside contractors and specialists are used, the security of the operation and the well-being of the community demands that adequate staff are available to trouble shoot and repair every aspect of the operation.

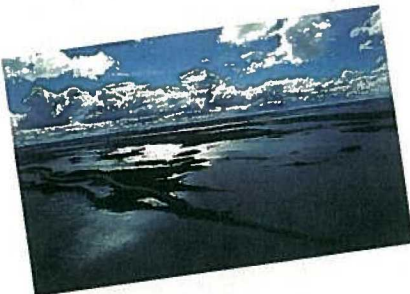
The operating staff is comprised of engineers, supervisors, technicians and technologists, electricians, mechanics, welders, linespersons, station operators, heavy equipment operators, helicopter pilots, carpenters, fire and security officers, painters, utility workers and janitors. Providing services also requires accountants, clerical staff, warehouse workers, retail clerks, personnel and industrial relations staff, teachers, and medical staff.



The majority of staff are hired within the province and there is close cooperation between CF(L)Co and the post-secondary school system. An active apprenticeship and training program enables staff to achieve the skill levels required to maintain and operate the sophisticated plant equipment and other facilities.

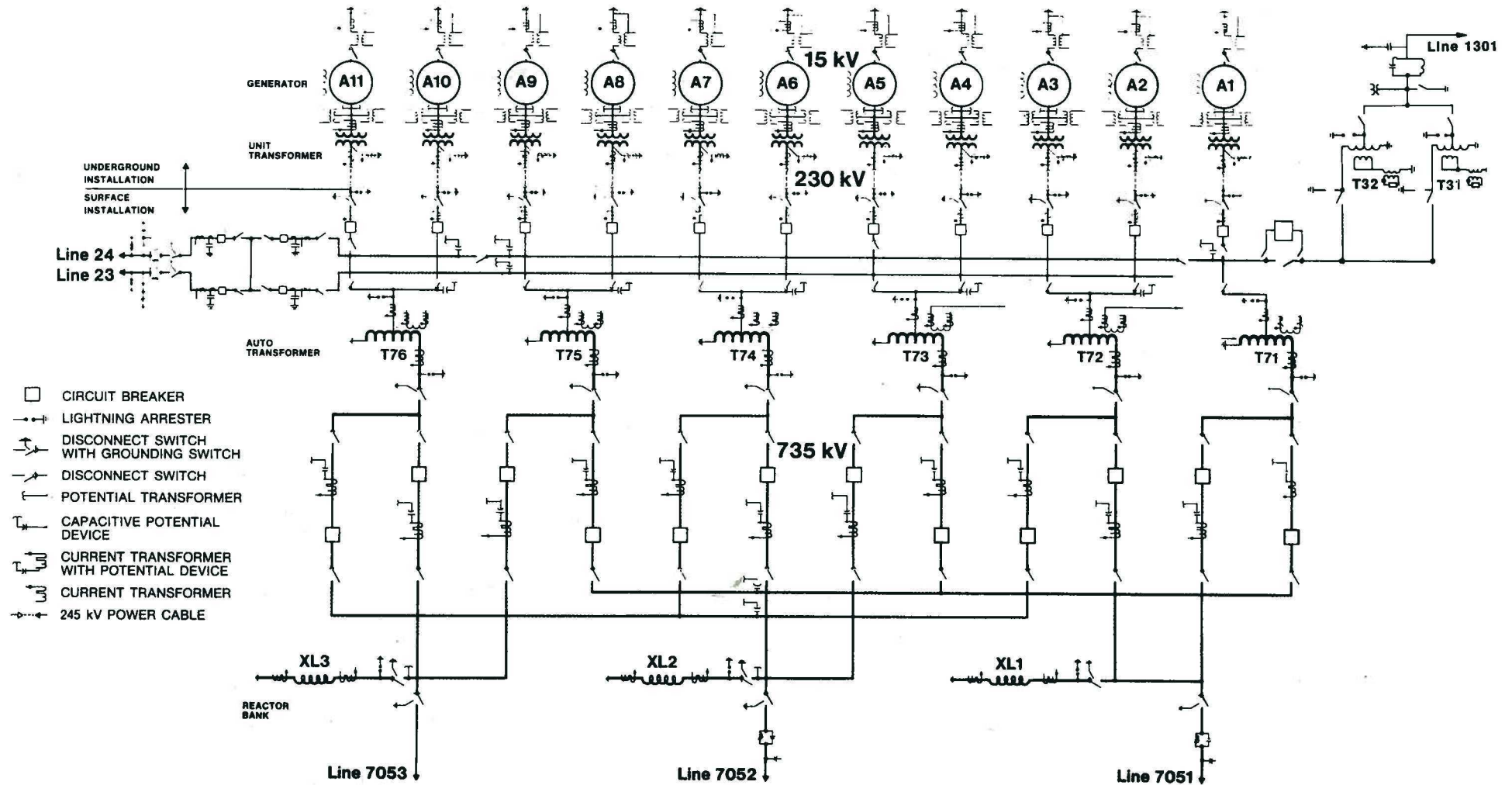
Loss control is part of the philosophy that guides CF(L)Co and contributes significantly to the stability and well being of the company and its employees.

The prevention and control of occupational injury and illness, property damage, security breaches and pollution are integrated into every facet of management and operations. Specific committees and training programs have been established for every major area of concern.



During the period 1975 to 1991 (inclusive) CF(L)Co produced a total of 595 billion kilowatt hours of electricity representing an average annual production of 35 billion kilowatt hours. This represents the energy equivalent of 58 million barrels of bunker (sea) oil annually (or 158 thousand barrels of oil per day) at a conventional steam electric generating station.

Single line diagram



1991 INSTALLED GENERATING CAPACITY
(Thousands of kW)

THE HYDRO GROUP

HYDRO

CF(L)Co

ISLAND

LABRADOR

LABRADOR

INTERCONNECTED

RURAL ISOLATED

INTERCONNECTED

RURAL ISOLATED

INTERCONNECTED

HYDRAULIC

Bay D'Espoir	604
Cat Arm	127
Upper Salmon	84
Hind's Lake	75
Paradise River	8
Snook's Arm/ Venam's Bight	1

THERMAL (OIL)

Holyrood	500
----------	-----

**THERMAL
(GAS TURBINE)**

Hardwoods	54
Stephenville	54
Holyrood	15

THERMAL (DIESEL)

Hawke's Bay	5
-------------	---

THERMAL (DIESEL)

14 Sites	25.5
----------	------

Francois	
Grey River	
Harbour Deep	
La Poile	
Little Bay Islands	
McCallum	
Petite Forte	
Petites	
Ramea	
Rencontre East	
Roddickton-	
St. Anthony	
St. Brendan's	
South East Bight	
Westport	

**THERMAL
(WOOD CHIP)**

Roddickton	5
------------	---

HYDRAULIC

Roddickton	0.4
------------	-----

THERMAL (DIESEL)

Happy Valley- Goose Bay	11.7
----------------------------	------

**THERMAL
(GAS TURBINE)**

Happy Valley- Goose Bay	25
----------------------------	----

THERMAL (DIESEL)

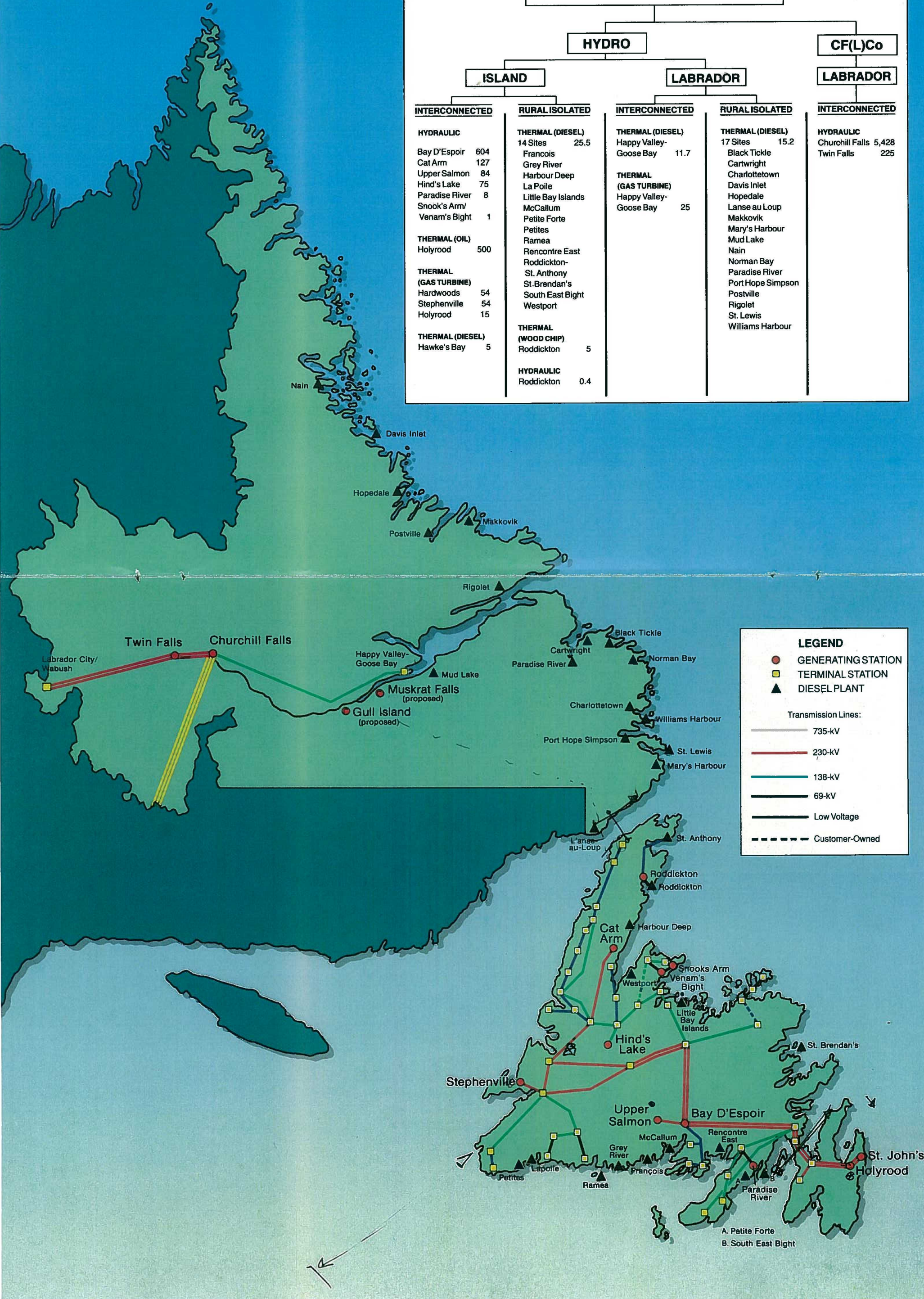
17 Sites	15.2
----------	------

Black Tickle	
Cartwright	
Charlottetown	
Davis Inlet	
Hopedale	
Lanse au Loup	
Makkovik	
Mary's Harbour	
Mud Lake	
Nain	
Norman Bay	
Paradise River	
Port Hope Simpson	
Postville	
Rigolet	
St. Lewis	
Williams Harbour	

HYDRAULIC

Churchill Falls	5,428
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Twin Falls	225
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LEGEND

- GENERATING STATION
- TERMINAL STATION
- ▲ DIESEL PLANT

Transmission Lines:

- 735-kV
- 230-kV
- 138-kV
- 69-kV
- Low Voltage
- Customer-Owned

POWER CONTRACT

BETWEEN

QUEBEC HYDRO-ELECTRIC COMMISSION

AND

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

May 12, 1969

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THIS POWER CONTRACT made as of the 12th day of the month of May in the year one thousand nine hundred and sixty-nine (1969), between QUEBEC HYDRO-ELECTRIC COMMISSION (hereinafter called "Hydro-Quebec"), a body politic and corporate, duly incorporated and regulated by the Hydro-Quebec Act (R.S.Q. 1964, chapter 86 as amended) and having its head office at the City of Montreal in the Province of Quebec, of the first part, and CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED (hereinafter called "CFLCo") a company incorporated under the laws of Canada and having its head office at the City of St. John's in the Province of Newfoundland, of the second part, who hereby agree:

ARTICLE I

INTERPRETATION

1.1 Definitions

The following words and phrases whenever used in this Power Contract shall have the following meanings:

I — TECHNICAL TERMS:

"Billion" means one thousand million.

"Energy" means electrical energy measured in kilowatthours.

"Excessive Corona Losses" means, expressed in kilowatts, that part of corona losses experienced at any time which is in excess of 14 kilowatts per circuit mile.

"Load Factor" means, for any period, the ratio, expressed as a percentage, of the average power over that period to the highest peak power in that period.

"Mill" means 1/1000 of a dollar in lawful money of Canada.

"Month" means, unless the context otherwise requires, a calendar month.

"Power" means the rate at which energy is transferred at any point measured in kilowatts or multiples thereof.

"Power Factor" means at a given point at any instant of time the number of kilowatts divided by the number of kilovolt-amperes.

All other technical terms employed in this Power Contract shall have the meanings, respectively, attributed thereto by American Standard Definitions of Electrical Terms Number ASA C42 published 1957 by American Institute of Electrical Engineers and, to the extent not thereby defined, by The International Electro-Technical Vocabulary, second edition, 1956, published by The Central Office of The International Electro-Technical Commission.

II — CONCERNING CONSTRUCTION OF THE PLANT:

"Completion Date" means the first day of the first month on or after the Effective Date by which all of the following shall have occurred:

(a) the eleven units at the Plant contemplated by Schedule I and all associated generating, transformation and transmission facilities shall have been installed;

(b) the Plant shall have become capable of delivering energy at the Delivery Point at a rate of 2625 million kilowatthours per month of 730 hours;

(c) the Plant shall have become capable of making available at the Delivery Point at least 4,382,600 kilowatts in months other than June, July, August or September or, in June, July, August or September, at least 4,163,500 kilowatts;

(d) Hydro-Quebec shall have furnished to CFLCo or CFLCo shall have furnished to Hydro-Quebec a certificate of an independent engineer stating that the Plant has been completed to the extent mentioned in (a) above and that, in his opinion, the Plant has the capabilities referred to in (b) and (c) above.

"Effective Date" means:

(a) if, by the date specified in Schedule II for completion of the eleventh unit, the eleven units of the Plant and all associated generating, transformation and transmission facilities are installed and each unit is ready to deliver or has delivered energy at the Delivery Point, and not more than three units are then inoperative, the date so specified in Schedule II, or failing that

(b) if earlier than December 31, 1978, the first day of the month following the date by which completion to the extent referred to in (a) above is achieved, or failing that

(c) December 31, 1978.

"Delivery Date" means, respectively, each of the ten dates specified in Column I of Schedule II as one on and from which capacity and energy are to be available to Hydro-Quebec at the Delivery Point to the relevant extents contemplated by said Schedule II; the whole subject to revision as provided in Section 6.3 hereof.

"Delivery Point" means, in respect of each circuit of the transmission lines, the point at which delivery of the energy is to be made hereunder and also means, collectively, all of such points.

"Plant" means the Hydro-Electric Plant (as referred to in the Engineering Report and in the Construction Cost Estimate, each prepared by Acres Canadian Bechtel of Churchill Falls, copies of each of which have been furnished to Hydro-Quebec by CFLCo) to be constructed by CFLCo pursuant to Section 4.1 hereof at a site near Churchill Falls on the Upper Churchill River, having, when completed, at least those technical characteristics set forth in Schedule I hereto, or as may be varied pursuant to Section 4.1 hereof, and all facilities, properties and rights obtained by CFLCo for the construction and operation thereof and the generation, transformation, transmission and delivery of power and energy therefrom including, without limiting the generality of the foregoing,

- (a) all access roads
- (b) airports and runways
- (c) all construction camps
- (d) permanent townsite and services therefor
- (e) all transport and communication facilities
- (f) all water control and water storage works and facilities
- (g) all buildings and structures and their appurtenances
- (h) all machinery and equipment, whether moveable or immoveable
- (i) all spare parts
- (j) all tools and maintenance material and

(k) all transmission circuits of CFLCo and all such circuits, to or from the said Plant, of any company which, under the present text of Section 121B of the Canada Corporations Act, would be a subsidiary of CFLCo, provided such circuits are required to be used either

to supply energy to Hydro-Quebec pursuant hereto or to supply energy to Twin Falls Power Corporation Limited in satisfaction of CFLCo's obligations referred to in Section 4.2.2 hereof.

"*Stage of Construction*" means, in respect of the construction of the Plant, the respective periods between the Delivery Dates, commencing with the first Delivery Date and treating as a final stage the period between the ninth Delivery Date and the Effective Date.

III — *Concerning Capacity:*

"*Deficiency*" means, in respect of any request by Hydro-Quebec made pursuant to Section 6.5 hereof for the supply at any given time of capacity, that number of megawatts out of the total megawatts so requested which (exclusive of capacity in excess of Firm Capacity) CFLCo fails to make available at the Delivery Point at such time.

"*Deficiency Period*" means the period of duration of a Deficiency, it being understood that the extent of a Deficiency can vary during a Deficiency Period.

"*Firm Capacity*" means, subject to reduction by adjustment pursuant to Section 6.7 hereof, at any time:

(a) after the first Delivery Date and prior to the Effective Date, the number of kilowatts, to be available to Hydro-Quebec at the Delivery Point, as indicated in Column 5 of Schedule II with reference to, and to be available to Hydro-Quebec by, the dates shown in Column 1 of Schedule II; and

(b) after the Effective Date,

(i) at any time in the months of October, November, December, January, February, March, April and May: 4,382,600 kilowatts at the Delivery Point

(ii) at any time in the months of June, July, August and September: 4,163,500 kilowatts at the Delivery Point.

"*Minimum Capacity*" means, after the sixth Delivery Date and subject to the provisions of Section 4.3 and to reduction, if any, pursuant to Section 6.7, 1,200,000 kilowatts.

IV — *CONCERNING ENERGY:*

"*Annual Energy Base*" means 31.50 billion kilowatthours per year or, in the event of an adjustment pursuant to Section 6.7 or to Article IX hereof, the number of kilowatthours per year established as a result of such adjustment, calculated to the nearest 1/100 of a billion kilowatthours.

"*Basic Contract Demand*" means, in respect of any month, the number of kilowatthours obtainable, calculated to the nearest 1/100 of a billion kilowatthours, when the Annual Energy Base is multiplied by the number which corresponds to the number of days in the month concerned and the result is then divided by the number which corresponds to the number of days in the year concerned.

"*Energy Payable*" means

(a) in respect of any month after the first Delivery Date and prior to the Effective Date, the amount of energy taken by Hydro-Quebec or made available to it up to the amount indicated in Column 6 of Schedule II hereof as available during the stage of construction applying to such month as shown in Column 1 of Schedule II hereof, plus any excess energy taken by Hydro-Quebec;

(b) in respect of any month commencing on or after the Effective Date, (i) the amount of energy which is taken by Hydro-Quebec during such month plus (ii) the amount of

energy equivalent to water spilled during such month, as determined pursuant to Sections 4.2.6 and 4.6 and after excluding spillages attributable to the fact that CFLCo has, during the 12 months preceding the spillage, either incurred any penalty under Article X or avoided such penalty only by virtue of Sections 10.3.4 or 10.3.6. Such spillage shall not cause the total Energy Payable for the 12 month period which terminates with the cessation of spilling to exceed the amount obtained when the total amount of all prior recaptures is deducted from 35.4 billion kilowatthours.

V — CONCERNING RECAPTURE:

"Recapture" means any withholding from the power and energy agreed to be sold hereunder which may be made by CFLCo in accordance with the provisions of, and within the limits stipulated by, Section 6.6 hereof. All references herein to the amount of recaptures of energy are to the aggregate amount of kilowatt-hours per year referred to in all Recapture Notices which have been given up to that date which is three years prior to the date as of which the amount of recaptures of energy is being determined.

"Recapture Notice" means any notice given by CFLCo to Hydro-Quebec in accordance with the provisions of Section 6.6 hereof of CFLCo's election to effect a recapture.

VI — CONCERNING RATES AND RATE ADJUSTMENTS:

"Applicable Rate" means the Base Rate, as adjusted pursuant to Section 8.2 hereof, calculated to the nearest 1/10,000 of a mill.

"Base Rate" means at any time, the unadjusted mill rate applicable to such time as stipulated by Section 8.1 hereof.

"Final Capital Cost of the Plant" means, without duplication, the sum (less net salvage recoveries realized by CFLCo on equipment purchased for, or used in, construction) of all amounts at any time paid or payable directly or indirectly by CFLCo in respect of the construction and bringing into operation of the Plant, and incurred prior to the first anniversary of the Completion Date, including without limiting the generality of the foregoing:

(a) the aggregate net amounts paid or legally payable by CFLCo to architects, manufacturers, engineers, surveyors, contractors, subcontractors, carriers, workmen and suppliers of material and services;

(b) that portion of the interest paid and payable in respect of monies borrowed by CFLCo which does not exceed 5½% per annum on First Mortgage Bonds and 6% per annum on other Debt Obligations (including General Mortgage Bonds, debentures and bank loans) but exclusive of any amount thereof which, as hereinafter contemplated, CFLCo shall charge from time to time to the expenses of operations;

(c) all other amounts not included under items (a) and (b) paid or payable by CFLCo for salaries, wages, insurance costs, casualty liabilities, rentals, royalties, costs of outside consultants and all applicable overhead, general, operating and administration costs, but exclusive of any amount thereof, which, as hereinafter contemplated, CFLCo shall charge from time to time to the expenses of operations;

(d) the first \$25,000,000 of the overall financing costs and expenses incurred by CFLCo, including professional fees related thereto.

For the purposes of items (b) and (c) above, CFLCo shall, from the commencement of revenue from sales of energy hereunder, charge to operations 2/10 of the amounts payable for such items and, cumulatively, after each additional unit installed thereafter produces revenue,

charge to operations an additional 1/10 of said amounts, provided that CFLCo may so charge to operations from any earlier dates, if it so elects.

The Final Capital Cost of the Plant shall, however, exclude specifically the following:

(i) all professional fees and expenses incurred by CFLCo in respect of the entering into of this Power Contract; and

(ii) any management fees or liabilities arising out of management contracts between CFLCo and any parent, affiliate or subsidiary company as said terms are defined in the present text of section 121B of the Canada Corporations Act, or any other company under the same effective control as CFLCo.

Any grant received from any governmental authority, provincial or federal to help defray all or any part of the Final Capital Cost of the Plant or which is applicable to same shall be deducted from the Final Capital Cost of the Plant. The assistance which may be furnished by Hydro-Quebec pursuant to Articles XIV and XV shall not be considered as such a grant.

VII — CONCERNING DEBT SERVICE AND EXPENSE CHARGES

"Debt Service Requirement" means, in respect of any period, the sum of the aggregate amount required to be paid by CFLCo in such period on account of principal, interest, mandatory sinking fund instalments (applicable premium included), indemnification payments, applicable federal and provincial tax payments, and all other mandatory payments in such period on all outstanding Debt Obligations incurred by CFLCo for the financing of the construction and bringing into operation of the Plant or for the refinancing from time to time of Debt Obligations originally incurred to finance or refinance such construction and bringing into operation, except that as regards any such outstanding Debt Obligations the maturity of which shall be or have become accelerated, only as if such acceleration had not occurred.

For the purposes of this definition, any such payments as aforesaid falling due on or in respect of the General Mortgage Bonds of CFLCo shall be considered as amounts required to be paid as they fall due notwithstanding that the subordination provisions with respect to the General Mortgage Bonds may restrict the sources of funds from which such payments may be made.

"Expense Charges" means, in respect of any period, all cash payments made or to be made by CFLCo (whether of a capital or revenue nature) in or for such period on account of the ownership, occupancy, maintenance, operation, replacement, repair and restoration of the Plant, including without limiting the generality of the foregoing, all administrative expenses directly related to the construction, bringing into operation, operation and maintenance of the Plant, insurance, rentals, royalties, licenses and taxes, but excluding dividend payments, directors' fees, depreciation, deferred taxes, CFLCo's Debt Service Requirement for such period and any expenses incurred in such period exclusively for the purpose of supplying recaptured energy hereunder to customers other than Hydro-Quebec.

VIII — CONCERNING EXCHANGE TRANSACTIONS:

"U.S. Dollars", *"U.S. funds"*, *"U.S. currency"* and similar expressions mean coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts in the United States of America.

"Weighted Average Exchange Rate" means at any time the average relationship of a Canadian dollar to a U.S. dollar, when, in respect of all of any class of Debt Obligations then incurred by CFLCo on which CFLCo obtains U.S. dollars, an amount equal to the amount of Canadian dollars obtained on the conversion of such U.S. dollars is divided into an amount equal to the amount of U.S. dollars obtained.

IX — CONCERNING INTEREST CHARGES:

"Effective Interest Rate" means, in respect of any Debt Obligation, the rate per annum of the interest payable thereon expressed in relation to the gross proceeds to CFLCo of such Debt Obligation after taking into account discounts and premiums, if any, but without taking into account underwriting commissions, commitment fees, indemnification payments, placement fees, financial advisory fees, the value of any conversion right attaching to such Debt Obligation and the value of any other additional right or security issued to the lender with such Debt Obligation.

X — GENERAL:

"Debt Obligation" means any bond, debenture, note or other promise or obligation to pay which is issued by CFLCo, provided however that the issue was made with the knowledge of Hydro-Quebec and in compliance with Section 22.1 hereof.

"Force Majeure" means:

(a) any fortuitous event, act of governmental authority, act of public enemies, war, invasion or insurrection, riot, civil disturbance, labour trouble, strike, and

(b) any flood, fire, shortage of labour, or of materials or of transport or other cause of inability to perform or delay in performing obligations hereunder which, in each such event, is beyond the reasonable control of the party or parties affected.

Failure of equipment to perform adequately, or improper operation of equipment, shall not constitute Force Majeure.

"Project" means (i) the construction and bringing into operation of the Plant and (ii) the satisfying of all requirements to achieve the Completion Date, as herein defined and also as said term or a corresponding term may be defined in each of the Trust Deed securing the First Mortgage Bonds of CFLCo and in every other Debt Obligation of CFLCo, for the financing or refinancing of (i), which defines a date of completion and imposes requirements in such respect.

1.2 Applicable Law

This Power Contract shall at all times and in all respects be governed by, and interpreted in accordance with, the laws of the Province of Quebec. The only courts competent to adjudge disputes between the parties hereto arising out of this Contract are, subject to appeal to the Supreme Court of Canada when such appeal lies, the Courts of the Judicial District of Montreal, where, for purposes of litigation only as aforesaid, CFLCo elects domicile for service at One Westmount Square in the City of Westmount, District of Montreal or at such other place in the said District of Montreal of which CFLCo may from time to time give written notice to Hydro-Quebec.

1.3 Number and Gender

References herein to the singular shall, where the context requires, include the plural and vice-versa and references herein to the masculine, feminine or neuter genders shall, where the context requires, include any other of such genders.

1.4 Headings

The headings to Articles, Sections, subsections and Schedules which are employed herein are for convenience of reference only and form no part of this Power Contract.

1.5 Schedules

Schedules I, II and III hereto annexed are an integral part of this Power Contract.

1.6 Successors and Assigns

Subject as provided in Article XIX hereof, this Power Contract shall enure to the benefit of and be binding upon each party hereto and its respective successors and assigns.

1.7 Letter of Intent

The Letter of Intent executed between the parties hereto under date of October 13, 1966 is hereby fully superseded and replaced.

1.8 Payments and Loans

Payments made by Hydro-Quebec pursuant to Articles XIV and XV are not loans and are not subject to the provisions of Articles V and XII.

ARTICLE II

OBJECT

2.1 Object

During the existence of the present Power Contract Hydro-Quebec agrees to purchase from CFLCo and CFLCo agrees to sell to Hydro-Quebec each month (i) prior to the Effective Date at least the amount of energy indicated in Column 7 of Schedule II hereof as available during the stage of construction applying to such month and the Firm Capacity and (ii) from and after the Effective Date, the Energy Payable and the Firm Capacity; all at the prices, on the terms and conditions, and in accordance with the provisions, set forth herein.

ARTICLE III

TERM AND RENEWAL

3.1 Term

This Power Contract shall, subject to renewal as herein provided, expire on that date which is the later of

- (a) the 44th anniversary of the first Delivery Date, and
- (b) the 40th anniversary of the Effective Date.

3.2 Renewal of Contract

This Power Contract shall be renewed on the basis stated in this Section, for a further term of 25 years from the expiry date hereof.

The renewed Power Contract shall be that set forth in Schedule III hereof, which shall come into force automatically without any further signature being required.

Any or all Articles or Sections of this Power Contract, other than this Section 3.2, as well as any or all undertakings or promises not specifically contained in Schedule III shall have no force and effect beyond the expiry date hereof and shall not thereafter be binding upon the parties to the renewed Power Contract.

ARTICLE IV

CONSTRUCTION AND OPERATION OF THE PLANT

4.1 Construction

In the interest of overall system compatibility, Hydro-Quebec shall furnish design characteristics and criteria for the construction by CFLCo of the necessary transmission facilities to the Delivery Point. Components of the Plant which may affect the economy or reliability of Hydro-Quebec's

transmission facilities shall have characteristics mutually agreed after joint consultation. To facilitate the implementation of this Section, Hydro-Quebec may, at its expense, provide engineers and other liaison personnel who will be accommodated at the appropriate offices of CFLCo, either on the site of construction or elsewhere. Hydro-Quebec engineers may also participate, at Hydro-Quebec's expense, in all phases of the testing and commissioning of the generating station and of the substation and Hydro-Quebec shall be notified in due time of such testing and commissioning.

CFLCo shall cause the Plant to be constructed in accordance with sound utility practice and with those characteristics and following those directives set forth in Schedule I hereto, provided that:

(i) nothing in said Schedule I shall relieve CFLCo of its obligation to correct, or replace with reliable equipment, in accordance with sound utility practice, any equipment which is found to be faulty or defective;

(ii) such characteristics, as well as those covering the components of the Plant which may affect the economy or reliability of Hydro-Quebec's system and which are not referred to in Schedule I, may be varied by mutual agreement between the parties hereto and such variations may be made without reference to any assignee of this Power Contract as security.

4.2 Operation

4.2.1 Operational Flexibility

The parties hereto acknowledge that it is desirable for Hydro-Quebec to have the benefit of operational flexibility of CFLCo's facilities in relation to the Hydro-Quebec system. Accordingly:

(i) Hydro-Quebec may request CFLCo to operate the Plant so as to supply Hydro-Quebec's schedule of power requirements, provided that no such request shall be less than the Minimum Capacity or, except as provided in Section 6.4, more than the Firm Capacity;

(ii) Hydro-Quebec may require deliveries which have the effect of varying the amount of water to be carried in storage at any time, provided that, in so doing, sufficient water is left in storage so that Minimum Capacity can always be maintained.

(iii) CFLCo agrees to make available to Hydro-Quebec information relating to the hydrology of the drainage basin and the levels of the reservoirs and the measurement and metering of any spillage from the reservoir; and to co-operate fully with Hydro-Quebec in the forecasting of energy which can be made available.

4.2.2 Existing Obligations

Hydro-Quebec acknowledges and agrees that CFLCo has existing obligations to supply power and energy in respect of the Twin Falls Power Corporation Limited loads referred to in Note 1 of Schedule II of the present Power Contract, that no provision hereof shall operate to hinder or prevent the fulfilment by CFLCo of its said obligations to Twin Falls Power Corporation Limited covering 225,000 kilowatts at 100% load factor and that the fulfilment of such obligation shall not constitute recapture under Section 6.6.

4.2.3 Protection of Recapture

Hydro-Quebec shall not request CFLCo to operate the Plant in a manner which would prevent CFLCo from having available any power and energy which CFLCo may recapture pursuant to Section 6.6.

4.2.4 Maintenance

CFLCo shall maintain serviceable and in good repair, in accordance with sound utility practice, all necessary facilities of the Plant. To enable Hydro-Quebec to verify compliance with this obliga-

tion, CFLCo shall afford access to the Plant to Hydro-Quebec personnel who will be accommodated on the site of the Plant at Hydro-Quebec's expense.

Should Hydro-Quebec notify CFLCo of any condition which may prevent delivery of Firm Capacity and energy, CFLCo shall, not later than 15 days after receipt of such notice, either (a) proceed diligently with the work of maintenance or repair called for by such notice and complete the same with all reasonable despatch or (b) inform Hydro-Quebec that, for reasons which CFLCo shall state, such work is not necessary to maintain said facilities serviceable in accordance with sound utility practice and undertake that, if a penalty or penalties are incurred as a result of such work not being performed, then such penalty or penalties will apply at 110% of the amounts otherwise payable under Article X. Moreover, Hydro-Quebec in such event shall retain all legal recourses otherwise available to it for damages suffered in excess of the penalty or penalties.

4.2.5 Right of Hydro-Quebec to Operate

Should CFLCo, not being prevented by any event of Force Majeure, be unwilling at any time to operate the Plant, and should the Plant then be operable, Hydro-Quebec, if not then in default hereunder, shall have the right to cause the Plant to be operated for the account of CFLCo in accordance with sound utility practice until CFLCo itself resumes such operation.

4.2.6 Spinning Reserve

Hydro-Quebec may request CFLCo from time to time to employ such unit or units as are then available for such purpose to provide spinning reserve. In such case the amount of water required to so operate such unit or units, as calculated from the turbine rating and flow curves, will be considered as Energy Payable on the same basis as if such water had been spilled, but after allowing for energy delivered from the unit or units on spinning reserve.

4.2.7 Operation of Reservoir

Hydro-Quebec shall not request CFLCo to operate the Plant in such a manner as to imperil the equipment or facilities thereof or so that the security of the reservoir structures is endangered, and shall not request operation which would require that water levels be carried higher than those established by engineering criteria for freeboard as contained in Schedule I.

4.2.8 Operating Manual

For the purpose of the present Power Contract the parties shall, by mutual agreement, establish, revise and maintain up to date in the light of the experience gained in operating the Plant a detailed operating manual covering all procedures of interrelated operations. The establishment, revision and maintaining up to date of the operating manual shall be the sole responsibility of the parties hereto without reference to any assignee of this Power Contract as security.

4.2.9 Control of Frequency and Power

For the purpose of the present Power Contract Hydro-Quebec shall be responsible for regulating frequency and CFLCo shall be responsible for power and reactive flows in the transmission circuits of the Plant, to meet the schedules to be provided by Hydro-Quebec pursuant hereto. Each party shall so operate its system as to minimize voltage and power swings transmitted to the system of the other party.

4.3 Interruptions

(i) Either party may at any time, for the purpose of safeguarding human life or protecting from major damage the storage, generating or transmission facilities of CFLCo or the Hydro-Quebec system, discontinue or reduce, but only to the extent necessary, the supply or taking of power and energy hereunder.

Each party shall be prompt and diligent in removing the cause of any such discontinuance or reduction and to this end shall maintain an adequate reserve of spare parts and apparatus.

The party on whose system the cause of an interruption shall have occurred shall inform the other of such cause as soon as possible after the interruption has occurred and, when feasible, shall state the estimated duration of such interruption. Any such information conveyed verbally shall be confirmed in writing without delay.

(ii) If CFLCo should find it necessary or advisable to take out of service, for the purposes of making repairs, renewals or replacements, two or more units or their associated equipment, Hydro-Quebec will cooperate in estimating, to the best of its knowledge, what might be the most suitable time for CFLCo to do so in order to reduce or eliminate the penalty which CFLCo might incur for failure to provide Firm Capacity. All such discontinuances and reductions in the supply of power and energy, total or partial, shall be of minimum duration and, when possible, arranged for at a time least objectionable to Hydro-Quebec.

4.4 Communications System

The parties shall establish and maintain such continuous and reliable communications between their respective power systems as may be required for operation, protection, automatic computer control, data transmission, telemetering and voice channels. Subject to the provisions of Section 4.1 hereof, the initial communications system shall have the characteristics contemplated by Schedule I.

CFLCo shall, at its sole expense, construct, own, operate and maintain that part of the communications system which is at the Plant or which is on the Plant side of the Delivery Point. Hydro-Quebec shall, at its sole expense, construct, own, operate and maintain the remainder of said system.

Subject to the foregoing provisions of this Section 4.4, the specifications for the said communications system shall be those furnished by Hydro-Quebec and Hydro-Quebec shall have the right to carry out the acceptance tests upon completion of the construction of such system.

4.5 Metering and Measurement

The parties shall establish and maintain adequate and reliable metering facilities to measure power and energy and to give such other measurements as may be required by the parties. The initial facilities so established shall have the characteristics contemplated by Schedule I, subject to possible revision pursuant to the provisions of Section 4.1.

The metering and measuring facilities of Hydro-Quebec shall, at its sole expense, be installed, maintained and operated by Hydro-Quebec at the intermediate station on its system nearest the Delivery Point and, subject to such adjustments as are required to reflect delivery at the Delivery Point, shall be used for billing purposes. Hydro-Quebec shall communicate to CFLCo all information on measurement from said facilities.

The metering and measuring facilities of CFLCo shall, at its sole expense, be installed, maintained and operated by CFLCo at the Plant. Hydro-Quebec may from time to time, at its sole option and expense, install, maintain and operate duplicates of all or any such facilities of CFLCo and CFLCo shall furnish the space and access reasonably necessary for such purpose. Hydro-Quebec may at any time, at its expense, remove, with or without replacement, all or any of such duplicate facilities.

All meters and measuring facilities, to be used or which may be used for billing, shall be periodically tested and such meters calibrated if necessary in accordance with agreed standards at least as high as those established by the Department of Trade and Commerce of Canada. Each party shall give adequate prior notice to the other of any test which it intends to conduct and the other may send authorized representatives who shall be entitled to attend and witness the test. Any meter or other measuring facility which fails to function or which functions incorrectly, shall be promptly adjusted,

repaired or replaced by a like facility having the required accuracy. Each party shall, promptly on request from the other, test its metering and measuring facilities.

Should any meter or other measuring facility used for billing purposes break down or be found not to have the required accuracy, CFLCo and Hydro-Quebec shall determine (from CFLCo's own facilities and from such information as Hydro-Quebec may supply, and Hydro-Quebec shall be entitled to do so) the amount of power and energy supplied during the period of failure or inaccuracy and the duration of such period. In making such determinations the parties hereto shall rely on that data and information available to them as aforesaid which the parties consider most conducive to as accurate a determination as the circumstances may permit.

4.6 Method of Calculating Spillage and Inventory

The number of kilowatthours equivalent at the Delivery Point to any volume of water shall be determined as follows:

(i) *Spillway Gauges and Records*

The spillway structures of the Plant shall be rated by tests, carried out under both summer and winter conditions, which may be witnessed by representatives of Hydro-Quebec and shall be equipped with gauges to record water levels and gate positions so as to provide a permanent record from which shall be determined the volume of water spilled at any time.

(ii) *Reservoir Levels and Records*

The reservoirs shall be equipped with water level gauges to record water levels so as to provide a permanent record, and graphs satisfactory to Hydro-Quebec showing water storage in relation to water level shall be prepared in order to permit the establishment of usable water inventory for any reservoir level.

(iii) *Basis of Determination*

When converting spillage from the reservoirs or inventory of usable water in the reservoirs to kilowatthours at the Delivery Point, the volume of water shall be determined from said records in (i) and (ii) above and the number of kilowatthours equivalent at the Delivery Point to the water volume shall be determined on the basis of 1,000 cubic feet of water representing 21 kilowatthours at the Delivery Point.

(iv) *Review*

The parties shall review the said basis of conversion of water volume to kilowatthours as outlined in (iii) above on the first anniversary of the Effective Date so as to establish as precisely as is practicable, under plant operating conditions as they actually exist, the conversion factor which permits accurate calculation of the equivalent number of kilowatthours at the Delivery Point. Either party shall have the right to request a further review at every four year interval after the Effective Date.

ARTICLE V

COMPLETION GUARANTEE

5.1 Provisions for Additional Funds Required

Should CFLCo, after having obtained or having arranged to obtain from equity investments and from Debt Obligations at least seven hundred million dollars in the aggregate in Canadian funds or the equivalent in Canadian and U.S. funds for the costs of construction and bringing into operation of the Plant, determine that it does not have available sufficient funds, which CFLCo is not restricted by any provision of any Debt Obligation from using for the purpose, to complete the Plant, to bring it into full operation and to provide for Debt Service Requirement and Expense Charges in respect of the period prior to the Completion Date (additional funds so needed for such purposes being herein referred to as "the additional funds required") then such additional funds

required shall be provided to CFLCo, in accordance with the provisions of this Article V, if, as and to the extent from time to time requested by CFLCo.

The additional funds required shall be provided whenever required and, to the extent and within the jurisdictions where it is legally possible to do so, shall be provided by offering at a price of \$1,000 per unit to all the shareholders of CFLCo who hold at least 5% of its outstanding common shares pro rata to their then respective holdings of such common shares of CFLCo in relation to the aggregate of their said holdings (provided that they shall have previously subscribed and paid for in full, if and when offered to them, all the Units comprising General Mortgage Bonds and shares of CFLCo to which they were then entitled) said units each consisting of \$1,000 principal amount of Debentures of CFLCo and 10 fully paid and non-assessable no par value common shares of CFLCo. CFLCo shall promptly take all action within its power to satisfy all legal requirements necessary to permit each such offering to be made. The shareholders to whom the units are offered shall have 30 days to subscribe and pay for the said units and Hydro-Quebec shall always subscribe and pay for its pro rata share of the offering. Failing full subscription and payment by the other offerees CFLCo shall give Hydro-Quebec notice of the amount of units which have not been subscribed and paid for and Hydro-Quebec shall be bound to take, or in any event to pay for, within the next 60 days, all units not subscribed and paid for by the other offerees. Any units for which Hydro-Quebec has made payment before delivery shall be delivered to Hydro-Quebec with all despatch as soon as legally possible. If for any reason, CFLCo shall be prevented from making the offering available in whole or in part to Hydro-Quebec, Hydro-Quebec shall nevertheless be bound to provide the additional funds required whenever required and after giving effect to subscriptions and payments under offers, if any, which it was legally possible to make.

Should CFLCo have previously elected not to offer to its shareholders other than Hydro-Quebec units comprising General Mortgage Bonds and shares of CFLCo then the shareholders of CFLCo other than Hydro-Quebec shall have no right to subscribe for units as provided for in the present Section 5.1 and in such event Hydro-Quebec alone shall provide the additional funds required under the present Section 5.1 whenever required and, to the extent where it is legally possible to do so, shall receive the units provided for in the present Section 5.1 and CFLCo shall in each case promptly take all action within its power to satisfy all legal requirements necessary to allow it to deliver to Hydro-Quebec units as afore-described.

In order to keep Hydro-Quebec advised of CFLCo's expenditures and requirements for funds. CFLCo shall henceforth furnish to Hydro-Quebec periodically, not less often than once every three months, a statement showing source and application of funds to the date of such report and as projected to the Completion Date.

Unless it becomes evident that construction delays will prevent or have prevented full intended availability of capacity and energy by the relevant Delivery Dates, CFLCo undertakes that it will not require Hydro-Quebec under the provisions of this Section 5.1:

- (a) to purchase more than \$75 million of units in any twelve month period,
- (b) to purchase any units prior to January 1, 1971,
- (c) to purchase units in excess of \$100 million prior to June 30, 1972, or
- (d) to purchase units in excess of \$200 million prior to June 30, 1974.

5.2 General Provisions applicable to Debentures

The Debentures to be offered as aforesaid, as part of units, shall without limitation

- (a) be issued under an Indenture in form and content satisfactory to Hydro-Quebec, who shall have the choice of the Trustee for the Debentureholders, said Indenture also to be satisfactory to counsel for the purchasers of the First Mortgage Bonds;

(b) be fully subordinated to both the First Mortgage Bonds and General Mortgage Bonds of CFLCo, referred to in Section 5.4, and to the bank loans of CFLCo incurred prior to the Completion Date and shall be unsecured;

(c) bear interest at Hydro-Quebec's last borrowing cost, taking into account premium or discount, if any, and commissions payable by Hydro-Quebec, at the time of issue of the unit of which they shall form part, such interest to be a priority call on CFLCo's monies otherwise available for dividends;

(d) be entitled to a sinking fund commencing one year after the commencement of the sinking fund on the General Mortgage Bonds, of 2% of the amount of Debentures outstanding at the commencement of each year, such sinking fund to be a call on said monies available for dividends second only to interest;

(e) provide that CFLCo's interest and sinking fund obligations on the Debentures will be subject to availability of said monies available for dividends, no default occurring if payments must be deferred because of non-availability of funds;

(f) provide that no dividend may be declared on any shares of CFLCo unless and until all past sinking fund and interest payments on the Debentures shall have been paid or set aside or otherwise provided for;

(g) except when otherwise required and agreed in respect of any Debt Service Requirement resulting from the refinancing of any Debt Obligation under the provisions of Article XI hereof, mature two years after the maturity of the General Mortgage Bonds;

(h) be redeemable at CFLCo's option at par and accrued interest or, if this involves loss to Hydro-Quebec because of its own borrowings to cover being non-call or delayed call, at premium sufficient to prevent such loss;

(i) not be entitled to exercise any remedies under the Debentures or under the Indenture or Trust Deed creating the Debentures while the First Mortgage Bonds are outstanding.

5.3 Dividend Restrictions

So long as any loan by Hydro-Quebec pursuant to Section 5.1 remains outstanding Hydro-Quebec shall be entitled to require CFLCo to undertake that until the earlier of the Completion Date or that date upon which Hydro-Quebec ceases to be a lender of the additional funds required as aforesaid no dividend shall be declared or paid by CFLCo on its shares.

Subsequent to the Completion Date the dividend restrictions set forth in the Indenture relating to Debentures issued pursuant to Section 5.1 shall apply, subject to any dividend restrictions in the Trust Deeds covering the First Mortgage and General Mortgage Bonds of CFLCo.

5.4 Right of Hydro-Quebec to cure events of default under certain Debt Obligations of CFLCo

It is contemplated that CFLCo's principal sources of borrowed funds for the Project will be its First Mortgage Bonds issued under a Trust Deed, its General Mortgage Bonds issued under a Trust Deed, its Debentures issued under an Indenture as provided in the present Article V and bank loans made under loan agreements with banks.

Each such Trust Deed, Indenture or bank loan agreement shall provide that:

(a) the trustee or trustees thereunder or the bank, as the case may be, shall give notice to Hydro-Quebec at the same time as it gives such notice to CFLCo of the occurrence of an event of default or of a default under such instrument which with notice or lapse of time would become an event of default under such instrument;

(b) Hydro-Quebec shall have the same rights as CFLCo, which rights shall be exercisable within the same period of time as may be afforded CFLCo by such instrument, to cure any such default or any event of default;

(c) the cure by Hydro-Quebec of any such default or event of default or action taken by Hydro-Quebec to cure such a default or event of default shall have the same effect, under such

instrument, insofar as such cure or action relates to suspending, waiving or terminating any rights or remedies exercisable by the trustee, trustees or bank in consequence of the occurrence of such default or event of default as would such cure or action if effected or taken at the same time by CFLCo; and

(d) such trustee, trustees or bank, as the case may be, shall give both Hydro-Quebec and CFLCo the prior written notice specified in any such instrument prior to exercising his rights to accelerate maturity or take possession of the Plant.

Hydro-Quebec may immediately on receipt of such notice exercise its right to cure default or events of default under any such Trust Deed, Indenture or bank loan agreement except in circumstances where CFLCo is able promptly (not later than midway through the period of time referred to in (b) of the preceding paragraph) to demonstrate to the satisfaction of Hydro-Quebec that such default or event of default either (i) arose from inadvertence or error and can be, and is being, cured by CFLCo or (ii) is merely technical and CFLCo can obtain, and is obtaining, a waiver of the same.

Hydro-Quebec shall, except where the event of default arose as a result of Hydro-Quebec's failure to perform any of its obligations hereunder, have the option to cure any event of default under any such Trust Deed, Indenture or bank loan agreement and if Hydro-Quebec elects to do so it shall be entitled to take any and all action required to effect such cure in its own name or the name of CFLCo.

In such case, CFLCo shall cooperate fully with Hydro-Quebec and shall carry out all reasonable instructions of Hydro-Quebec within the power of CFLCo and related to the curing of such event of default. In effecting any such cure Hydro-Quebec shall not take any action or instruct CFLCo to take any action which would violate any binding obligations of CFLCo to others. Any amounts paid or expended by Hydro-Quebec in effecting such cure shall be deemed to be advances to CFLCo within the meaning of Section 5.1 entitling Hydro-Quebec to receive 10 common shares of CFLCo with every \$1000 principal amount of Debentures.

In order to secure its rights under the Trust Deed covering the First Mortgage Bonds of CFLCo, Hydro-Quebec shall be an Intervenant to the said Deed.

ARTICLE VI

ENERGY, FIRM CAPACITY AND RECAPTURE

6.1 Energy Characteristics

The energy to be made available under this Power Contract, as evidenced by the maintenance of normal voltage and frequency at the Delivery Point, shall be three phase 60 hertz (i.e. 60 cycle per second) alternating current at a voltage at the Delivery Point of approximately 735,000 volts under normal operating conditions. Such voltage will be varied in accordance with Hydro-Quebec's system requirements and sound utility practice.

6.2 Sale and Purchase of Power and Energy

CFLCo shall deliver to Hydro-Quebec at the Delivery Point such power and energy as Hydro-Quebec may request, subject to the provisions of Sections 4.2 and 4.3.

Hydro-Quebec, in purchasing power and energy hereunder, shall have no obligation to purchase, prior to the Effective Date, during any stage of construction, energy in excess of that contemplated by Column 6 of Schedule II as intended to be then available.

6.3 Prior to Effective Date

Column 1 of Schedule II sets forth the Delivery Dates and Column 6 of Schedule II sets forth the amounts of energy to be available on such Delivery Dates for the period prior to the Effective Date.

By mutual agreement such Delivery Dates may be advanced, in which event said Schedule II shall be deemed to have been revised to conform.

6.4 Firm Capacity

The Firm Capacity shall be available at all times when Hydro-Quebec has requested it. In addition whenever additional capacity can, in the opinion of CFLCo, be made available, such capacity shall also be available to Hydro-Quebec on request.

In the event of a Deficiency occurring in the making available by CFLCo of capacity, the provisions of Article X hereof shall apply.

Subject to the provisions of Sections 4.3 and 6.7 hereof, at no time after the sixth Delivery Date shall the power taken by Hydro-Quebec be less than Minimum Capacity.

6.5 Firm Capacity Schedules

At least seven days in advance of the first Delivery Date and at weekly intervals thereafter Hydro-Quebec shall furnish to CFLCo:

- (a) an hourly schedule of its proposed capacity requirements over the week following, and
- (b) an estimate of what Hydro-Quebec is likely to schedule over the three weeks thereafter.

Each such seven day schedule shall constitute Hydro-Quebec's request for availability of such capacity over the period scheduled to the various extents and at the various times indicated by the schedule, but subject to Hydro-Quebec's right to make further requests for changes in capacity during the period within the limits of Firm Capacity and Minimum Capacity. Any such request shall be considered as revising the schedule to the required extent and for the required time.

6.6 Recapture

CFLCo may, on not less than three years prior written notice to Hydro-Quebec, elect to withhold from the power and energy agreed to be sold hereunder blocks at a specified load factor per month, to be stated in said notice, of not less than 60% nor more than 90%, which blocks in the aggregate shall not exceed during the term hereof 300,000 kilowatts for a maximum withholding of 2.362 billion kilowatthours per year provided that:

- (i) energy so withheld is sold by CFLCo only for consumption outside the Province of Quebec;
- (ii) any part of the energy so withheld which, from time to time may become available for purchase by Hydro-Quebec, may be purchased by Hydro-Quebec, if before the Effective Date, as part of Energy Payable priced in accordance with Section 8.3, and, if on or after the Effective Date, at the price of 33.33% of the Applicable Rate multiplied by the number of kilowatthours so purchased, and to this end Hydro-Quebec shall have access to the pertinent sales records of CFLCo; and
- (iii) any part of the power and energy so withheld before the seventh Delivery Date shall not relieve CFLCo from its commitment to deliver power and energy in accordance with Schedule II of the present Power Contract.

6.7 Recapture Adjustments

Immediately upon any recapture becoming effective, the Annual Energy Base shall be reduced by the same amount of kilowatthours per year as are recaptured and Firm Capacity and Minimum Capacity shall be reduced by the same amount of kilowatts as are recaptured. Should such recapture occur prior to the seventh Delivery Date, Schedule II shall not be revised. Should such recapture occur on or after the seventh Delivery Date, Schedule II shall be revised accordingly.

ARTICLE VII

DELIVERY

7.1 Delivery Point

The Delivery Point shall at all times and notwithstanding any other provisions of this Power Contract be at such point on the transmission circuits as will enable CFLCo to sell the energy generated by the Plant without forfeiting any direct or indirect tax benefits or rebates now available to CFLCo. Any facilities of the Plant which may at any time be found to be located on the Quebec side of the Delivery Point shall be and are hereby acknowledged always to have been the property of, and to have been purchased for the account of, Hydro-Quebec. Subject always as aforesaid, and to any further adjustments which may be made by mutual consent, the Delivery Point for each circuit shall be at the height of land, about opposite present Mile 148.8 on the Quebec North Shore and Labrador Railway, which is the presumed watershed between the St. Lawrence River and the Churchill River.

7.2 Transmission Facilities

The construction, operation and maintenance of the necessary transmission facilities up to the Delivery Point will be the exclusive responsibility of, and at the sole cost of, CFLCo and onwards from the Delivery Point will be the exclusive responsibility of, and at the sole cost of, Hydro-Quebec.

ARTICLE VIII

RATE AND PRICE

8.1 Base Rate

The Base Rate shall be, after the Effective Date:

- for the first 5 years, 2.7734 mills per kilowatthour;
- thereafter for the next 5 years, 2.7110 mills per kilowatthour;
- thereafter for the next 5 years, 2.6591 mills per kilowatthour;
- thereafter for the next 10 years, 2.5449 mills per kilowatthour; and
- thereafter 2.3787 mills per kilowatthour.

8.2 Applicable Rates

The Base Rate shall be subject to adjustment as follows:

If the Final Capital Cost of the Plant is less than \$728,000,000 each Base Rate shall be reduced by one-half of the same fraction thereof as is, of \$728,000,000, the difference between \$728,000,000 and the Final Capital Cost of the Plant.

If the Final Capital Cost of the Plant is more than \$791,000,000 each Base Rate shall be increased by one-half of the same fraction thereof as is, of \$791,000,000, the difference between \$791,000,000 and the lesser of the Final Capital Cost of the Plant or \$900,000,000.

For the purpose of any such adjustment, CFLCo shall furnish to Hydro-Quebec, not later than the first Delivery Date hereunder CFLCo's reasonable estimate of what the Final Capital Cost of the Plant is likely to be and such estimate shall be the basis of adjustment until full determination of the Final Capital Cost of the Plant whereupon the Applicable Rates shall be recalculated as a final adjustment under this Section 8.2. Any overpayment or underpayment resulting from a difference between the Applicable Rates based on such estimate and the Applicable Rates based on the Final Capital Cost of the Plant shall be promptly provided for

with interest to the date of adjustment at 7% per annum by, as the case may be, a refund by CFLCo to Hydro-Quebec or a supplementary payment by Hydro-Quebec to CFLCo.

8.3 Price Prior to Effective Date

After the first Delivery Date and prior to the Effective Date, the monthly price for Energy Payable shall be:

(i) for that portion of the amount of energy indicated in Column 6 of Schedule II which, whether or not taken, CFLCo makes available to Hydro-Quebec:

2.8253 mills per kilowatthour for 90% of such energy made available, and

1.0000 mill per kilowatthour for the remaining 10% of such energy made available,

plus

(ii) for energy CFLCo may be willing to supply in excess of the amount indicated in Column 6 of Schedule II:

0.5000 mill per kilowatthour for that portion of such energy which is taken by Hydro-Quebec.

The aforesaid rates of 2.8253 mills per kilowatthour and 1.0000 mill per kilowatthour are subject to adjustment under the provisions of Section 8.2, but such adjustments will only apply to amounts of energy made available by CFLCo up to the amounts indicated by Column 7 of Schedule II, which Column 7 amounts shall be considered to include firstly that energy made available which is payable at the 2.8253 rate.

In reckoning the amount of energy shown in Schedule II to be available in any month adjustment shall be made to reconcile the actual number of hours in the month with the fact that said Schedule has been prepared on the basis of a 730 hour month.

Payments for power and energy made by Hydro-Quebec to CFLCo prior to the Effective Date shall be used by CFLCo towards satisfaction of current payments to be made by CFLCo on account of Final Capital Cost of the Plant, Expense Charges and Debt Service Requirement and maintenance of such working capital or other similar requirements as may be stipulated in any outstanding Debt Obligation.

8.4 Price After the Effective Date

After the Effective Date the monthly price for power and energy shall be:

(i) the product of the Basic Contract Demand multiplied by 66.67% of the Applicable Rate (earned whether or not taken or made available), plus

(ii) the product of Energy Payable as calculated for the month then ended multiplied by 33.33% of the Applicable Rate.

Such price shall be subject to adjustment as provided in Section 8.5.

8.5 Direct Price Adjustments

Direct adjustments of the price payable by Hydro-Quebec for energy hereunder shall be made in the circumstances following:

8.5.1—Recapture Notice Period

During any notice period prior to the recaptures contemplated by Section 6.6 hereof the price for Energy Payable, each month after the first Delivery Date, by Hydro-Quebec to CFLCo shall be reduced by 0.27 mill per kilowatthour for 1/12 of the number of kilowatthours per year in respect of which a Recapture Notice has been given.

8.5.2—Resulting from Variations between Annual Energy Base and the annual average Energy Payable

(i) Any difference, in the period between the Effective Date and the eighth anniversary thereof or in any four-year period thereafter ending on an anniversary of the Effective Date, between the annual average of the total of all Energy Payable during such period ("the annual average") and the Annual Energy Base in effect during such period, shall be adjusted by a refund from CFLCo to Hydro-Quebec if the annual average is less than the Annual Energy Base or by a supplementary payment from Hydro-Quebec to CFLCo if the annual average exceeds the Annual Energy Base, provided that there shall be excluded from the calculation that part of such annual average which exceeds the amount obtained when the total amount of all recaptures of energy is deducted from 32.2 billion kilowatthours.

(ii) Such payment shall be computed by:

(a) adding the total of all Energy Payable during the period,

(b) dividing (a) by the number of years in the period and making any exclusion required under (i) above,

(c) establishing the difference between (b) and the Annual Energy Base in effect during the period,

(d) multiplying (c) by 66.67% of the Applicable Rate or Rates in the period as a separate computation for each year,

(e) the amount of the adjustment will then be the sum of the yearly products from (d) plus the net amount of any interest provided for in (iii) following.

(iii) For interest calculation purposes, the difference, if any, between the Annual Energy Base and the total Energy Payable for such year, in each of the years of the period for which adjustment is made, shall be separately calculated. Each such annual difference shall be multiplied by 66.67% of the Applicable Rate or Rates in effect for such year and interest shall accrue thereon at 7% per annum from the commencement of such year to the end of the eight-year or four-year period concerned, at which time the interest accrued shall, by addition or subtraction or both, be consolidated into, and form part of, the adjustment payment to be made.

(iv) Any adjustment payment in respect of the first eight year period shall be made in equal monthly instalments payable over the next eight years concurrently with the monthly payments contemplated by Article XVI hereof, and any adjusting payment in respect of any subsequent four-year period shall be made in equal monthly instalments payable over the next four years concurrently with said monthly payments; provided that at the end of the term hereof any such payment shall be made in one lump sum payable within three months of such end of term and provided also that if the aggregate amount to be paid on any one adjustment is less than \$1,000,000 it shall be paid forthwith.

(v) Any such adjustment payment shall itself bear interest at 7% per annum from the date adjustment is calculated and such interest shall be payable concurrently with each instalment or lump sum payment aforesaid.

ARTICLE IX

ADJUSTMENT OF ANNUAL ENERGY BASE

9.1 Adjustment Intervals

The number of kilowatthours per year comprising the Annual Energy Base may be adjusted during the term hereof as of the eighth anniversary of the Effective Date, and thereafter as of the end of each subsequent four year period.

9.2 Basis for Adjustment

If an adjustment takes place, the Annual Energy Base previously in effect shall be increased or decreased, subject to the provisions of Section 9.3, in accordance with the difference between (a) the Annual Energy Base previously in effect and (b) the total of the following divided by the number of years since the Effective Date:

- (i) the actual energy deliveries measured in kilowatthours taken by Hydro-Quebec at the Delivery Point since the Effective Date, plus
- (ii) the equivalent kilowatthours of any water spilled since the Effective Date, and
- (iii) if the reservoir level is higher than it was at the Effective Date adding the equivalent number of kilowatthours represented by the change in reservoir level as compared to the reservoir level at the Effective Date, or
- (iv) if the reservoir level is lower than it was at the Effective Date subtracting the equivalent number of kilowatthours represented by the change in reservoir level as compared to the reservoir level at the Effective Date.

9.3 Limitations on Adjustment of Annual Energy Base

(i) No adjustment of the Annual Energy Base at the end of any eight year or four year period shall alter the then existing Annual Energy Base by more than $3\frac{1}{3}\%$ thereof.

(ii) No adjustment or adjustments of the Annual Energy Base shall ever cause it to exceed the amount obtained when the amount of all recaptures of energy is deducted from 32.2 billion kilowatt-hours per annum.

9.4 Conditions under which Annual Energy Base may be Adjusted

(i) Either party without the consent of the other party being required may require a change in the Annual Energy Base of up to $3\frac{1}{3}\%$ provided

(a) the revised Annual Energy Base is equal to the cumulative experience from the Effective Date to the adjustment date calculated as outlined in Section 9.2, or

(b) if the said cumulative experience differs from the Annual Energy Base by more than $3\frac{1}{3}\%$ of the latter, the adjustment results in a revised Annual Energy Base which is different by $3\frac{1}{3}\%$ from the existing Annual Energy Base and is closer to the said cumulative experience than said existing Annual Energy Base.

(ii) Without reference to the said cumulative experience, the parties may agree to any adjustment in the Annual Energy Base which does not alter the existing Annual Energy Base by more than $3\frac{1}{3}\%$ thereof.

9.5 No Adjustment

Failing the request of either party for an adjustment of the Annual Energy Base as provided above within the six months period following the date as of which the Annual Energy Base may be adjusted, the Annual Energy Base shall continue for a further period of four years as was last established.

9.6 Effect of Changing Annual Energy Base

If the Annual Energy Base is changed in accordance with this Article IX, the revised Annual Energy Base shall be employed forthwith for purposes of calculating the Basic Contract Demand.

ARTICLE X

FIRM CAPACITY PENALTY

10.1 Extent of Penalty

Should a Deficiency occur, then CFLCo shall be subject to the applicable penalty outlined below, which penalty Hydro-Quebec shall be entitled, subject as hereinafter provided in Article XVI, to deduct from the payments next to be made by it to CFLCo hereunder:

(i) when the Deficiency Period is more than 30 minutes and not more than 4 hours there shall be a penalty of \$10 per megawatt for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt;

(ii) when the Deficiency Period is more than 4 hours and not more than 10 hours there shall be a penalty of \$20 per megawatt for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt;

(iii) when the Deficiency Period is, or is deemed to be, 24 hours or more there shall be a penalty of \$40 per megawatt day for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt.

10.2 Rules Applicable

For the purpose of computing penalties as aforesaid:

10.2.1 — any Deficiency Period in excess of 10 continuous hours and not exceeding 24 continuous hours will be considered as a full 24 hours;

10.2.2 — separate Deficiency Periods each lasting more than 30 minutes within a 24 hour time span shall never result in a penalty greater than that which would have resulted if the maximum of the Deficiencies had lasted for the full 24 hour period; and

10.2.3 — if a Deficiency Period lasts for more than twenty-four hours, it may be divided into any such four hour, ten hour and twenty-four hour periods as CFLCo may designate which would cover the total Deficiency Period and separate penalties for each period so designated shall be determined as in Section 10.1.

10.3 No Penalty

There shall be no penalty applicable:

10.3.1 — to any Deficiency which is less than one per cent of the capacity at the time requested by Hydro-Quebec;

10.3.2 — to any part of any Deficiency which is due to Excessive Corona Losses;

10.3.3 — during any period when CFLCo is unable to provide service due to disturbances on the Hydro-Quebec system, such period to include not only the duration of the disturbance but also the time required by CFLCo to restore service;

10.3.4 — in any month in respect of which an advance was made to CFLCo by Hydro-Quebec pursuant to Section 12.1 hereof;

10.3.5 — during the period of, and to the extent of, the Deficiency resulting from any interruption for the safeguarding of human life permitted by paragraph (i) of Section 4.3 hereof;

10.3.6 — to any Deficiency for which Hydro-Quebec is able to substitute capacity from its own system, without using its reserve capacity and without impairing the reliability of service from its system, at, in its sole judgment, no material increase in Hydro-Quebec's costs of operation; and

10.3.7 — to any Deficiency resulting from a lack of water other than by reason of the failure of impounding structures on any section of the reservoirs.

ARTICLE XI

REFINANCINGS

11.1 Prior Approval

Refinancings of CFLCo's Debt Obligations and revisions of existing Debt Obligation agreements to permit the same shall be subject to the prior approval of both parties hereto.

11.2 Costs and Benefits

All costs and any benefits of any refinancing of any of CFLCo's Debt Obligations in respect of which Hydro-Quebec had been making interest charge payments under Article XV shall be shared equally by the parties hereto.

ARTICLE XII

DEBT SERVICE REQUIREMENT AND EXPENSE CHARGES

12.1 Advances by Hydro-Quebec

If, in respect of any month during the period contemplated by Section 12.3 hereof, CFLCo will be required to make any payment on account of Debt Service Requirement or in respect of Expense Charges and CFLCo determines that, taking into account any restrictions to which CFLCo may be subject regarding the employment of its funds, CFLCo will lack sufficient unrestricted funds to enable it to make when due the required payment, CFLCo shall give at least 15 days prior notice of the anticipated shortage to Hydro-Quebec, whereupon Hydro-Quebec shall advance to CFLCo in respect of that month the full amount of the shortage in time to permit such payment to be made at due date and CFLCo shall make such payment accordingly. If any Expense Charges, whether or not of a capital nature, are non-recurring expenditures, Hydro-Quebec shall advance the sums required at the times required upon notice from CFLCo as aforesaid.

12.2 Consideration for Advances

Hydro-Quebec shall receive from CFLCo, for each advance made to CFLCo by Hydro-Quebec under this Article XII, units comprising unsecured subordinated Debentures, having the attributes referred to in Article V hereof, and common shares of CFLCo. Save as otherwise provided in Section 12.4 and in the following paragraph, for each \$1000 advanced by Hydro-Quebec it shall receive one Debenture in the principal amount of \$1,000 and five fully paid and non-assessable common shares of CFLCo.

Such units shall not include common shares if and to the extent that the requirement for such advances has resulted from a decrease in the revenue of CFLCo as the result of Hydro-Quebec having taken during the three months immediately previous to the time such advance takes place less than the amount obtained when one-fourth of all recaptures is deducted from 7.1 billion kilowatthours, provided such reduced taking is not caused by Plant deficiencies.

If, for any reason CFLCo shall be prevented from making the aforesaid Debentures and shares available in whole or in part to Hydro-Quebec, Hydro-Quebec shall nevertheless be bound to make the advances required under this Article XII whenever required.

12.3 Duration of Obligation to Make Advances

Hydro-Quebec's obligation to make advances to CFLCo pursuant to Section 12.1 hereof shall commence on the Completion Date and continue during the term of this Power Contract for so long as any Debt Service Requirement exists.

12.4 Advances during Restoration

If the Plant becomes so damaged or destroyed as to render it inoperative CFLCo shall proceed diligently with the work of restoration and resumption of operations, it being acknowledged by the parties hereto that such is the desirable course to follow in the circumstances, and Hydro-Quebec shall continue to make advances under Section 12.1, if, as, and to such extent as, may be required. However, advances then made by Hydro-Quebec, in any circumstance contemplated by the next paragraph of this Section, for Expense Charges related to such restoration and resumption of operations shall entitle Hydro-Quebec to receive 10 shares per \$1,000 principal amount of Debentures instead of the 5 shares per \$1,000 principal amount of Debentures contemplated by Section 12.2.

If the Plant is so damaged as to reduce its Firm Capacity by at least 40% for a continuous period of 6 months or more any advances by Hydro-Quebec for Expense Charges related to restoration and resumption of operations shall be deemed advances for the purposes of this Section 12.4.

12.5 Estimate

Should CFLCo at any time call upon Hydro-Quebec for an advance under this Article XII, CFLCo shall furnish to Hydro-Quebec for the latter's guidance CFLCo's estimate of the amounts and due dates of all Debt Service Requirement and Expense Charges of CFLCo known to it which will become payable in the next twelve months and CFLCo's estimate of the unrestricted funds expected to be available to it at the times payments thereof will fall due.

12.6 Insurance Proceeds

Any proceeds of insurance which CFLCo may have on hand at the time any advance from Hydro-Quebec under Sections 12.1 and 12.4 hereof is required shall, to the extent CFLCo has the unrestricted disposition thereof, free from other commitments, be considered as part of CFLCo's unrestricted funds to be applied against the payment of CFLCo's Debt Service Requirement and Expense Charges.

ARTICLE XIII

ACCESS TO RECORDS

13.1 Audit by Hydro-Quebec

The Final Capital Cost of the Plant and any other item affecting payments to be made by Hydro-Quebec shall be subject to verification and audit by Hydro-Quebec which, for such purpose, shall at all reasonable times have free access to the construction site and to the books, records and other documents relating to the costs, the Schedules and other pertinent data in the possession of CFLCo in connection with the proposed power development. CFLCo shall make available to Hydro-Quebec, as they are available, regular reports and other relevant information respecting the cost of the Plant, the progress of construction, and all items affecting payments to be made by Hydro-Quebec or which Hydro-Quebec may reasonably require for the purposes of this section.

13.2 Questions Arising

Any question which may arise as to the status, under the provisions of this Power Contract, of any item affecting payments to be made by Hydro-Quebec, shall be jointly discussed by Hydro-Quebec and CFLCo and, failing resolution by them, shall be referred to the independent auditors of CFLCo for interpretation. Should Hydro-Quebec or CFLCo be unwilling to accept the interpretation of the independent auditors of CFLCo on any such question, joint reference shall be made by Hydro-Quebec and CFLCo to an independent auditor acceptable to each but whom neither otherwise employs, retains or consults and shall be subject to determination by said independent auditor in accordance with the applicable provisions of this Power Contract. Should Hydro-Quebec and CFLCo be unable to agree on the appointment of such an independent auditor, they shall jointly request the President of the Institute of Chartered Accountants of Quebec to make the appointment on their behalf and shall

then refer the question to the independent auditor so appointed. Such decisions shall always remain subject to review by the Courts of competent jurisdiction.

13.3 Sharing of Expenses

The fees and expenses of any independent auditor, other than the independent auditors of CFLCo, referred to in Section 13.2 and, if applicable, of the President of the Institute of Chartered Accountants of Quebec shall be borne equally by Hydro-Quebec and CFLCo.

13.4 Annual Review

At the time of each annual audit of the affairs of CFLCo, all such items then known with respect to Effective Interest Rates, Final Capital Cost of the Plant, Debt Service Requirement, Expense Charges and U.S. dollar-Canadian dollar exchange transactions and any other items affecting payments to be made by Hydro-Quebec shall be referred to Hydro-Quebec for concurrence. All agreement of such items by Hydro-Quebec shall be final and binding.

ARTICLE XIV

U.S. DOLLAR TRANSACTIONS

14.1 Variations in Exchange Rate

In the event of any difference between (i) the Weighted Average Exchange Rate on the converting into Canadian dollars of the U.S. dollar proceeds of all of any class of Debt Obligations repayable in U.S. dollars incurred by CFLCo to finance the construction and bringing into operation of the Plant or for the refinancing from time to time of Debt Obligations originally incurred to finance or refinance such construction and bringing into operation and (ii) the exchange rate applicable upon any purchase of U.S. dollars by CFLCo for current servicing of each such Debt Obligation of such class then, on each purchase of U.S. dollars for servicing of any such Debt Obligation, the difference experienced shall be for the respective accounts of CFLCo and Hydro-Quebec on the following basis:

14.1.1 Where the Weighted Average Exchange Rate was .925 or less, the difference aforesaid shall be for the accounts equally of CFLCo and Hydro-Quebec to the extent of 4¢ U.S. for each U.S. dollar purchased and beyond that solely for the account of Hydro-Quebec;

14.1.2 Where the Weighted Average Exchange Rate was more than .925 but less than .965, the difference aforesaid shall be for the accounts equally of CFLCo and Hydro-Quebec to the extent of 5¢ U.S. for each U.S. dollar purchased and beyond that solely for the account of Hydro-Quebec; and

14.1.3 Where the Weighted Average Exchange Rate was .965 or more, the difference aforesaid shall be for the accounts equally of CFLCo and Hydro-Quebec to the extent of 6¢ U.S. for each U.S. dollar purchased and beyond that solely for the account of Hydro-Quebec.

14.2 Deemed Conversion

Any U.S. funds which CFLCo may receive free of escrow or pledge in respect of any Debt Obligation referred to in Section 14.1 which CFLCo employs without converting them to Canadian dollars shall, for the purpose of Section 14.1, be deemed to have been converted to Canadian dollars at the exchange rate for sales of U.S. dollars quoted by the Bank of Canada in effect at noon on the day CFLCo would first have been free to convert such U.S. funds into Canadian funds.

14.3 U. S. Refinancing of U. S. Debt Obligations

Any U.S. Debt Obligation incurred by CFLCo, the proceeds of which are employed to repay an earlier U.S. Debt Obligation of CFLCo, shall, to the extent so employed, be deemed for the purposes

of Section 14.1(i) to be a continuation of such earlier U.S. Debt Obligation and to have already been converted into Canadian dollars at the time such earlier U.S. Debt Obligation was so converted or deemed to have been converted.

14.4 Subsequent U. S. Debt Obligations

Subject to Section 14.3 should CFLCo, after any calculation of Weighted Average Exchange Rate for the purposes of this Article, thereafter incur any additional Debt Obligation repayable in U.S. dollars the Weighted Average Exchange Rate will be recalculated but without retroactive effect.

ARTICLE XV

INTEREST CHARGES

15.1 Portion of Interest to be borne by Hydro-Quebec

Should the Effective Interest Rate payable by CFLCo on its First Mortgage Bonds exceed 5½% per annum, or should the Effective Interest Rate payable by CFLCo on its other Debt Obligations (including its General Mortgage Bonds, Debentures and bank loans) exceed 6% per annum then the portion of each interest payment thereon attributable to such excess in Effective Interest Rate shall be borne by Hydro-Quebec, which shall furnish to CFLCo, as required, the sums necessary to provide for such part of such interest payment (whether the interest be payable separately and distinctly or be a part of a blended payment of principal and interest). In the event of recapture of power and energy by CFLCo pursuant to Section 6.6, payments to be made by Hydro-Quebec under this Section shall be reduced in the same proportion as such recapture bears to the Annual Energy Base or, if recapture occurs prior to the Effective Date, to 31.50 billion kilowatthours.

15.2 Method of Payment

The sums payable to CFLCo by Hydro-Quebec pursuant to this Article shall be made available to CFLCo, at its address referred to in Article XXIII, not later than three business days prior to each date upon which interest on the Debt Obligation or Debt Obligations concerned is required to be paid, whether this be monthly, quarterly, half-yearly or yearly.

15.3 Forecasts

CFLCo shall furnish to Hydro-Quebec at the commencement of each quarter of each year in which CFLCo has Debt Obligations outstanding, CFLCo's best forecast of the interest payments which CFLCo will be required to make for the twelve-month period next ensuing and of the portions thereof, if any, to be borne by Hydro-Quebec. CFLCo shall promptly advise Hydro-Quebec of any significant variations in any such forecast.

15.4 Acknowledgment

Payments made hereunder by Hydro-Quebec are, to the extent that they relate to interest which CFLCo capitalizes pursuant to the provisions hereof, acknowledged to be in aid of construction.

15.5 Exemption

CFLCo may, in respect of any Debt Obligation maturing within five years of the date of issue and issued prior to the Completion Date, exempt Hydro-Quebec from all obligation to make payments for interest charges under this Article XV and such Debt Obligation shall not be classified as one involving Hydro-Quebec in the making of any such payments.

ARTICLE XVI

PAYMENT

16.1 Monthly Accounts

CFLCo shall render an account to Hydro-Quebec monthly covering:

16.1.1 Prior to the Effective Date

- (i) the Energy Payable, priced in accordance with Section 8.3 hereof;
- (ii) the credit, if any, available to Hydro-Quebec under Section 8.5.1;
- (iii) the amount of penalty which Hydro-Quebec is entitled to withhold pursuant to Article X, and
- (iv) the equivalent in Canadian funds of the amount of any adjustment required to be made, whether as a credit or a debit, pursuant to Section 14.1 hereof, in respect of purchases of U.S. funds by CFLCo in the month preceding, for the purpose of current servicing of U.S. dollar debt.

16.1.2 From the Effective Date

- (i) the Energy Payable priced in accordance with Section 8.4 and, if applicable, Section 6.6 hereof;
- (ii) the amount, if any, payable pursuant to Section 4.2.6 hereof in respect of such month;
- (iii) the credit, if any, available to Hydro-Quebec under Section 8.5.1;
- (iv) the amount, if any, attributable to such month, whether as a debit or a credit, in respect of any adjustment pursuant to Section 8.5.2;
- (v) the amount of penalty which Hydro-Quebec is entitled to withhold pursuant to Article X; and
- (vi) the equivalent in Canadian funds of the amount of any adjustment required to be made, whether as a credit or a debit, pursuant to Section 14.1 hereof, in respect of purchases of U.S. funds by CFLCo in the month preceding for the purpose of current servicing of U.S. dollar debt.

Any account rendered under this Section must be in accordance with the provisions of this Power Contract.

16.2 Method of Payment

All accounts rendered shall be payable in lawful money of Canada at the address of CFLCo referred to in Article XXIII hereof or at such other address within Canada as CFLCo may from time to time designate. All such accounts shall be payable within 15 days of their receipt without abatement or set-off whatsoever except for the credits and adjustments, if any, included in the account.

Any inaccuracy in any account may be corrected by appropriate adjustment to a subsequent account.

ARTICLE XVII

FORCE MAJEURE

17.1 Contract Not Terminated

No event of Force Majeure or of default hereunder shall give rise to, or result in, the termination of this Power Contract.

17.2 Effect of Force Majeure on Payment Obligations

Events of Force Majeure shall have the effect of abating to the extent thereby not earned any payments provided for in the present Power Contract with the exception that, notwithstanding Force Majeure or default hereunder, Hydro-Quebec must still make advances required of it under and otherwise comply with the provisions of Articles V and XII.

17.3 Obligations Suspended or Abated

Subject to the provisions of Sections 17.1 and 17.2 hereof, should either or both parties hereto by reason of Force Majeure be prevented or delayed in the performance of any of its or their obligations hereunder, such party or parties shall thereby be subject to no penalty under the provisions hereof or incur any other liability to the other, but shall nonetheless perform such obligation as soon as possible and to as full an extent as possible.

17.4 Assignment of Indemnification

Should either party hereto be prevented by any act of governmental authority from performing any of its obligations hereunder and be thereby entitled to claim indemnification from such governmental authority, such party shall, to the extent of the damages thereby occasioned to the other party, ipso facto assign to such other party the right to receive such indemnity. Notwithstanding such assignment, the party prevented shall, at the option of the other party, itself attend to the claiming and receiving of such indemnity but at the expense of both parties in proportion to the damages collected by each.

ARTICLE XVIII

INDEMNIFICATION AND LIABILITY

18.1 Of Hydro-Quebec by CFLCo

CFLCo shall assume all obligations, risks and responsibility for, and shall forever indemnify and save Hydro-Quebec harmless from and against, any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of CFLCo up to and including the Delivery Point or by the presence or use of CFLCo's equipment, unless such injuries or damages are caused by negligence on the part of Hydro-Quebec or any of its employees.

18.2 Of CFLCo by Hydro-Quebec

Hydro-Quebec shall assume all obligations, risks and responsibility for, and shall forever indemnify and save CFLCo harmless from and against, any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of Hydro-Quebec beyond the Delivery Point or by the presence or use of Hydro-Quebec's equipment, unless such injuries or damages are caused by negligence on the part of CFLCo or any of its employees.

18.3 Reciprocal Release of Claim

Subject to and as provided in Section 4.2.4 and under reserve of Hydro-Quebec's rights under Article X, neither party shall make any claim upon the other by reason of one party's circuits and system being damaged or rendered inoperative for any period as a result of an occurrence on the circuits and system of the other party.

ARTICLE XIX

ASSIGNMENT

19.1 Prohibition

Neither party to this Power Contract may assign its rights and obligations hereunder except that:

19.1.1 *Exception in Respect of Assignment to Successor Corporation*

Either party may assign its rights and obligations hereunder to any successor corporation with which such party may have merged or with which it may have become amalgamated or to which, as part of a corporate reorganization or reconstruction, it may transfer all or substantially all of its assets;

19.1.2 *Exception in Respect of Assignment as Security*

CFLCo may assign its rights hereunder as security to any trustee for the holders of any Debt Obligations which CFLCo may issue in connection with the financing of the construction and bringing into operation of the Plant or for the refinancing from time to time of Debt Obligations originally incurred to finance or refinance such construction and bringing into operation, and any such assignee shall be entitled to further assign such rights by way of realization of such security should such security become enforceable; and

19.1.3 *Exception in Respect of Assignment to Wholly-Owned Subsidiary*

CFLCo may assign its rights and obligations hereunder to a wholly-owned subsidiary of CFLCo provided such assignment is made with the prior written consent of Hydro-Quebec, which shall not be unreasonably withheld.

19.2 *Protection of Trustee*

No assignment to a trustee pursuant to Section 19.1.2 above shall relieve CFLCo of its obligations hereunder or operate to impose such obligations on the trustee or on any such assignee of the trustee.

19.3 *Assignment to Trustee for First Mortgage Bondholders*

If the rights of CFLCo hereunder are assigned as security to the Trustee for the holders of the First Mortgage Bonds of CFLCo then, in respect to all Debt Service Requirement of CFLCo relating to such First Mortgage Bonds:

(i) such Trustee may, by not less than 15 days prior notice to Hydro-Quebec, require Hydro-Quebec to advance to such Trustee, and Hydro-Quebec shall advance to such Trustee, in sufficient time to permit payment at due date of such Debt Service Requirement, all funds necessary to make such payment when due;

(ii) the funds so advanced to such Trustee by Hydro-Quebec shall be applied by such Trustee against such payment only to the extent that CFLCo itself has not made, or provided funds for the making of, such payment, and any balance of funds so advanced to such Trustee by Hydro-Quebec shall be refunded without delay by such Trustee to Hydro-Quebec;

(iii) such advances by Hydro-Quebec shall, to the extent not refunded pursuant to (ii) above, be governed by the applicable provisions of Articles V and XII hereof.

ARTICLE XX

USE OF QUEBEC PERSONNEL, SERVICES AND MATERIALS

20.1 *Preference concerning Quebec Equipment, Services and Personnel*

CFLCo will, in the procurement of materials, services and equipment and in the employment of personnel, extend or cause to be extended by its contractors, sub-contractors and agents preference to Quebec labour, personnel and services and to materials and equipment manufactured in Quebec.

20.2 *Preference to other Canadian manufacturers*

In the purchase of major items of equipment, such as turbines, generators, transformers and the like, CFLCo will, subject to the prior preference stipulated in Section 20.1, give the next preference to other Canadian manufacturers.

20.3 *Liaison Committees*

CFLCo will cause to be set up, in cooperation with Hydro-Quebec, liaison committees to deal with matters concerning the supply of services, materials and equipment. In order to ensure that the

available personnel in Quebec will be utilized on the Project where possible, CFLCo will avail itself of the services of the Quebec Provincial Employment Offices and, if necessary, is prepared to cause employment offices to be established in Quebec.

20.4 Management Rights of CFLCo

Nothing in the above provisions shall be construed to require CFLCo to make any changes in its selection of managers of construction or engineering services for the Project or to prevent fulfilment of CFLCo's obligations under paragraph 4 of Part II of the Statutory Lease held by CFLCo and dated May 16, 1961, or any similar provision contained in any other lease to CFLCo given pursuant to such Statutory Lease.

ARTICLE XXI

CASE OF CFLCo BEING UNABLE TO COMPLETE PROJECT

21.1 Cooperation

If it becomes evident, at any stage, that CFLCo will not be able to complete the Project in such a manner as to ensure that electrical energy will be made available as provided in Schedule II of the present Contract, then Hydro-Quebec shall have the right to require CFLCo to cooperate with Hydro-Quebec with the view of permitting Hydro-Quebec to implement the Project on behalf of CFLCo, provided however that Hydro-Quebec may not avail itself of such right if CFLCo's inability to implement the Project as aforesaid shall be due to Hydro-Quebec having failed to act with due diligence in the carrying out of its undertakings hereunder or having unreasonably withheld its consent, agreement or approval of any request by CFLCo contemplated by this Power Contract.

ARTICLE XXII

FINANCING CONSULTATION

22.1 Financing

CFLCo will not issue or sell any Debt Obligations or make any commitments for the issue or sale of such Debt Obligations without prior consultation with Hydro-Quebec.

Prior approval by Hydro-Quebec will be required in the case of a financing or refinancing that involves Hydro-Quebec in making payments for interest charges pursuant to Article XV hereof.

ARTICLE XXIII

NOTICES

23.1 How Given

Any notice or other communication required or permitted to be given by either party hereto to the other shall be in writing and shall be validly given if personally delivered to a senior executive officer of the addressee or if sent by prepaid registered post addressed:

if to Hydro-Quebec,

at: 75, Dorchester Boulevard West, Montreal 1, P.Q.

and

if to CFLCo

at: One Westmount Square, Westmount 6, P.Q.

23.2 When Effective

Any notice or other communication personally delivered shall be taken as having been received on the date of delivery. Any notice or other communication sent by post shall be taken as having been received on the second business day following the date of mailing.

23.3 Change of Address

Either party may, by notice to the other, designate a new address to which notices and other communications to it shall, until further notice, be given.

IN WITNESS WHEREOF the parties hereto have executed this Power Contract.

QUEBEC HYDRO-ELECTRIC COMMISSION

J. Chénard
J. R. Guise

CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED

[Signature]
W. S. Zaman

SCHEDULE I

MAIN TECHNICAL CHARACTERISTICS OF THE PRINCIPAL ENERGY PRODUCTION AND TRANSMISSION FACILITIES

1. Reservoirs and Forebay
2. Hydraulic Structures
3. Intake and Penstocks
4. Manifold Surge Chamber
5. Tailrace Tunnels
6. Turbines
7. Generators
8. Governor and Excitation Systems
9. Switching and Transformer Facilities
10. Transformers
11. Shunt Reactors
12. Lightning Arresters
13. Circuit Breakers
14. Bus Work and Auxiliary Equipment
15. Transmission Lines
16. Communications
17. Control, Protection, Billing Metering and Measurement

As used in this Schedule

NEMA refers to the standards of the National Electrical Manufacturers Association;

ASTM refers to the standard specifications of the American Society for Testing Materials; and

CSA refers to the standards of the Canadian Standards Association;

each such reference being to the edition of the applicable Section current at the date of execution hereof.

The energy production and transmission facilities will include the reservoirs and forebay, the power installations immediately adjacent to the forebay and comprising an intake structure, eleven penstocks, an underground powerhouse (containing eleven generating units), a manifold surge chamber and tailrace tunnels, all associated switching and transformation facilities and transmission lines.

1. Reservoirs and Forebay

The following data consists of design criteria and of anticipated characteristics based on field information available at the date of this Contract. Such criteria and characteristics are necessarily approximate and may be altered to conform to actual site conditions.

(a) MAIN RESERVOIR

(i) *Sandgirt and Lobstick Lakes:*

Maximum Water Elevation	1,551 ft. above mean sea level
Minimum Water Elevation	1,522.5 ft. above mean sea level
Maximum Drawdown	28.5 ft.
Live Storage	400 billion cubic ft.
Minimum Freeboard*	8 ft.

(ii) *Michikamau, Orma and Sail Lakes:*

Maximum Water Elevation	1,551 ft. above mean sea level
Minimum Water Elevation	1,532.5 ft. above mean sea level
Maximum Drawdown	18.5 ft.
Live Storage	600 billion cubic ft.
Minimum Freeboard*	8 ft.

(b) OSSOKMANUAN RESERVOIR

Maximum Water Elevation	1,572 ft. above mean sea level
Minimum Water Elevation	1,558.5 ft. above mean sea level
Live Storage	100 billion cubic ft.
Minimum Freeboard*	6 ft.

(c) FOREBAY**

Maximum Water Elevation	1,471.5 ft. above mean sea level
Minimum Water Elevation	1,468.5 ft. above mean sea level
Maximum Drawdown	3 ft.
Live Storage	3.4 billion cubic ft.
Minimum Freeboard*	8 ft.

* Under probable maximum floods, exceeding the 1:10,000 flood, dyke freeboard on the Main Reservoir could be diminished by 3 feet, and on Ossokmanuan Reservoir by 6 feet. Freeboard dykes, i.e. those whose bases are above normal high water level, may have less freeboard than the minimum freeboard stated above. There may be saddies around the reservoir rim, which will be less in elevation above normal high water level than the stated minimum freeboard.

** This refers only to the East Forebay located downstream of the Whitefish Control Structure and extending to the intake structure. The West Forebay located upstream of the Whitefish Control Structure has no live storage in winter.

The location of all reservoirs, forebays, spillway structures and control structures are shown on Plate 1 titled "Churchill Falls Hydroelectric Power Development, Plan of Reservoirs and Structures" attached to, and forming part of, this schedule.

2. Hydraulic Structures

The following data consists of design criteria and of anticipated characteristics relating to the stage of design reached at the date of this Contract. The stage of design varies from one structure to the other; the criteria and characteristics listed are therefore only approximate and may be altered to conform to actual site conditions.

(a) *Main Reservoir Structure: Lobstick Control Structure.*

Design Flood Flow: 230,000 cubic feet per second (once in 10,000 years).

Full Gate Discharges and Corresponding Upstream Lobstick Structure Water Levels:

230,000 cfs.	1,551 ft.
200,000 cfs.	1,545 ft.
170,000 cfs.	1,540 ft.
117,000 cfs.	1,530 ft.
80,000 cfs.	1,522.5 ft.

(b) *Ossokmanuan Reservoir Structures.*

Design Flood Flow from the Ossokmanuan Reservoir: 179,000 cfs. (once in 10,000 years).

This flow will be shared between the Ossokmanuan Control Structure and the Gabbro Control Structure. The Ossokmanuan Control Structure will pass its maximum full gate discharge of 115,000 cfs. while the Gabbro Control Structure will release a controlled flow equal to the difference of 64,000 cfs.

(i) *Ossokmanuan Control Structure:*

Full Gate Discharges and Corresponding Upstream Ossokmanuan Structure Water Levels:

115,000 cfs.	1,572 ft.
90,000 cfs.	1,568.5 ft.
82,000 cfs.	1,567 ft.
52,500 cfs.	1,562 ft.

(ii) *Gabbro Control Structure:*

Full Gate Discharges and Corresponding Upstream Gabbro Structure Water Levels:

72,000 cfs.	1,572 ft.
55,000 cfs.	1,568 ft.
39,000 cfs.	1,564 ft.
21,000 cfs.	1,558.5 ft.

(c) *Forebay Structures.*

Design Flood Flow from the West Forebay: 240,000 cfs. (once in 10,000 years).

This flow will be divided according to varying requirements between Jacopie Spillway and Whitefish Falls Control Structure. The discharge from Whitefish Falls Control Structure will be passed through the Power Installations and/or released through the Forebay Spillway.

(i) *Jacopie Spillway:*

Full Gate Discharges and Corresponding Upstream Jacopie Spillway Water Levels:

195,000 cfs.	1,486 ft.
170,000 cfs.	1,482 ft.

(ii) *Whitefish Falls Control Structure:*

Full Gate Discharges and Corresponding Upstream Whitefish Falls Structure Water Levels:

75,000 cfs.	1,486 ft.
60,000 cfs.	1,482 ft.

(iii) *Forebay Spillway:*

Full Gate Discharges and Corresponding Upstream Forebay Spillway Water Levels:

75,000 cfs.	1,471.5 ft.
68,000 cfs.	1,468.5 ft.

3. Intake and Penstocks

The intake will be a conventional surface structure with a separate head gate for each of the eleven penstocks. Trash racks will be provided upstream of the head gates and provision will be made for the installation of sectional bulkhead gates for maintenance purposes.

The approximate dimensions of each of the penstocks are:

Upstream Concrete-Lined Section	Length: 1,160 feet Internal Diameter: 240 inches
Downstream Steel-Lined Section	Length: 300 feet Internal Diameter: 175 inches

4. Manifold Surge Chamber

The tailrace manifold surge chamber will be located at the outlets of the draft tubes and will have the following approximate dimensions:

Width	varying from 40 feet at the bottom to 64 feet at the top of the wall
Length	760 feet
Height	150 feet

The surge chamber will be sized to allow full load rejection without powerhouse flooding.

5. Tailrace Tunnels

There will be two unlined tailrace tunnels each having the following approximate dimensions:

Length	5,500 feet
Height	60 feet
Width	45 feet

6. Turbines

Type	Vertical Shaft Francis
Rated Capacity	648,000 Horsepower at 1,025 feet net head
Speed	200 revolutions per minute

7. Generators

Rated Capacity	500,000 kilovolt amperes with cooling water temperature not higher than 15° C
Power Factor (over excited)	0.95
Speed	200 revolutions per minute
Frequency	60 Hertz

The generator reactances expressed as a function of the unit rating will be:

Direct-Axis Synchronous Reactance (X_d)	not greater than 1.0
Direct-Axis Transient Reactance (X'_d)	not greater than 0.33

The inertia Constant (H) will be greater than 3.5.

8. Governor and Excitation Systems

CFLCo shall submit to Hydro-Quebec for approval the specifications, supplier proposals and drawings for the governor and excitation systems of the generating units. The governor and excitation systems shall be modified, should the need arise, at the request or with the consent of Hydro-Quebec, to incorporate technical improvements that may be made in this field.

The governors will be oil-pressure operated and of the electro-hydraulic, cabinet actuator type. The electrical part of the governor will be fully transistorized. They will be provided with temporary speed droop, accelerometric compensation, speed regulation using load feedback, and watt joint control equipment suitable for future connection to supervisory and load frequency control systems.

The governing system should be of such a type as to allow the use of batteries for starting and emergency only assuming full oil pressure on the governor at all times. The rest of the time, the governor should take its power from a permanent magnet generator or from the station service. The speed switches should not be affected by emergency conditions on the station service.

The principal characteristics of the governors will be:

- (a) gain and time constant of temporary speed droop, fully adjustable.
- (b) amount of speed regulation, adjustable from 0 to 10%.
- (c) width of the dead-band, adjustable from 0 to 0.25 Hertz.

The excitation system will consist of solid state controlled rectifiers protected from surge over voltages by suitably chosen surge protective devices and supplied from transformers connected to the generator terminals.

The rating of the excitation system will be not less than the excitation required for the generator when delivering 110 per cent rated capacity at 105 per cent rated voltage. The system will have a ceiling of 6.4 per unit based on the no load air gap line field voltage, and will operate satisfactorily over the following range:

Voltage	30 per cent — 150 per cent rated
Frequency	90 per cent — 150 per cent rated

Negative field current will not be required. Var joint control equipment similar to watt control equipment should be provided.

The excitation system will be provided with a stabilizing signal which has been proven able to damp in a minimum time the oscillations that can happen on the system. This stabilizing signal shall be automatically cancelled in the event of total load rejection in order to prevent dangerous dynamic over-voltages. The regulator time constant will be less than 0.03 seconds and the regulator gain will be adjustable up to 200.

The settings for the adjustable characteristics of the governor and excitation systems will be established by Hydro-Quebec and shall be used by CFLCo. To ensure reliable system operation and system stability, these settings will be modified by CFLCo when required with the consent of Hydro-Quebec or at the request of Hydro-Quebec.

Hydro-Quebec's representatives may, at their option, assist at the acceptance tests on the governor and excitation systems. CFLCo shall perform certain tests on the governor and excitation systems at the request of Hydro-Quebec or permit Hydro-Quebec to perform these tests in order to obtain characteristics required by Hydro-Quebec for system studies.

9. Switching and Transformer Facilities

The extent and arrangement of the switching and transformation facilities located at the Churchill Falls generating station, including the associated switchyard are to be as shown on Plate 2 titled

"Churchill Falls Generating Station, Schematic Single Line Diagram" attached to, and forming part of, this schedule.

10. Main Power Transformers

Overall no-load voltage ratio (kV rms line-to-line) (from the generator voltage level to the 735 kV system voltage level)	15 kV - 740 kV
Off-load taps	$\pm 5\%$ in steps of 2.5%
Rated capacity	sufficient to carry the full generator output
Overall transformer reactance (from the generator voltage level to the 735 kV system voltage level)	not greater than 25% based on generator rating

(a) Intermediate Voltage System Level

Rated voltage (kV rms line-to-line)	230 kV
Basic impulse insulation level (kV crest):	
Line terminal of winding	900 kV
Line terminal bushings	900 kV
Neutral terminal of winding	150 kV
Neutral bushings	150 kV
Power frequency withstand voltages (kV rms):	
Line terminal of winding	395 kV
Line terminal bushings (dry and wet)	395 kV
Neutral terminal of winding	50 kV
Neutral bushings (dry and wet)	50 kV
Wet switching surge withstand voltage (kV crest):	
Line terminal bushings	600 kV
Chopped wave test (kV crest)	1,035 kV
Minimum time to flashover	3 microseconds
External radio noise (R.L.V.) of bushing fitted with its own connectors measured according to NEMA standards at 160 kV rms line-to-ground	200 microvolts

(b) High Voltage System Level

Rated voltage (kV rms line-to-line)	700 kV
Maximum operating voltage (kV rms line-to-line):	
at full load	735 kV
at no load	770 kV
Basic impulse insulation level (kV crest):	
Line terminal of winding	2,050 kV
Line terminal bushings	2,175 kV
Neutral terminal of winding	150 kV
Neutral bushings	150 kV

Power frequency withstand voltages (kV rms):

Line terminal of winding	920 kV
Line terminal bushings — dry	970 kV
— wet	850 kV
Neutral terminal of winding	50 kV
Neutral bushings	50 kV

Wet switching surge withstand voltage (kV crest):

Line terminal bushings	1,350 kV
Chopped wave test (kV crest)	2,360 kV
Minimum time to flashover	3 microseconds

External radio noise (R.I.V.) of bushing fitted with its own connectors measured according to NEMA standards at 465 kV rms line-to-ground	200 microvolts
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Power transformers should have suitable delta tertiary winding.

11. Shunt Reactors

Maximum operating voltage (kV rms line-to-ground)	$770/\sqrt{3}$ kV
Rated voltage (kV rms line-to-ground)	$735/\sqrt{3}$ kV
Rated capacity at rated voltage	55 MVA per phase
Type of cooling	ONS

Basic impulse insulation level (kV crest):

Line terminal of winding	2,050 kV
Line terminal bushings	2,175 kV
Neutral terminal of winding	150 kV
Neutral bushings	150 kV

Power frequency withstand voltages (kV rms):

Line terminal of winding (not tested)	920 kV
Line terminal bushings — dry	970 kV
— wet	850 kV
Neutral terminal of winding	50 kV
Neutral bushings (dry and wet)	50 kV

Wet switching surge withstand voltage (kV crest):

Line terminal bushing	1,350 kV
Chopped wave test (kV crest)	2,360 kV
Minimum time to flashover	3 microseconds
Linearity — Reactance linear up to	150% of rated voltage
Vibration level at rated voltage	100 microns peak to peak
External radio noise of bushing fitted with its own connector measured according to NEMA standards at 465 kV rms line-to-ground	200 microvolts

Two spare shunt reactors will be provided.

12. Lightning Arresters on Power Transformers and Reactors

Nominal voltage (kV rms line-to-ground)	678 kV
Maximum low-frequency sparkover voltage (including 60 Hertz and switching surges) (kV crest)	1,500 kV

Maximum impulse sparkover (kV crest)	1,500 kV
IR Discharge voltage at 10,000 amperes (kV crest)	1,500 kV
Thermal capability: the arresters should be able to discharge without damage a line 275 miles long charged at a voltage of 2.1 times nominal voltage.	
Lightning arresters are to be installed adjacent to all 735 kV transformers and reactors.	

13. Circuit Breakers

Normal operating voltage (kV rms line-to-line)	735 kV
Power frequency withstand voltage (kV rms line-to-ground)	
— dry	970 kV
— wet	850 kV
Minimum wet switching surge withstand voltage (kV crest line-to-ground)	1,350 kV
Basic impulse insulation level (kV crest)	2,175 kV
Rated current — summer	2,000 A
— winter	2,500 A
Minimum symmetrical rupturing capacity from 700 kV to 735 kV	25,000 MVA
Operating times:	
Maximum total breaking time	0.050 second
Dead time	0.40 second
Duty cycles: number of complete operations	2
Maximum spread between closing of first and last poles	0.008 second
Capacitive switching:	
maximum rms line-to-line voltage at which an unloaded 735 kV circuit up to 275 miles may be switched restrike-free	1,200 kV
Inductive switching:	
maximum rms line-to-ground voltage to be produced with an initial voltage of 735 kV rms line-to-line	850 kV
Switching during out-of-phase conditions:	
rms voltage across breaker pole	850 kV
current	5,000 A
Resistor insertion:	
opening resistor	10,000 ohms or less for 20 milliseconds
closing resistor	between 300 and 450 ohms for 4 to 6 milliseconds
Ambient temperature:	
	maximum 100° F
	minimum -65° F
Radio noise (R.I.V.) measured on a breaker pole fitted with its connectors at 465 kV rms line-to-ground	1,500 microvolts

14. Bus Work and Auxiliary Equipment

(a) Disconnecting switches:

— Type	NEMA Type A
— Nominal Voltage (kV rms line-to-line)	735 kV
— Nominal continuous current (A rms)	2,500 A
— Short time current rating (A rms) — momentary	45,000 A
— 4 seconds	30,000 A
— Basic impulse insulation level (kV crest)	2,175 kV
— Spark gap withstand voltage of switches in the open position (kV crest)	2,400 kV
— Wet switching surge withstand voltage (kV crest)	1,350 kV
— Power frequency withstand voltage (kV rms) — dry	970 kV
— wet	850 kV
— Radio-noise (R.I.V.) measured according to NEMA standards at 465 kV rms line-to-ground	500 microvolts
— No visible corona up to 500 kV line-to-ground under fair weather conditions	

(b) Electrical clearances for 735 kV bus work:

— Minimum phase-to-phase clearance between live parts ..	35 feet
— Minimum clearance to ground	18 feet
(15 feet acceptable if tested and approved by Hydro-Quebec)	

15. Transmission Line

Minimum diameter of conductor	1.195 inches
Number of conductors per phase	4
Bundle cross-section	18" square
Number of ground wires	2
Ground wire shielding angle	20° maximum
Minimum clearance, live parts to ground	200 inches
Minimum phase spacing	45 feet

Continuous counterpoise wires are to be installed except in muskegs where tests acceptable to Hydro-Quebec indicate a tower footing resistance less than 30 ohms.

(a) Insulator strings

Suspension	Double Vee strings of 33-5 $\frac{3}{4}$ " \times 10"
Strain	4 strings of 33-6 $\frac{1}{4}$ " \times 10"
Jumper	Single Vee string and double verticle strings of 33-5 $\frac{3}{4}$ " \times 10"

(b) Tower material and factors of safety

Structural steel	CSA G.40.12 and ASTM A-36 or agreed equivalent steel having equal or improved cold temperature properties.
Tower bolts, nuts and washers	ASTM A-394-61T or ASTM A-325-61T

Anchor bolts, nuts and washers	ASTM A-36 or ASTM A-325-61T
Overload factor of safety on tower	1.375
Factors of safety on connecting hardware at the tower, based on conditions of use, material, material stress limitations ..	2 and 3
Factor of safety on footing resistance to maximum calculated uplift based on conditions of use, material, material stress limitations	1.5

(c) *Loadings*

1. *Vertical and transverse loadings on any towers*

Ice on conductor and accessories	$\frac{1}{2}$ "
Wind on conductors and ground wires	8 lb./sq. ft.
Wind on accessories and structure	30 lb./sq. ft.
Effect on the angle in the line conductor and ground wire at maximum tension	conductor 13,000 lb. ground wire 6,500 lb.

2. *Longitudinal loading*

(i) *Suspension towers (0° and 5° angle)*

— Any one broken conductor at maximum tension	13,000 lb.
— or any one broken ground wire at maximum tension	6,500 lb.
— also construction load applied at any one conductor attachment point	20,000 lb.

(ii) *Angle towers and long span tangent tower (15°, 30°, 45°)*

— Any one broken phase group of conductors at maximum tension	52,000 lb.
— or any one broken ground wire at maximum tension	6,500 lb.

(iii) *Angle and anchor tower and long span tangent and anchor tower (45°, 60°, 90°)*

— Any combination of broken phase group of conductors at maximum tension	52,000 lb.
— or ground wire at maximum loaded tension	6,500 lb.
— also uplift load per conductor strain attachment point	8,000 lb.
— and ground wire point	2,000 lb.

(iv) *Transposition tower*

Same loadings as suspension tower

Three transpositions will be installed on the CFLCo portion of each 735 kV circuit such that each conductor bundle occupies each of the three possible relative positions on the line for one third of the distance between the plant switchyard and the first intermediate switching station and that the conductor bundles enter the first intermediate switching station in the same relative positions as when leaving the plant switchyard.

16. Communication

A private telecommunication system will be installed linking the first intermediate switching station of Hydro-Quebec and the Powerhouse at Churchill Falls. The installation will consist of power line carrier and microwave radio systems.

17. Control, Protection, Billing Metering and Measurement

CFLCo shall submit to Hydro-Quebec for approval the schematic diagrams for the control, protection and metering of the Switchyard and of the Generating Station. The protection system for the transmission line shall be compatible with the Hydro-Quebec protection system.

(a) Protection

The relay settings to be utilized for the transmission line protection will be determined by Hydro-Quebec and supplied to CFLCo. All other relay settings necessary for reliable system operation shall be jointly agreed upon. These settings will be modified when required to comply with changing conditions of the Hydro-Quebec system.

Lines shall be equipped with high speed distance protection with fast reclosing and permissive under- or overreaching transfer trip via communication links. For increased reliability two independent groups of line relays fed from different instrument transformer secondaries will operate with separate transfer trip channels.

(b) Billing Metering

The following minimum metering installations and standards shall apply for the billing metering systems at both the Switching Station on the Hydro-Quebec system nearest the Delivery Point and at the Switchyard at the Plant.

Potential Transformers

Nominal voltage line-to-ground	700/ $\sqrt{3}$ kV rms
Maximum voltage line-to-ground	770/ $\sqrt{3}$ kV rms
Basic impulse insulation level	2,175 kV crest
Low frequency potential test	970 kV rms
Accuracy class — each	0.6 wxyz
total	0.6 zz

Current Transformers

Nominal voltage line-to-ground	700/ $\sqrt{3}$ kV rms
Maximum voltage line-to-ground	770/ $\sqrt{3}$ kV rms
Basic impulse insulation level	2,175 kV crest
Low frequency potential test	970 kV rms
Accuracy class	0.3 B-2.0

Energy Metering Measurement System

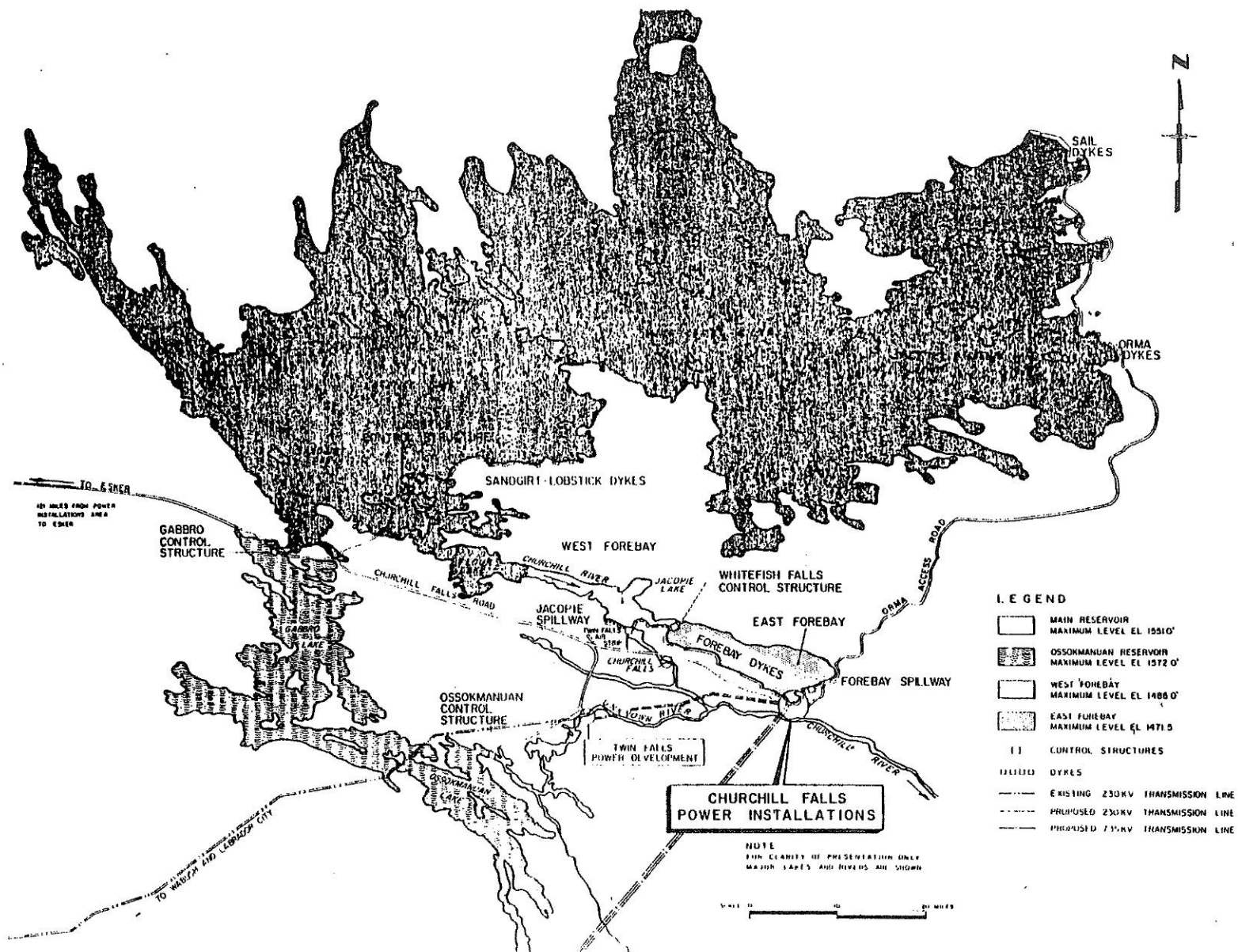
One watthour meter per 735 kV transmission line shall be provided.

Capacity Metering Measurement System

One recording instrument totalizing simultaneously the power transmitted on all 735 kV transmission lines in service from the plant shall be provided. This recording instrument shall indicate not less than 90% of any change in power transmitted from the plant in not more than one minute.

PLATE 1 - CHURCHILL FALLS HYDRO-ELECTRIC POWER DEVELOPMENT
PLAN OF RESERVOIRS AND STRUCTURES

12



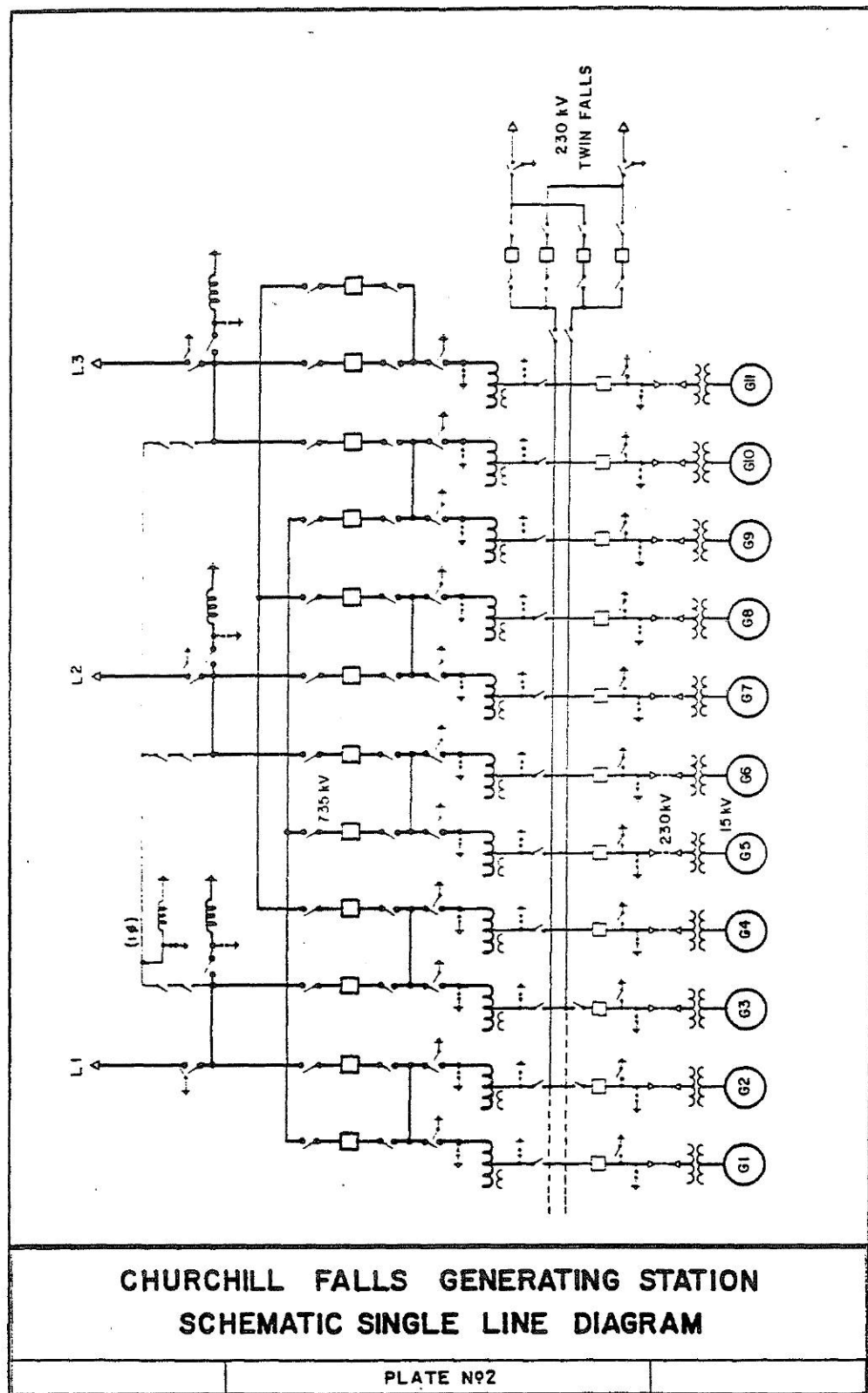


PLATE 2 — CHURCHILL FALLS GENERATING STATION, SCHEMATIC SINGLE LINE DIAGRAM

SCHEDULE II

INTENDED AVAILABILITY OF CAPACITY AND ENERGY

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>	<u>Column 6</u>	<u>Column 7</u>
<u>Date</u>	Cumulative number of Turbine- Generator Units	Capacity at Generator Terminals	Capacity at Delivery Point	Firm Capacity at Deliv- ery Point (One Unit Deducted)	Energy at Delivery Point	Energy at Delivery Point (One Unit Deducted)
		Kilowatts	Kilowatts	Kilowatts	Million Kilowatt- hours per month	Million Kilowatt- hours per month
May 1, 1972	2	940,000	910,800	448,200	676.05	332.66
December 1, 1972	3	1,410,000	1,373,100	910,800	1,017.13	676.05
September 1, 1973	4	1,880,000	1,836,100	1,373,100	1,358.59	1,017.13
December 1, 1973	5	2,350,000	2,297,500	1,836,100	1,699.01	1,358.59
September 1, 1974	6	2,820,000	2,757,900	2,297,500	2,038.57	1,699.01
December 1, 1974	7	3,290,000	3,223,000	2,757,900	2,381.72	2,038.57
September 1, 1975	8	3,760,000	3,462,800	3,223,000	2,559.56	2,381.72
December 1, 1975	9	4,230,000	3,923,600	3,462,800	2,625.00	2,559.56
April 1, 1976	10	4,700,000	4,382,600	3,923,600	2,625.00	2,625.00
September 1, 1976	11	5,170,000	4,841,500	4,382,600	2,625.00	2,625.00

Notes:

(1) All amounts referred to in Columns 4 to 7 inclusive are after the deduction of local loads and of transformation and transmission losses. The local load deductions respecting Twin Falls Power Corporation Limited have been calculated at 225,000 kilowatts for capacity and 164.95 million kilowatthours per month for energy.

(2) Columns 6 and 7 are calculated on the basis of a month of 730 hours.

(3) All references to the Delivery Point assume the same to be as referred to in the last sentence of Section 7.1.

(4) Estimated allowances with eleven units on line of 17,500 kilowatts and 8,270,000 kilowatthours per month for station service and townsite load, and assumed transmission and transformer losses of approximately 1.6% have been deducted from generator output in preparing this Schedule.

(5) This Schedule is subject to adjustment in the event contemplated by Section 6.3.

(6) Hydro-Quebec has the right to elect prior to June 1, 1969 to reduce by 40% its commitment under Sections 2.1 and 6.2 with respect to Column 6 during the period from May 1, 1972 to September 1, 1972.

SCHEDULE III

ARTICLE I

INTERPRETATION

1.1 Definitions

The following words and phrases whenever used in this Renewed Power Contract shall have the following meanings:

I — TECHNICAL TERMS:

"Billion" means one thousand million.

"Energy" means electrical energy measured in kilowatthours.

"Excessive Corona Losses" means, expressed in kilowatts, that part of corona losses experienced at any time which is in excess of 14 kilowatts per circuit mile.

"Load Factor" means, for any period, the ratio, expressed as a percentage, of the average power over that period to the highest peak power in that period.

"Mill" means 1/1000 of a dollar in lawful money of Canada.

"Month" means unless the context otherwise requires a calendar month.

"Power" means the rate at which energy is transferred at any point measured in kilowatts or multiples thereof.

"Power Factor" means at a given point at any instant of time the number of kilowatts divided by the number of kilovolt-amperes.

All other technical terms employed in this Power Contract shall have the meanings, respectively attributed thereto by American Standard Definitions of Electrical Terms Number ASA C42 published 1957 by American Institute of Electrical Engineers and, to the extent not thereby defined, by The International Electro-Technical Vocabulary, second edition, 1956, published by the Central Office of the International Electro-Technical Commission.

II — CONCERNING DELIVERY, ENERGY AND CAPACITY:

"Annual Energy Base" means the number of kilowatthours per year represented by the Annual Energy Base in effect at the time of expiry of the Power Contract which is hereby renewed.

"Continuous Energy" means, in respect of any month, the number of kilowatthours obtainable, calculated to the nearest 1/100 of a billion kilowatthours, when the Annual Energy Base is multiplied by the number which corresponds to the number of days in the month concerned and the result is then divided by the number which corresponds to the number of days in the year concerned.

"Deficiency" means, in respect of any request by Hydro-Quebec made pursuant to Section 5.3 hereof for the supply at any given time of capacity, that number of megawatts out of the total megawatts so requested which (exclusive of capacity in excess of Firm Capacity) CFLCo fails to make available at the Delivery Point at such time.

"Delivery Point" means, in respect of each circuit of the transmission lines, the point at which delivery of the energy is to be made hereunder and also means, collectively, all of such points.

"*Deficiency Period*" means the period of duration of a Deficiency, it being understood that the extent of a deficiency can vary during a Deficiency Period.

"*Firm Capacity*" means, subject to such reductions as may have occurred under the original Power Contract and to reduction by adjustment pursuant to Section 5.5 hereof:

(a) at any time in the months of October, November, December, January, February, March, April and May: 4,382,600 kilowatts at the Delivery Point.

(b) at any time in the months of June, July, August and September: 4,163,500 Kilowatt at the Delivery Point.

"*Minimum Capacity*" means, subject to such reductions as may have occurred under the original Power Contract and to reduction, if any, pursuant to Section 5.5, 1,200,000 kilowatts.

"*Plant*" means the Hydro-Electric Plant constructed by CFLCo at a site near Churchill Falls on the Upper Churchill River and all facilities, properties and rights obtained by CFLCo for the construction and operation thereof and the generation, transformation, transmission and delivery of power and energy therefrom including, without limiting the generality of the foregoing

- (a) all access roads
- (b) airports and runways
- (c) all construction camps
- (d) permanent townsite and services therefor
- (e) all transport and communication facilities
- (f) all water control and water storage works and facilities
- (g) all buildings and structures and their appurtenances
- (h) all machinery and equipment, whether moveable or immoveable
- (i) all spare parts
- (j) all tools and maintenance material and

(k) all transmission circuits of CFLCo and all such circuits to or from the said Plant, or any company which, under Section 121B of the Canada Corporations Act, was, as at May 1968, a subsidiary of CFLCo, provided such circuits are required to be used either to supply energy to Hydro-Quebec pursuant hereto or to supply energy to Twin Falls Power Corporation Limited in satisfaction of CFLCo's obligations referred to in Section 4.1.2 hereof.

III — CONCERNING RECAPTURE:

"*Recapture*" means any withholding from the power and energy agreed to be sold hereunder which may be made by CFLCo in accordance with the provisions of, and within the limits stipulated by, Section 5.4 hereof.

"*Recapture Notice*" means any notice given by CFLCo to Hydro-Quebec in accordance with the provisions of Section 5.4 hereof of CFLCo's election to effect a recapture.

IV — GENERAL

"*Force Majeure*" means:

- (a) any fortuitous event, act of governmental authority, act of public enemies, war, invasion or insurrection, riot, civil disturbance, labour trouble, strike and

(b) any flood, fire, shortage of labour, or of materials or of transport or other cause of inability to perform or delay in performing obligations hereunder which, in each such event, is beyond the reasonable control of the party or parties affected.

Failure of equipment to perform adequately, or improper operation of equipment, shall not constitute Force Majeure.

1.2 Applicable Law

This Power Contract shall at all times and in all respects be governed by, and interpreted in accordance with, the laws of the Province of Quebec. The only courts competent to adjudge disputes between the parties hereto arising out of this Contract are, subject to appeal to the Supreme Court of Canada when such appeal lies, the Courts of the Judicial District of Montreal, where, for purposes of litigation only as aforesaid, CFLCo elects domicile for service at One Westmount Square in the City of Westmount, District of Montreal or at such other place in the said District of Montreal of which CFLCo may from time to time give written notice to Hydro-Quebec, either prior to the present renewal becoming effective or from time to time thereafter.

1.3 Number and Gender

References herein to the singular shall, where the context requires, include the plural and vice-versa and references herein to the masculine, feminine or neuter genders shall, where the context requires, include any other of such genders.

1.4 Headings

The headings to Articles, Sections, subsections and Schedules which are employed herein are for convenience of reference only and form no part of this Power Contract.

1.5 Schedule

Schedule I of the original Power Contract, which contract is hereby renewed, is an integral Part of this Contract.

1.6 Successors and Assigns

Subject as provided in Article XII hereof, this renewed Power Contract shall enure to the benefit of and be binding upon each party hereto and its respective successors and assigns.

ARTICLE II

OBJECT

2.1 Object

During the entire term hereof, Hydro-Quebec agrees to purchase from CFLCo and CFLCo agrees to sell to Hydro-Quebec each month the Continuous Energy and the Firm Capacity, at the price, on the terms and conditions, and in accordance with the provisions, set forth herein.

ARTICLE III

TERM

3.1 Term

This Power Contract shall expire on the 25th anniversary of the date of expiry of the original Power Contract hereby renewed.

ARTICLE IV

OPERATION OF THE PLANT

4.1 Operation

4.1.1 Operational Flexibility

The parties hereto acknowledge that it is desirable for Hydro-Quebec to have the benefit of operational flexibility of CFLCo's facilities in relation to the Hydro-Quebec system. Accordingly:

(i) Hydro-Quebec may request CFLCo to operate the Plant so as to supply Hydro-Quebec's schedule of power requirements, provided that no such request shall be less than the Minimum Capacity or, except as provided in Section 5.2, more than the Firm Capacity;

(ii) Hydro-Quebec may require deliveries which have the effect of varying the amount of water to be carried in storage at any time, provided that, in so doing, sufficient water is left in storage so that Minimum Capacity can always be maintained;

(iii) CFLCo agrees to make available to Hydro-Quebec information relating to the hydrology of the drainage basin and the levels of the reservoirs and the measurement and metering of any spillage from the reservoirs, and to co-operate fully with Hydro-Quebec in the forecasting of energy which can be made available.

4.1.2 Existing Obligations

Hydro-Quebec acknowledges and agrees that CFLCo has existing obligations to supply power and energy in respect of the Twin Falls Power Corporation Limited loads, that no provision hereof shall operate to hinder or prevent the fulfilment by CFLCo of its said obligations to Twin Falls Power Corporation Limited covering 225,000 kilowatts at 100% load factor and that the fulfilment of such obligation shall not constitute recapture under Section 5.4.

4.1.3 Protection of Recapture

Hydro-Quebec shall not request CFLCo to operate the Plant in a manner which would prevent CFLCo from having available any power and energy which CFLCo may recapture pursuant to Section 5.4.

4.1.4 Maintenance

CFLCo shall maintain serviceable and in good repair, in accordance with sound utility practice, all necessary facilities of the Plant. To enable Hydro-Quebec to verify compliance with this obligation, CFLCo shall afford full access to the Plant to Hydro-Quebec personnel who will be accommodated on the site of the Plant at Hydro-Quebec's expense. Should Hydro-Quebec notify CFLCo of any condition which may prevent delivery of Firm Capacity and energy, CFLCo shall, not later than 15 days after receipt of such notice, either (a) proceed diligently with the work of maintenance or repair called for by such notice and complete the same with all reasonable despatch or (b) inform Hydro-Quebec that, for reasons which CFLCo shall state, such work is not necessary to maintain said facilities serviceable in accordance with sound utility practice and undertake that, if a penalty or penalties are incurred as a result of such work not being performed, then such penalty or penalties will apply at 110% of the amounts otherwise payable under Article VIII. Moreover, Hydro-Quebec in such event shall retain all legal recourses otherwise available to it for damages suffered in excess of the penalty or penalties.

4.1.5 Right of Hydro-Quebec to Operate

Should CFLCo, not being prevented by any event of Force Majeure, be unwilling at any time to operate the Plant, and should the Plant then be operable, Hydro-Quebec, if not then in default

hereunder, shall have the right to cause the Plant to be operated for the account of CFLCo in accordance with sound utility practice until CFLCo itself resumes such operation.

4.1.6 Operation of Reservoir

Hydro-Quebec shall not request CFLCo to operate the Plant in such a manner as to imperil the equipment or facilities thereof or so that the security of the reservoir structures is endangered, and shall not request operation which would require that water levels be carried higher than those established by engineering criteria for free-board as contained in Schedule I.

4.1.7 Operating Manual

For the purpose of the present Power Contract the parties shall, by mutual agreement, revise and maintain up to date in the light of the experience gained in operating the Plant the detailed operating manual which they have established covering all procedures of interrelated operations. The revision and maintaining up to date of such operating manual shall be the sole responsibility of the parties hereto without reference to any assignee of this Power Contract as security.

4.1.8 Control of Frequency and Power

For the purpose hereof, Hydro-Quebec shall be responsible for regulating frequency and CFLCo shall be responsible for power and reactive flows in the transmission circuits of the Plant, to meet the schedules to be provided by Hydro-Quebec pursuant hereto. Each party shall so operate its system as to minimize voltage and power swings transmitted to the system of the other party.

4.2 Interruptions

(i) Either party may at any time, for the purpose of safeguarding human life or protecting from major damage the storage, generating or transmission facilities of CFLCo or the Hydro-Quebec system, discontinue or reduce, but only to the extent necessary, the supply or taking of power and energy hereunder.

Each party shall be prompt and diligent in removing the cause of any such discontinuance or reduction and to this end shall maintain an adequate reserve of spare parts and apparatus.

The party on whose system the cause of an interruption shall have occurred shall inform the other of such cause as soon as possible after the interruption has occurred and, when feasible, shall state the estimated duration of such interruption. Any such information conveyed verbally shall be confirmed in writing without delay.

(ii) If CFLCo should find it necessary or advisable to take out of service, for the purposes of making repairs, renewals, or replacements, two or more units or their associated equipment, Hydro-Quebec will cooperate in estimating, to the best of its knowledge, what might be the most suitable time for CFLCo to do so in order to reduce or eliminate the penalty which CFLCo might incur for failure to provide Firm Capacity. All such discontinuances and reductions in the supply of power and energy, total or partial, shall be of minimum duration and, when possible, arranged for at a time least objectionable to Hydro-Quebec.

4.3 Communications System

The parties shall maintain such continuous and reliable communications between their respective power systems as may be required for operation, protection, automatic computer control, data transmission, telemetering and voice channels.

CFLCo shall, at its sole expense construct, own, operate and maintain that part of the communications system which is at the Plant or which is on the Plant side of the Delivery Point. Hydro-Quebec shall, at its sole expense, construct, own, operate and maintain the remainder of said system.

4.4 Metering and Measurement

The parties shall maintain adequate and reliable metering facilities to measure power and energy and to give such other measurements as may be required by the parties.

The metering and measuring facilities of Hydro-Quebec shall, at its sole expense, be installed, maintained and operated by Hydro-Quebec at the intermediate station on its system nearest the Delivery Point and, subject to such adjustments as are required to reflect delivery at the Delivery Point, shall be used for billing purposes. Hydro-Quebec shall communicate to CFLCo all information on measurement from said facilities.

The metering and measuring facilities of CFLCo shall, at its sole expense, be installed, maintained and operated by CFLCo at the Plant. Hydro-Quebec may from time to time, at its sole option and expense, install, maintain and operate duplicates of all or any such facilities of CFLCo and CFLCo shall furnish the space and access reasonably necessary for such purpose. Hydro-Quebec may at any time, at its expense, remove, with or without replacement, all or any of such duplicate facilities.

All meters and measuring facilities, to be used or which may be used for billing, shall be periodically tested and such meters calibrated if necessary in accordance with agreed standards at least as high as those established by the Department of Trade and Commerce of Canada. Each party shall give adequate prior notice to the other of any test which it intends to conduct and the other may send authorized representatives who shall be entitled to attend and witness the test. Any meter or other measuring facility which fails to function or which functions incorrectly, shall be promptly adjusted, repaired or replaced by a like facility having the required accuracy. Each party shall, promptly on request from the other, test its metering and measuring facilities.

Should any meter or other measuring facility used for billing purposes break down or be found not to have the required accuracy, CFLCo and Hydro-Quebec shall determine (from CFLCo's own facilities and from such information as Hydro-Quebec may supply, and Hydro-Quebec shall be entitled to do so) the amount of power and energy supplied during the period of failure or inaccuracy and the duration of such period. In making such determinations the parties hereto shall rely on the data and information available to them as aforesaid which the parties consider most conducive to as accurate a determination as the circumstances may permit.

ARTICLE V

ENERGY, FIRM CAPACITY AND RECAPTURE

5.1 Energy Characteristics

The energy to be made available under this Power Contract, as evidenced by the maintenance of normal voltage and frequency at the Delivery Point, shall be three phase 60 hertz (i.e. 60 cycle per second) alternating current at a voltage at the Delivery Point of approximately 735,000 volts under normal operating conditions. Such voltage will be varied in accordance with Hydro-Quebec's system requirements and sound utility practice.

5.2 Firm Capacity

The Firm Capacity shall be available at all times when Hydro-Quebec has requested it. In addition whenever additional capacity can, in the opinion of CFLCo, be made available, such capacity shall also be available to Hydro-Quebec on request.

In the event of a Deficiency occurring in the making available by CFLCo of capacity, the provisions of Article VIII hereof shall apply.

Subject to the provisions of Sections 4.2 and 5.5 hereof, at no time shall the power taken by Hydro-Quebec be less than Minimum Capacity.

5.3 Firm Capacity Schedules

At least seven days in advance of the date upon which this renewed Power Contract shall take effect and at weekly intervals thereafter Hydro-Quebec shall furnish to CFLCo:

- (a) an hourly schedule of its proposed capacity requirements over the week following, and
- (b) an estimate of what Hydro-Quebec is likely to schedule over the three weeks thereafter.

Each such seven-day schedule shall constitute Hydro-Quebec's request for availability of such capacity over the period scheduled to the various extents and at the various times indicated by the schedule, but subject to Hydro-Quebec's right to make further requests for changes in capacity during the period within the limits of Firm Capacity and Minimum Capacity. Any such request shall be considered as revising the schedule to the required extent and for the required time.

5.4 Recapture

CFLCo may, on not less than three years prior written notice to Hydro-Quebec, elect to withhold from the power and energy agreed to be sold hereunder blocks at a specified load factor per month, to be stated in said notice, of not less than 60% nor more than 90%, which blocks in the aggregate shall not exceed, during the term hereof and after taking into account recaptures made by CFLCo under the original Power Contract, 300,000 kilowatts for a maximum withholding thereunder and hereunder of 2.362 billion kilowatthours per year provided that:

(i) energy so withheld is sold by CFLCo only for consumption outside the Province of Quebec; and

(ii) any part of the energy so withheld which, from time to time may become available for purchase by Hydro-Quebec may be purchased by Hydro-Quebec at the price of one mill per kilowatthour, and to this end Hydro-Quebec shall have access to the pertinent sales records.

5.5 Recapture Adjustments

Immediately upon any recapture becoming effective, the Annual Energy Base shall be reduced by the same amount of kilowatthours per year as are recaptured and Firm Capacity and Minimum Capacity shall be reduced by the same amount of kilowatts as are recaptured.

ARTICLE VI

DELIVERY

6.1 Delivery Point

The Delivery Point shall be as it was at the time of expiry of the original Power Contract.

6.2 Transmission Facilities

The operation and maintenance of the necessary transmission facilities up to the Delivery Point will be the exclusive responsibility of, and at the sole cost of, CFLCo and onwards from the Delivery Point will be the exclusive responsibility of, and at the sole cost of, Hydro-Quebec.

ARTICLE VII

PRICE AND PRICE ADJUSTMENT

7.1 For all Continuous Energy, Hydro-Quebec shall pay CFLCo 2.0 mills per kilowatthour.

In the event that in any month CFLCo is unable due to Plant deficiencies to make available at least 90% of the Continuous Energy, the price payable by Hydro-Quebec for such month shall be 2.0 mills per kilowatthour for that part only of the Continuous Energy which is made available.

7.2 Direct Price Adjustment

During any notice period prior to the recapture contemplated by Section 5.4 hereof the monthly price for Continuous Energy shall be reduced by 0.27 mill per kilowatthour for 1/12 of the number of kilowatthours per year in respect of which a Recapture Notice has been given.

ARTICLE VIII

FIRM CAPACITY PENALTY

8.1 Extent of Penalty

Should a Deficiency occur, then CFLCo shall be subject to the applicable penalty outlined below which penalty Hydro-Quebec shall be entitled, subject as hereinafter provided, to deduct from the payments next to be made by it to CFLCo hereunder:

(i) when the Deficiency Period is more than 30 minutes and not more than 4 hours there shall be a penalty of \$10 per megawatt for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt;

(ii) when the Deficiency Period is more than 4 hours and not more than 10 hours there shall be a penalty of \$20 per megawatt for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt;

(iii) when the Deficiency Period is, or is deemed to be, 24 hours or more there shall be a penalty of \$40 per megawatt day for the maximum megawatts of such Deficiency lasting continuously for 30 minutes, calculated to the nearest full megawatt.

8.2 Rules Applicable

For the purpose of computing penalties as aforesaid:

8.2.1 — any Deficiency Period in excess of 10 continuous hours and not exceeding 24 continuous hours will be considered as a full 24 hours;

8.2.2 — separate Deficiency Periods each lasting more than 30 minutes within a 24 hour time span shall never result in a penalty greater than that which would have resulted if the maximum of the Deficiencies had lasted for the full 24 hour period; and

8.2.3 — if a Deficiency Period lasts for more than twenty-four hours, it may be divided into any such four hour, ten hour and twenty-four hour periods as CFLCo may designate which would cover the total Deficiency Period and separate penalties for each period so designated shall be determined as in Section 8.1.

8.3 No Penalty

There shall be no penalty applicable:

8.3.1 — to any Deficiency which is less than one per cent of the capacity at the time requested by Hydro-Quebec;

8.3.2 — to any part of any Deficiency which is due to Excessive Corona Losses;

8.3.3 — during any period when CFLCo is unable to provide service due to disturbances on the Hydro-Quebec system, such period to include not only the duration of the disturbance but also the time required by CFLCo to restore service;

8.3.4 — during the period of, and to the extent of, the Deficiency resulting from any interruption for the safeguarding of human life permitted by paragraph (i) of Section 4.2 hereof;

8.3.5 — to any Deficiency for which Hydro-Quebec is able to substitute capacity from its own system, without using its reserve capacity and without impairing the reliability of service from its system, at, in its sole judgment, no material increase in Hydro-Quebec's costs of operation; and

8.3.6 — to any Deficiency resulting from a lack of water other than by reason of the failure of impounding structures on any section of the reservoirs.

ARTICLE IX

PAYMENT

9.1 Monthly Accounts

CFLCo shall render an account to Hydro-Quebec monthly covering:

(i) the Continuous Energy, priced in accordance with Section 7.1 hereof and, if applicable, Sections 5.4 and 7.2 hereof;

(ii) the amount of penalty which Hydro-Quebec is entitled to withhold pursuant to Article VIII;

Any account rendered under this Section must be in accordance with the provisions of this renewed Power Contract.

9.2 Method of Payment

All accounts rendered shall be payable in lawful money of Canada at the address of CFLCo referred to in Article XIV hereof or at such other address within Canada as CFLCo may from time to time designate. All such accounts shall be payable within 15 days of their receipt without abatement or set-off whatsoever except for the credits and adjustments, if any, included in the account.

Any inaccuracy in any account may be corrected by appropriate adjustment to a subsequent account.

ARTICLE X

FORCE MAJEURE

10.1 Contract not Terminated

No event of Force Majeure or of default hereunder shall give rise to or result in the termination of this renewed Power Contract.

10.2 Obligations Suspended or Abated

Subject to the provisions of Section 10.1 hereof, should either or both parties hereto by reason of Force Majeure be prevented or delayed in the performance of any of its or their obligations hereunder, such party or parties shall thereby be subject to no penalty under the provisions hereof or incur any other liability to the other, but shall nonetheless perform such obligation as soon as possible and to as full an extent as possible.

10.3 Assignment of Indemnification

Should either party hereto be prevented by any act of governmental authority from performing any of its obligations hereunder and be thereby entitled to claim indemnification from such governmental authority, such party shall, to the extent of the damages thereby occasioned to the other party, ipso facto, assign to such other party the right to receive such indemnity. Notwithstanding such assignment, the party prevented shall, at the option of the other party, itself attend to the claiming and receiving of such indemnity but at the expense of both parties in proportion to the damages collected by each.

ARTICLE XI
INDEMNIFICATION AND LIABILITY

11.1 Of Hydro-Quebec by CFLCo

CFLCo shall assume all obligations, risks and responsibility for, and shall forever indemnify and save Hydro-Quebec harmless from and against, any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of CFLCo up to and including the Delivery Point or by the presence or use of CFLCo's equipment, unless such injuries or damages are caused by negligence on the part of Hydro-Quebec or any of its employees.

11.2 Of CFLCo by Hydro-Quebec

Hydro-Quebec shall assume all obligations, risks and responsibility for, and shall forever indemnify and save CFLCo harmless from and against, any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of Hydro-Quebec beyond the Delivery Point or by the presence or use of Hydro-Quebec's equipment, unless such injuries or damages are caused by negligence on the part of CFLCo or any of its employees.

11.3 Reciprocal Release of Claim

Subject as provided in Section 4.1.4 hereof, neither party shall make any claim upon the other for reason of one party's circuits and system being damaged or rendered inoperative for any period as result of an occurrence on the circuits and system of the other party.

ARTICLE XII
ASSIGNMENT

12.1 Prohibition

Neither party to this renewed Power Contract may assign its rights and obligations hereunder except that:

12.1.1 *Exception in Respect of Assignment to Successor Corporation*

Either party may assign its rights and obligations hereunder to any successor corporation with which such party may have merged or with which it may have become amalgamated or to which as part of a corporate reorganization or reconstruction, it may transfer all or substantially all of its assets;

12.1.2 *Exception in Respect of Assignment as Security*

CFLCo may assign its rights hereunder as security to any trustee for the holders of any debt obligations which CFLCo may issue in connection with any refinancing from time to time of debt obligations incurred during the term of the original Power Contract or with the reconstruction, renewal or repair of any part of the Plant and any such assignee shall be entitled to further assign such rights by way of realization of such security should such security become enforceable; and

12.1.3 *Exception in Respect of Assignment to Wholly Owned Subsidiary*

CFLCo may assign its rights and obligations hereunder to a wholly-owned subsidiary of CFLCo provided such assignment is made with the prior written consent of Hydro-Quebec, which shall not be unreasonably withheld.

12.2 Protection of Trustee

No assignment to a trustee pursuant to Section 12.1.2 above shall relieve CFLCo of its obligation hereunder or operate to impose such obligations on the trustee.

ARTICLE XIII

USE OF QUEBEC PERSONNEL, SERVICES AND MATERIALS

13.1 Preference Concerning Quebec Equipment, Services and Personnel

CFLCo will, in the procurement of materials, services and equipment and in the employment of personnel, extend or cause to be extended by its contractors, sub-contractors and agents preference to Quebec labour, personnel and services and to materials and equipment manufactured in Quebec.

13.2 Preference to other Canadian Manufacturers

In the purchase of major items of equipment, such as turbines, generators, transformers and the like, CFLCo will, subject to the prior preference stipulated in Section 13.1, give the next preference to other Canadian manufacturers.

13.3 Liaison Committees

CFLCo will cause to be set up, in cooperation with Hydro-Quebec, liaison committees to deal with all matters concerning the supply of services, materials, and equipment which may be of common interest relating to this renewed Power Contract.

13.4 Management Rights of CFLCo

Nothing in the above provisions shall be construed to require CFLCo to make any changes in its selection of managers of construction or engineering services for the Plant or to prevent fulfillment of CFLCo's obligations under paragraph 4 of Part II of the Statutory Lease held by CFLCo and dated May 16th, 1961.

ARTICLE XIV

NOTICES

14.1 How Given

Any notice or other communication required or permitted to be given by either party hereto to the other shall be in writing and shall be validly given if personally delivered to a senior executive officer of the addressee or if sent by prepaid registered post addressed:

if to Hydro-Quebec, at: 75 Dorchester Boulevard West,
Montreal 1, P. Q.

if to CFLCo, at: One Westmount Square,
Westmount 6, P. Q.

14.2 When Effective

Any notice or other communication personally delivered shall be taken as having been received on the date of delivery. Any notice or other communication sent by post shall be taken as having been received on the second business day following the date of mailing.

14.3 Change of Address

Either party may, by notice to the other, designate a new address to which notices and other communications to it shall, until further notice, be given.

Registered at St. John's, Newfoundland
in the Registry of Deeds on _____, 19____
in Volume _____, Folios _____

SUBLEASE

BETWEEN

HAMILTON FALLS POWER CORPORATION LIMITED,

AND

TWIN FALLS POWER CORPORATION LIMITED,

WITH

**HIS HONOUR THE HONOURABLE CAMPBELL MACPHERSON,
OFFICER OF THE MOST EXCELLENT ORDER OF THE
BRITISH EMPIRE, LIEUTENANT GOVERNOR OF THE
PROVINCE OF NEWFOUNDLAND IN COUNCIL,
*as intervenor.***

DATED AS OF NOVEMBER 15, 1961

SUBLEASE ENTERED INTO THIS 15TH DAY OF
NOVEMBER, 1961.

BETWEEN :

(Seal)

HAMILTON FALLS POWER CORPORATION
LIMITED, a company duly incorporated
under the laws of Canada and having its
head office in the City of St. John's, in the
Province of Newfoundland (hereinafter
called the "Sublessor" which expression
shall, unless the context otherwise re-
quires, include the successors and assigns
of the Sublessor),

PARTY OF THE FIRST PART,

—AND—

CAMPBELL MACPHERSON
Lieut. Governor

LESLIE R. CURTIS
H. M. Attorney General

TWIN FALLS POWER CORPORATION LIM-
ITED, a company duly incorporated under
the laws of Canada and having its head
office in the City of St. John's, in the
Province of Newfoundland (hereinafter
called the "Sublessee" which expression
shall, unless the context otherwise re-
quires and subject to the provisions of
this Sublease, include the successors and
assigns of the Sublessee),

PARTY OF THE SECOND PART.

WHEREAS under and by virtue of the powers conferred by the
Hamilton Falls Power Corporation Limited (Lease) Act, 1961, the
Act No. 51 of 1961, of the Province of Newfoundland, there was
executed on the 16th day of May 1961 a Statutory Lease (hereinafter
called the "Water Power Lease") between His Honour the Honourable
Campbell Macpherson, Officer of the Most Excellent Order of the

British Empire, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter sometimes called the "Government" which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province) and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS the Sublessor desires to sublease to the Sublessee certain of the rights and liberties leased to it under the Water Power Lease, the whole as herein more fully set forth.

NOW THEREFORE THIS SUBLEASE WITNESSETH:

PART I

RIGHTS AND LIBERTIES SUBLEASED AND RESERVATIONS MADE

1. In pursuance of the Water Power Lease and for and in consideration of the undertakings of the Sublessee hereinafter set forth and subject to the terms, conditions, reservations, exceptions and provisions contained or referred to in this Sublease, the Sublessor hereby subleases and subdemises unto the Sublessee full right and liberty to use all that portion of the waters within the Unknown River Watershed as hereinafter described in respect of which rights and liberties are leased under the Water Power Lease therein referred to as the "Upper Hamilton" which the Sublessee may require to produce hydro-electric power at the site of the hydro-electric power development which is now under construction by the Sublessee at the upper end of a dry gorge known as Bonnell Creek which runs parallel to the Unknown River, a tributary of the Hamilton River, which site is located approximately 10 miles to the southwest of Hamilton Falls in the Province of Newfoundland, Canada, and is hereinafter called the "Site". The aforesaid hydro-electric power development now under construction (hereinafter called the "Twin Falls Project") comprises a hydro-electric plant having an initial generating capacity of approximately 120,000 horsepower together with the appropriate related facilities, including high voltage transmission lines to, and a step-down station near, Wabush Lake.

The maximum amount of hydro-electric power which the Sublessee may develop with the said waters at the Site by the construction of hydro-electric installations, diversions, storage reservoirs and all other facilities which the Sublessee may deem necessary is 300,000 horsepower.

The total area of catchment of the waters in respect of which rights and liberties are hereby subleased and subdemised (herein called the "Unknown River Watershed") is described in Appendix A to this Sublease and delineated on the map shown in that Appendix (and Appendix A is hereby declared to be part and parcel of this Sublease, subject to alteration and correction of description by a supplementary Sublease when a final survey of the said area is available, and the waters in respect of which rights and liberties are subleased and subdemised by this Sublease are hereinafter called the "Unknown");

To HOLD the same unto the Sublessee for the full term of twenty-eight (28) years and one and one-half ($1\frac{1}{2}$) months from the fifteenth (15th) day of November, 1961, YIELDING AND PAYING therefor the royalty to be calculated and paid in the manner prescribed by this Sublease TOGETHER WITH the rights described in clause 2 of this Part I and the full right and liberty as conferred on the Sublessor under Clause 1 of Part I of the Water Power Lease to flood during the term created by this Sublease and any renewal hereof all those areas of the Unknown River Watershed described in Appendix B to this Sublease and delineated on the map shown in that Appendix to the levels indicated on the said map (and the said Appendix B is hereby declared to be part and parcel of this Sublease, subject to alteration and correction of such description and delineation by a supplementary Sublease when a final survey of said areas is available, and those areas of the Unknown River Watershed described and delineated in the said Appendix B are hereinafter called the "Twin Falls Development Area"), subject to the EXCEPTIONS AND RESERVATIONS as set forth in paragraphs (c) to (i) inclusive of Clause 1 of Part I of the Water Power Lease.

2. Subject to the provisions, terms, conditions, exceptions and reservations of the Water Power Lease and this Sublease, the sublease and subdemise of the Unknown created herein includes the grant to the Sublessee during the term created by this Sublease of

- (a) the exclusive right to harness and make use of the Unknown to produce hydro-electric power at the Site;
- (b) all hydro-electric power rights in, to and in respect of the Unknown required to produce hydro-electric power at the Site;
- (c) the exclusive right to utilize the Unknown in all dams, tunnels, canals, diversions, power houses and any and all other works wheresoever located, necessary for the development of hydro-electric power to be produced at the Site;
- (d) the right without interference by any works of the Sublessor to store so much of the Unknown as may be economic or beneficial for the purposes of the development by the Sublessee of up to 300,000 horsepower to be produced at the Site, to utilize for the said purposes the waters so stored and to regulate the flow of the Unknown, subject to the condition that in so doing (unless all of the hereinafter-mentioned proprietors consent thereto) the Sublessee shall not interfere to the detriment of proprietors of water power rights downstream of the point where the said Bonnell Creek joins the Unknown River (excluding with respect to the Twin Falls Project the Sublessor and any party to which water power rights may be granted by it and excluding with respect to any development of the Sublessee in addition to the Twin Falls Project the Sublessor and any such party as long as the Sublessor effectively controls the operations of the Sublessee) with the minimum daily mean unregulated flow of the Unknown occurring prior to the establishment of the Twin Falls Project, the whole under reserve of the Sublessor's right, for its own purposes, to divert and store the Unknown, to utilize for the said purposes the water so stored, and to regulate the flow thereof so long as it does not interfere with the exercise of the rights granted to the Sublessee by this Sublease;

- (e) the right, as more extensively conferred on the Sublessor by paragraph (e) of Clause 2 of Part I of the Water Power Lease, to transmit throughout the Province of Newfoundland any hydro-electric power generated at the Site or delivered by the Sublessor to the Sublessee pursuant to clause 8 of Part IV hereof, and to export from the said Province any of such power; provided that, upon request of the Government, consumers of electricity in the said Province shall be given priority where it is feasible and economic to do so; and
- (f) the right, as conferred by Paragraph (f) of Clause 2 of Part I of the Water Power Lease and subject to the conditions of that Paragraph, to flood or otherwise impair the land comprised in any grant, lease, licence or other assurance of unoccupied Crown lands located in the Twin Falls Development Area or of any rights therein or thereunder made after the date of execution and delivery of the Water Power Lease, without paying any compensation, fine or other indemnity in respect of the loss or damage suffered by the grantee, lessee, licensee or other holder of rights in the land.

PART II

SUBLESSEE'S COVENANTS

The Sublessee hereby covenants with the Sublessor as follows:

1. CONSIDERATION

(1) The Sublessee shall, during the term created by this Sublease, pay to the Sublessor or its nominee a royalty to be determined and paid in the manner and at the times prescribed by this clause 1.

(2) The rate of royalty applicable to the supply of electricity from the Unknown produced at the Site, shall be determined as stipulated in subparagraph (2) of Clause 1 of Part II of the Water Power Lease which provides as follows: "The Government shall determine the

rate of royalty, applicable to each development or stage thereof, for the supply of electricity from the Upper Hamilton: Provided that the rate so determined shall not exceed the maximum rate of 50 cents (Canadian) per horsepower year generated and sent out of the station and for the purpose of this clause 6535 kilowatt hours shall constitute one horsepower year." The Sublessor shall give written notice to the Sublessee of the rate so determined.

(3) During the term created by this Sublease the Sublessee shall, on or before every 20th day of February occurring after the delivery of electricity produced at the Site from any installation utilizing the whole or any part of the Unknown is commenced, submit to the Sublessor all data required by it for determining the amount of the royalty for the calendar year (January 1 to December 31) or part thereof immediately preceding that 20th day of February and all such data shall be certified by a responsible officer of the Sublessee and shall be treated by the Sublessor as confidential information, subject to the Sublessor's obligation to submit the same to the Government.

(4) The royalty calculated from the data submitted to the Sublessor shall be paid by the Sublessee on or before the 23rd day of March immediately following the end of each calendar year (January 1 to December 31), or so soon thereafter as the Sublessee shall have received written notice of the rate as provided in subparagraph (2) of this clause 1.

2. INSPECTION

The Sublessor and the Government by their respective servants and agents may at all reasonable times during the term of this Sublease enter upon the Unknown and examine the condition thereof.

3. DUE DILIGENCE

The Sublessee will proceed with due diligence with the development of a supply of electricity from the Twin Falls Project.

4. NEWFOUNDLAND LABOUR AND MATERIALS

The Sublessee shall in the procuring of materials, equipment and labour for any work undertaken by it or for its account under the terms of this Sublease give preference, where it is feasible and economic to do so, to material and equipment originating, manufactured or distributed and serviced in the Province of Newfoundland and prior opportunity to workmen whose usual place of residence is in the said Province and shall use its best endeavours to give effect to this provision.

5. FLOW GAUGING INFORMATION

When as and if the Sublessee undertakes recording information concerning the characteristics of the Unknown, it will supply and furnish to the Sublessor upon request copies of such flow gauging information and data at least once each year.

6. OPERATING PRACTICES

The Sublessee shall at all times including any period of suspension as provided in clause 8 of Part IV keep and maintain in good working order all structures, works and plant erected from time to time for the development and utilization of the Unknown at the Site and it shall attend to all necessary repairs in order to secure the normal and satisfactory working of all such structures, works and plant, and it shall at all reasonable times permit the Sublessor by its servants and agents to inspect all such structures, works and plant.

7. HOLD HARMLESS

The Sublessee hereby undertakes and agrees to indemnify and hold harmless the Sublessor from and against any and all liability to any third parties for injuries to persons or damages to property that may result from the Sublessee's exercise or improper exercise of any of the rights and liberties hereby subleased and subdemised, or from failure of the Sublessee to carry out any of its covenants under this Sublease.

PART III

SUBLESSOR'S COVENANTS

The Sublessor hereby covenants with the Sublessee as follows:

1. QUIET ENJOYMENT

(1) The Sublessee paying the royalty provided for in this Sublease and observing, performing and fulfilling the several provisions, covenants, terms and conditions herein contained and on the part of the Sublessee to be paid, observed, performed and fulfilled shall peaceably hold and enjoy the rights and liberties hereby subleased and subdemised during the said term without any interruption or interference by the Sublessor or any other person whomsoever rightfully claiming under or in trust for it.

(2) Except as provided in clause 8 of Part IV, the Sublessor shall not interfere with the enjoyment by the Sublessee of the rights and liberties which by the Act No. 51 of 1961 of the Province of Newfoundland and the Water Power Lease are conferred on sublessees and specifically on Twin Falls Power Corporation Limited.

2. RENEWAL

Subject to the provisions of this Sublease, the Sublessor will, on the written request of the Sublessee made before the expiration of the term hereby created if there shall not at the time of such request be any existing breach of the covenants, terms and conditions of this Sublease on the part of the Sublessee, grant to it a further sublease of the rights and liberties subleased and subdemised by this Sublease for the further term of 25 years (subject to possible earlier termination as hereinafter provided) from the expiration of the term created by this Sublease subject to payment of the same royalty and containing like covenants and conditions as are herein contained except the covenant for renewal:

Provided, however, that the Sublessee shall not be entitled to the grant of such further sublease unless at the time of such grant either Iron Ore Company of Canada or its permitted assignee or assignees or Wabush Iron Co. Limited or its permitted assignee or assignees continue to be obligated to purchase an aggregate of at least 50,000 horsepower from the Sublessee on a horsepower per year basis and provided further that such further sublease shall be subject to termination whenever the foregoing purchasers of power are no longer so obligated.

3. NOTICE OF GOVERNMENT GRANTS

Should the Sublessor receive notice under the provisions of Clause 6 of Part III of the Water Power Lease with respect to the granting or leasing of minerals or of land anywhere in the Unknown River Watershed, it will immediately transmit to the Sublessee a copy of such notice and if the Sublessee objects to such granting or leasing and desires that its objections be submitted to the Government, then, the Sublessor agrees to submit them to the Government on the Sublessee's behalf.

4. ACQUISITION OF LAND

On written request of the Sublessee, the Sublessor shall apply, under Clause 7 of Part III of the Water Power Lease, to the Government for the grant of a lease or licence of such Crown lands not then irrevocably granted, leased or otherwise alienated to any third party as may be reasonably necessary in connection with or incidental to any aspect of the development and transmission of hydro-electric power from the Unknown.

On written request of the Sublessee, indicating the mode of acquisition proposed by the Sublessee, the Sublessor shall apply under Clause 8 of Part III of the Water Power Lease to the Government for the acquisition by the Government and the transfer to the Sublessor of the private lands or any rights therein or thereover reasonably necessary for or in connection with or incidental to any aspect of the development and transmission of hydro-electric power from the Unknown, such application to be made in order that the Government may acquire such lands

or rights by purchase, expropriation under The Expropriation Act, 1957 (as now or hereafter amended) or otherwise (the mode of acquisition to be determined by mutual agreement between the Government and the Sublessor) and transfer to the Sublessor at its cost the title and possession thereof as provided in the said Clause 8.

Upon such grant or transfer, as the case may be, being made to the Sublessor, the Sublessor shall, subject to the consent of the Government if required, assign, lease, sublease or sublicense such land or rights at cost to the Sublessee for a term ending on December 31, 2014, and upon the Sublessee assuming all obligations attached to such grant or transfer.

5. LEGISLATION TO PROTECT SUBLESSEE'S IMPROVEMENTS

On written request of the Sublessee, the Sublessor shall use its best endeavours pursuant to the provisions of Clause 9 of Part III of the Water Power Lease to secure legislation including regulations reasonably necessary to protect the improvements made in the Unknown River Watershed by the Sublessee or any permitted sublessee, licensee or permittee of the Sublessee from damage by any person exercising any of the rights reserved under paragraphs (g), (h) and (i) of Clause 1 of Part 1 of the Water Power Lease, but all such legislation shall be consistent with the lawful exercise of such reserved rights.

6. HOLD HARMLESS

The Sublessor hereby undertakes and agrees to indemnify and hold harmless the Sublessee from and against any and all liability to any third parties for injuries to persons or damages to property that may result from the Sublessor's exercise or improper exercise of any of its rights reserved under paragraph (d) of clause 2 of Part I or any of its rights under or from failure on its part to carry out any of its covenants under clause 8 of Part IV.

PART IV

MUTUAL COVENANTS

It is mutually agreed by and between the parties to this Sublease as follows:

1. NO ASSIGNMENT WITHOUT CONSENT

(1) Subject to this clause 1, the rights and liberties hereby subdemised or any of them may not be assigned, leased, licensed, mortgaged or otherwise howsoever alienated by Twin Falls Power Corporation Limited, without the prior written consent of Hamilton Falls Power Corporation Limited, which consent shall not unreasonably be withheld.

(2) Subject to this clause 1, the Sublessee may not license or permit any company or body, whether associated with it or not, to utilize any of the rights and privileges granted hereunder or sublet or otherwise dispose of any of the said rights and privileges to any such company or body, without the prior written consent of Hamilton Falls Power Corporation Limited, which consent shall not be unreasonably withheld.

(3) This clause 1 shall not be deemed to apply to a permit for a period not exceeding one year issued by the Sublessee.

(4) Forthwith, upon the execution of any assignment, sublease, licence or permit or of any assignment of any such assignment, sublease, licence or permit, the Sublessee shall furnish to the Sublessor two certified copies thereof together with the name and address of the assignee, sublessee, licensee or permittee.

(5) The Sublessee shall not be liable to pay any fee or charge in respect of any consent given under this clause 1.

2. APPROVAL OF DEVELOPMENTS

The Sublessee shall comply with the provisions of Clause 3 of Part IV of the Water Power Lease in respect of any development of

the Unknown at the Site or any major modification or improvement of any such development by (a) providing the Sublessor with the information and data necessary for the Sublessor to prepare its application for the written consent of the Minister of Mines, Agriculture and Resources for the Province of Newfoundland and on receipt of such information and data the Sublessor shall use its best endeavours to obtain the written consent of the Minister of Mines, Agriculture and Resources to such development or modification or improvement; and (b) not commencing such development or modification or improvement until such written consent has been obtained.

In respect of the Twin Falls Project, it is agreed that the Government has acknowledged receipt of all necessary information and data and has approved the development of the Twin Falls Project in all its aspects in accordance with the provisions of the preceding paragraph.

The Sublessee shall not be liable to pay any fee or charge in respect of any consent given under this clause 2.

3. DEFAULT PROVISIONS

(1) If the Sublessee, in the opinion of the Sublessor, has failed to observe or perform any term or condition which under this Sublease it is required to observe or perform and such failure continues for a period of sixty (60) days from the date that notice thereof in writing has been given by the Sublessor to the Sublessee, the Sublessor may, upon giving the Sublessee not less than sixty (60) days notice, apply to the Supreme Court of Newfoundland for a decision as to such alleged non-observance or non-performance and if the Court finds that the Sublessee has failed to observe or perform any condition which it is required to perform or observe under the provisions hereof as notified to it by the Sublessor, the parties hereto agree that the said Court shall be empowered, upon application to the Sublessor, to render a judgment (a) ordering performance by the Sublessee of the terms of this Sublease, or (b) ordering payment of a sum by way of liquidated damages

for failure of the Sublessee to perform said terms, or (c) ordering both performance and damages.

(2) If a judgment is rendered under subclause (1) of this clause 3, and thereafter the non-observance or non-performance on the part of the Sublessee shall be continued, or the Sublessee shall refuse or fail to comply satisfactorily with such judgment and the Court shall deem that the remedies referred to in subclause (1) of this clause 3 are inapplicable in respect of such non-compliance, the Court may

- (a) authorize any person immediately and without further proceedings to take possession of all works, lands and properties whether real or personal, owned or held by the Sublessee within the power system of the Unknown River Watershed and used or useful in respect of the undertaking, including books, statements, accounts, papers and records appertaining to such undertaking and to operate, manage and control the said undertaking, and to do all other things required to be done in the conducting or carrying on of the said undertaking, until
 - (i) a sufficient sum shall have been accumulated, exclusive of all operating expenses and all costs of taking possession, to liquidate the sums payable by the Sublessee and interest thereon and the cost of any proceeding connected therewith, or
 - (ii) such other conditions are carried out as may, in the opinion of the Court, have been required to satisfy the terms of this Sublease; or
- (b) order that upon a certain date not earlier than twelve months after the date of the judgment referred to in subclause (1) of this clause 3 the lands, works and properties whether real or personal, owned or held by the Sublessee, and used or useful in respect of the power development shall be offered at execution sale.

(3) If an execution sale is ordered under paragraph (b) of subclause (2) of this clause 3, the Sublessor shall fix an upset price below which the properties may not be sold and the Sublessor shall also prepare a stipulation relative to the rights to be acquired and obligations to be assumed by the successful bidder, and no one shall be permitted to bid at such sale who has not previously agreed in writing to sign and abide by the terms of such stipulation and who has not been accepted by the Sublessor as a bidder.

(4) If there is not a satisfactory buyer at the first execution sale, a second sale shall be held after a lapse of four months, under the same conditions as the first sale, except that the upset price of the sale shall not exceed the sum which represents the obligations of the Sublessee to the Sublessor as fixed by the Supreme Court of Newfoundland and if no bids are received equal to or in excess of this sum from accepted bidders, this Sublease shall be cancelled and determined and the Sublessee shall forfeit all rights, and the works and undertaking shall become the property of the Sublessor without any compensation to the Sublessee.

(5) A completed execution sale made in pursuance of subclause (3) or (4) of this clause 3 shall ipso facto bring about the cancellation and determination of this Sublease.

(6) Any surplus arising out of a sale under subclause (3) or (4) of this clause 3, above the sum which in the opinion of the Court will satisfy the obligations of the Sublessee, shall be repaid to the Sublessee.

(7) If at any date after an execution sale has been ordered under paragraph (b) of subclause (2) of this clause 3, and if for any reason, the procedure provided in subclauses (3) and (4) of this clause 3 has not been completed, the Supreme Court of Newfoundland may make any order with respect to taking over and operating the works and undertaking of the Sublessee for the time being as it may deem equitable under the circumstances.

4. EXERCISE OF RESERVED RIGHTS, COMPENSATION

Whenever any of the rights reserved under paragraphs (e) and (f) of Clause 1 of Part I of the Water Power Lease is duly exercised and thereby the Sublessee or any permitted sublessee, licensee or permittee of the Sublessee suffers loss by reason of the removal or obstruction of or damage to any of the improvements lawfully made by the Sublessee or any such permitted sublessee, licensee or permittee of the Sublessee on the Unknown River Watershed, the Sublessor will use its best efforts to assist the party suffering such loss to obtain reasonable compensation from the Government pursuant to the provisions of Clause 5 of Part IV of the Water Power Lease.

5. INVESTIGATIONS AND SURVEYS

The Sublessee in common with the Sublessor and others entitled thereto may exercise the right conferred on the Sublessor by Clause 8 of Part IV of the Water Power Lease to enter upon, investigate and survey any unoccupied Crown Lands for any purpose incidental to the development of a supply of electricity from the Unknown, but the Sublessee shall be liable for all damages occasioned in the exercise of its rights pursuant to this clause 5 by itself, its employees, agents and invitees.

6. EXCHANGE OF INFORMATION

The Sublessor will make available to the Sublessee all information and particulars in its possession, including that which the Sublessor has obtained or may obtain from the Government, relating to the whereabouts of and previous investigations of hydro-electric power which the Sublessee is authorized to develop under the terms of this Sublease, and in particular the Sublessor will make available all appropriate maps and surveys, and the Sublessee will make available to the Sublessor all surveys, data and information obtained and collected by it in relation to the water power which it is authorized to develop by the provisions of this Sublease, which surveys, data and information shall be treated by the Sublessor as confidential except in so far as it

may be required by the Water Power Lease to be disclosed by the Sublessor to the Government.

7. CERTAIN DELAYS NOT CONSTRUED AS NON-PERFORMANCE

If the performance of any of the obligations of the Sublessee set forth herein shall to any extent be prevented, restricted, delayed or interfered with by reason of

- (a) war, revolution, civil commotion, riot, acts of public enemies, blockade or embargo;
- (b) any law, order, proclamation, regulation, ordinance, demand or requirement of any government or any subdivision, authority, agency or representative of any Government; or
- (c) any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of the Sublessee,

the Sublessee shall, on prompt notice to the Sublessor, be excused from the performance of such obligations to the extent of such prevention, restriction, delay or interference.

8. SPECIAL RESERVATION

(1) In order to enable the Sublessor to make more efficient use of the Unknown, it is agreed that the Sublessor shall have the right to suspend for the balance of the term of the Sublease unexpired at the date of commencement of the suspension as well as the term of any renewal thereof the rights and liberties subleased to the Sublessee hereunder (other than the right to transmit and to export hydro-electric power under Clause 2(e) of Part I) by complying with the following procedure:—

- (i) The Sublessor shall give the Sublessee notice in writing that it will effect such suspension commencing on a date not earlier than 24 months nor later than 36 months after the date on which the said notice is given;

(ii) At least 60 days prior to the actual date when such suspension shall commence, the Sublessor shall give the Sublessee a further notice in writing (hereinbelow referred to as the "Second Notice") specifying the date on which such suspension shall commence.

Subject to the conditions mentioned below, as and from the date specified in the Second Notice the Sublessor shall be and become entitled to enjoy exclusively the rights and liberties so suspended; provided that such suspension shall not take effect unless and shall continue only as long as,

- (a) the Sublessor shall deliver to the Sublessee during the then unexpired term of this Sublease and of any renewal thereof the number of horsepower which is equivalent to the amount of installed horsepower based on the manufacturer's rating of the hydraulic turbines installed at the date of suspension in the Sublessee's hydro-electric generating plant; and such power shall be delivered by the Sublessor at the load factor, and in all other respects equivalent to the power, which the Sublessee's entire facilities, including its storage facilities, existing at the date of suspension, are designed to produce by utilizing the rights and liberties subleased hereunder; and
- (b) the Sublessor shall reserve in favour of any person for whom the Sublessee has agreed with the written approval of the Sublessor to reserve additional hydro-electric power, an equivalent quantity of hydro-electric power, on terms and conditions agreed upon between the Sublessor, the Sublessee and such persons.

Concurrently with the Second Notice the Sublessor shall enter into an undertaking in writing with the Sublessee to perform the obligations provided in paragraphs (a) and (b) of this subclause (1).

The Sublessor, as and from the date and time specified in the Second Notice shall deliver to the Sublessee in the manner hereinafter

mentioned the hydro-electric power mentioned in paragraph (a) of this subclause (1), subject to the other terms and conditions set forth in this clause 8.

(2) The Sublessor covenants and agrees with the Sublessee that the Sublessor:

- (a) shall not make any diversion of the Unknown unless it shall previously have constructed all necessary control works (other than control works already constructed by the Sublessee if any) whereby any such diversion can be stopped or, as the case may be, be re-established in either case without delay, and
- (b) shall at all times at its expense maintain all the control works mentioned in paragraph (a) of this subclause (2) in good operating condition.

(3) In the event that the delivery of hydro-electric power as provided in paragraph (a) of subclause (1) of this clause 8 is interrupted from time to time for any reason whatsoever while this Sublease or any renewal hereof is in force, the Sublessor shall forthwith do all things necessary to restore to the Sublessee, during such interruption only, the enjoyment of the rights and liberties under suspension, and if need be the Sublessee shall in such case have the right itself to stop any diversion of the Unknown by operating all the control works mentioned in paragraph (a) of subclause (2) of this clause 8. Whenever such delivery is no longer so interrupted, the suspension shall again fully take effect and the Sublessor may re-establish such diversion. The Sublessor shall give the Sublessee reasonable notice of any interruption or resumption of the delivery of hydro-electric power.

(4) As consideration for the delivery of hydro-electric power by the Sublessor to the Sublessee under paragraph (a) of subclause (1) of this clause 8, the Sublessee shall pay to the Sublessor monthly one-twelfth of the aggregate of the following amounts:

- (a) the amount by which the actual annual operating expenses of the Sublessee are less than the average of the actual annual operating expenses incurred for the entire period beginning with the first day of the first month after the Sublessee delivers 50,000 horsepower to any purchaser or purchasers for commercial use and ending with the last day of the third month preceding the month in which such suspension pursuant to subclause (1) of this clause 8 becomes effective; provided that if such period exceeds five years it shall be limited to the last five years: and
- (b) an amount equal to the royalty which the Sublessee would have had to pay under clause 1 of Part II had it been generating its own power in the same amount as the amount of hydro-electric power delivered by the Sublessor to the Sublessee.

(5) Delivery as used in this clause 8 shall mean the delivery of the hydro-electric power to the 230 KV busbar at the Site, as provided in paragraph (a) of subclause (1) of this clause 8.

(6) Suspension of the Sublessee's rights and liberties under this clause 8 shall not extend the term of this Sublease or any renewal hereof.

9. WATER POWER LEASE PARAMOUNT

The rights and liberties subleased, subdemised or derived hereunder are no greater in any respect than the rights and liberties leased, demised or accruing by or under the Water Power Lease.

10. INTERVENTION

AND TO THESE PRESENTS INTERVENED:

His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council, and in executing this Sublease as an Intervenor declares:

- (a) That it is authorized to execute and deliver this Sublease as an Intervenor pursuant to the authority granted by Section 2 of the Act No. 51 of 1961 of the Province of Newfoundland.
- (b) That by its execution hereof it approves this Sublease as a document of title for the purposes set forth in Subclauses (4) and (5) of Clause 7 of Part IV of the Water Power Lease and gives to Twinco a covenant enforceable at law enabling Twinco to obtain an amended document of title under the circumstances and with the effect prescribed by the aforementioned Subclauses (4) and (5) of Clause 7 of Part IV of the Water Power Lease.
- (c) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then notwithstanding such cancellation and determination the rights of Twinco under this Sublease shall in no way be impaired or affected thereby but shall, subject to subclause (d) of this clause 10, continue in full force and with the same effect as though such cancellation and determination had not taken place.
- (d) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then this Sublease shall be amended without impairing or affecting the rights of Twinco hereunder, so as to provide that
 - (i) The Government shall be substituted for the Sublessor; and
 - (ii) all of the benefits of the Sublessor theretofore accruing under this Sublease shall thereafter accrue to the Government instead of to the Sublessor;and this Sublease shall be altered accordingly both in substance and in form.
- (e) That it makes no warranty as to the title of Twinco, nor does it establish any privity of contract with the Sublessor

or Twinco, nor does it undertake any obligations to any or all of them, except the approval and covenant referred to in paragraph (b) of this clause 10 and the consent in clause 11 of this Part IV, nor shall it by its intervention be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations other than such approval and covenant and such consent.

- (f) The terms "document of title", "Twinco" and "Lessee" as used in this clause 10 shall have the same meaning as that ascribed to them by the provisions of Clause 7 of Part IV of the Water Power Lease.

11. CONSENT

The Government hereby consents to this Sublease insofar as required by the provisions of Clause 1 of Part IV of the Water Power Lease.

12. GOVERNING LAW

This Sublease shall be construed and interpreted in accordance with the laws of Newfoundland.

13. NOTICE

(1) Any notice required to be given under this Sublease shall be sufficiently served on the Government if the notice is addressed to the Minister of Mines, Agriculture and Resources, Department of Mines, Agriculture and Resources, St. John's, Newfoundland, and delivered to that Minister personally or sent to him by registered mail, and on the Sublessor if the notice is addressed to Hamilton Falls Power Corporation Limited at its head office in the City of St. John's, in the Province of Newfoundland and delivered personally at or sent by registered mail to such office, and on the Sublessee if the notice is addressed to Twin Falls Power Corporation Limited at its head office in the City of St. John's, in the Province of Newfoundland and delivered personally at or sent by registered mail to such office.

(2) Any of the parties to this Sublease or the Government may at any time change its address for service by notice in writing given to the others.

IN WITNESS WHEREOF His Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Sublease as intervenor and the Sublessor and Sublessee have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.

BY HIS HONOUR'S COMMAND C. H. BALLAM
Minister of Provincial Affairs (Actg)

HAMILTON FALLS POWER COR-
PORATION LIMITED

(Seal)	ELIZABETH SCHNEIDHOFER	By M. C. BURNES
	Witness	Vice President
	M. HAZARD	and C. T. MANNING
	Witness	Secretary

TWIN FALLS POWER CORPORATION
LIMITED

(Seal)	ELIZABETH SCHNEIDHOFER	By P. S. MARCHANT
	Witness	Vice President
	M. HAZARD	and C. T. MANNING
	Witness	Secretary

APPENDIX A

DESCRIPTION

All that part of Newfoundland Labrador bounded and described as follows: Beginning at the centre point of the intake as constructed at the Site of the Twin Falls Project and running south along the crest of Dam No. 4 to the southerly point of this structure; thence directly to Dam No. 5 and along the crest of this dam to its southeastern extremity; thence running generally in a southeasterly direction along the crest of the watershed between rivers draining into the Unknown River downstream of the Site, the Hamilton River, Winikapau Lake and rivers draining into the Unknown River upstream of the Site, Ossokmanuan Lake, Atikonak River, Atikonak Lake to a point on the height of land between the Provinces of Quebec and Newfoundland north of Lac Long; thence continuing in a generally southerly direction along the said height of land to a point near Lac Bellanca; thence continuing in a general north and north-westerly direction to a point on the said height of land north of Lac Assigny; thence continuing in a general north-westerly and northerly direction along the crest of the watershed between the East River, rivers flowing into Lake Ashuanipi, Ashuanipi River and Riviere a l'eau Claire, rivers flowing into Lac Joseph, Ossokmanuan Lake to a point near Evening Lake; thence continuing in a general northerly and north-easterly direction along the crest of the watershed between rivers flowing into the Menihék Lakes, the Tamarack River and rivers flowing into Colville Lake, McKay Lake, Sims Lake to a point north of Sims Lake; thence continuing in a general south-easterly direction along the crest of the watershed between rivers flowing into Sims Lake, Sims River and rivers flowing into Timmins Lake, Ashuanipi River to the western extremity of the west causeway as constructed across the Atikonak River; thence following the Access Road to the easterly extremity of the east causeway; thence continuing in a south-easterly direction along the crest of the watershed between rivers flowing into the Hamilton River and rivers flowing into Gabbro Lake, Ossokmanuan Lake, Unknown River upstream of the Site to the western extremity of Dam No. 1; thence following the crest of this structure, the sluice and regulating section, Dam No. 2 to its eastern extremity, thence to the western extremity of Dam No. 3, thence following the crest of this dam to the starting point; the whole as is shown on the maps attached hereto to form part hereof.

APPENDIX B**DESCRIPTION OF THE TWIN FALLS DEVELOPMENT AREA**

Those parts of the watershed of the Unknown River within the area reserved under the provisions of the Labrador Lands Reservation Act, Chapter 176 R. S. N. 1952 as amended and that are:—

Area 1 below the 1560 foot contour along Lakes Gabbro, Ossokmanuan, and all other lakes, rivers and tributaries connected therewith,

Area 2 below the 1490 foot contour along the Unknown River and all other rivers tributaries and lakes connected therewith upstream of Scott Falls,

Area 3 below the 1190 foot contour along the dry gorge known as Bonnell Creek.

The elevations of Area 1 are referred to Benchmark "J" established at Hamilton Falls by G. H. Desbarats in 1947; and the elevations of Areas 2 and 3 are referred to a local Benchmark established by The Shawinigan Engineering Company Limited in 1959 located on the upper rim of the west side of a dry gorge approximately one mile east of Scott Falls and approximately 1.65 miles from the confluence of the said dry gorge with the Unknown River; the whole as is shown on the map attached hereto to form part hereof.

Registered at St. John's, Newfoundland

1-E-1

in the Registry of Deeds on

19

[CONFORMED COPY]

in Volume 623, Folios 228 - 233

AMENDMENT TO SUBLEASE

BETWEEN

HAMILTON FALLS POWER CORPORATION LIMITED,

and

TWIN FALLS POWER CORPORATION LIMITED,

with

HIS HONOUR THE HONOURABLE FABIAN O'DEA,
ONE OF OUR COUNSEL, LEARNED IN THE LAW, COMMANDER
ON THE RETIRED LIST OF OUR NAVAL RESERVE,
LIEUTENANT-GOVERNOR OF THE PROVINCE
OF NEWFOUNDLAND IN COUNCIL,

as intervenor.

Dated as of April 15, 1963

AMENDMENT TO SUBLEASE ENTERED INTO THIS 15th DAY OF APRIL 1963.

BETWEEN :

HAMILTON FALLS POWER CORPORATION LIMITED, a company duly incorporated under the laws of Canada and having its head office in the City of St. John's, in the Province of Newfoundland (hereinafter called the "Sublessor" which expression shall, unless the context otherwise requires, include the successors and assigns of the Sublessor),

(SEAL)

PARTY OF THE FIRST PART,

FABIAN O'DEA
LIEUTENANT GOVERNOR

—and—

TWIN FALLS POWER CORPORATION LIMITED, a company duly incorporated under the laws of Canada and having its head office in the City of St. John's, in the Province of Newfoundland (hereinafter called the "Sublessee" which expression shall, unless the context otherwise requires and subject to the provisions of this Amendment to Sublease, include the successors and assigns of the Sublessee),

LESLIE R. CURTIS
H. M. ATTORNEY GENERAL

PARTY OF THE SECOND PART.

WHEREAS under and by virtue of the powers conferred by the Hamilton Falls Power Corporation Limited (Lease) Act, 1961, the Act No. 51 of 1961, of the Province of Newfoundland, there was executed on the 16th day of May 1961 a Statutory Lease (hereinafter called the "Water Power Lease") between His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter sometimes called the "Government" which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province) and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS by a Sublease dated as of November 15, 1961, and Registered at the Registry of Deeds for Newfoundland on the 30th day of November, 1961, in Volume 549 at Folios 236-261, between Hamilton Falls Power Corporation Limited, Sublessor, and Twin Falls Power Corporation Limited, Sublessee, with His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council, intervenor, certain of the rights and liberties leased to the Sublessor under the Water Power Lease were subleased and subdemised to the Sublessee, the whole as therein more fully set forth; and

WHEREAS under and by virtue of the powers conferred by the Hamilton Falls Power Corporation Limited (Lease) (Amendment) Act 1963, an Act of the Province of Newfoundland, certain amendments to the Water Power Lease were made; and

WHEREAS the Sublessor and the Sublessee desire to effect certain amendments to the Sublease.

NOW THEREFORE THIS AMENDMENT TO SUBLEASE WITNESSETH:

1. The Sublease is hereby amended as follows:

(a) In clause 1 of Part I the sentence which reads:

"The maximum amount of hydro-electric power which the Sublessee may develop with the said waters at the Site by the construction of hydro-electric installations, diversions, storage reservoirs and all other facilities which the Sublessee may deem necessary is 300,000 horsepower."

is hereby deleted and replaced by the following:

"The amount of hydro-electric power which the Sublessee may develop with the said waters at the Site by the construction of hydro-electric installations, diversions, storage reservoirs and all other facilities which the Sublessee may deem necessary is the maximum economic capacity at the Site."

(b) In paragraph (d) of clause 2 of Part I, the phrase which reads:

"the right without interference by any works of the Sublessor to store so much of the Unknown as may be economic or beneficial for the purposes of the development by the Sublessee of up to 300,000 horsepower to be produced at the Site,"

is hereby deleted and replaced by the following:

"the right without interference by any works of the Sublessor to store so much of the Unknown as may be economic or beneficial for the purposes of the development by the Sublessee of up to the maximum economic capacity at the Site,"

(c) Subclause (2) of clause 8 of Part IV is hereby deleted and replaced by the following:

"(2) The Sublessor and the Sublessee mutually covenant and agree as follows:

(a) The Sublessor shall have the right, after the giving of the notice referred to in paragraph (i) of subclause (1) of this clause 8 to utilize, expand or modify any of the Sublessee's storage and control works and facilities; provided, however, that such utilization, expansion or modification shall not affect materially the purpose for which they were originally constructed, or substantially interfere with the operation thereof by the Sublessee prior to the actual date of commencement of the suspension or in the event of an interruption as provided for in subclause (3) of this clause 8 with the operation thereof during such interruption.

(b) The Sublessor shall not make any diversion of the Unknown unless it shall previously have constructed all necessary control works (other than control works already constructed by the Sublessee if any) whereby any such diversion can be stopped or, as the case may be, be re-established in either case without delay, and

(c) The Sublessor shall at all times at its expense maintain in good operating condition all the control works constructed by the Sublessor pursuant to paragraph (b) of this subclause (2)."

(d) In subclause (3) of clause 8 of Part IV the sentence which reads:

"In the event that the delivery of hydro-electric power as provided in paragraph (a) of subclause (1) of this clause 8 is interrupted from time to time for any reason whatsoever while

this Sublease or any renewal hereof is in force, the Sublessor shall forthwith do all things necessary to restore to the Sublessee, during such interruption only, the enjoyment of the rights and liberties under suspension, and if need be the Sublessee shall in such case have the right itself to stop any diversion of the Unknown by operating all the control works mentioned in paragraph (a) of subclause (2) of this clause 8."

is hereby deleted and replaced by the following:

"In the event that the delivery of hydro-electric power as provided in paragraph (a) of subclause (1) of this clause 8 is interrupted from time to time for any reason whatsoever while this Sublease or any renewal hereof is in force, the Sublessor shall forthwith do all things necessary to restore to the Sublessee, during such interruption only, the enjoyment of the rights and liberties under suspension, and if need be the Sublessee shall in such case have the right itself to stop any diversion of the Unknown by operating all the control works mentioned in paragraphs (a) and (b) of subclause (2) of this clause 8."

2. INTERVENTION

And to these presents came and intervened:

His Honour the Honourable Fabian O'Dea, one of Our Counsel, learned in the Law, Commander on the Retired List of our Naval Reserve, Lieutenant-Governor of the Province of Newfoundland in Council, and in executing this Amendment to Sublease as an Intervenor declares:

- (a) That it is authorized to execute and deliver this Amendment to Sublease as an Intervenor pursuant to the authority granted by Section 2 of the Act No. 51 of 1961 of the Province of Newfoundland.
- (b) That by its execution hereof it approves this Amendment to Sublease as a document of title for the purposes set forth in Subclauses (4) and (5) of Clause 7 of Part IV of the Water Power Lease and gives to Twinco a covenant enforceable at law enabling Twinco to obtain an amended document of title under the circumstances and with the effect prescribed by the aforementioned Subclauses (4) and (5) of Clause 7 of Part IV of the Water Power Lease.
- (c) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then notwithstanding such cancellation and determination the rights of Twinco under this Amendment to Sublease shall in no way be impaired or affected thereby but shall, subject to subclause (d) of this clause 2, continue in full force and with the same effect as though such cancellation and determination had not taken place.
- (d) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then this Amendment to Sublease shall be amended without impairing or affecting the rights of Twinco hereunder, so as to provide that
 - (i) The Government shall be substituted for the Sublessor; and
 - (ii) all of the benefits of the Sublessor theretofore accruing under this Amendment to Sublease shall thereafter accrue to the Government instead of to the Sublessor;

and this Amendment to Sublease shall be altered accordingly both in substance and in form.

- (e) That it makes no warranty as to the title of Twinco, nor does it establish any privity of contract with the Sublessor or Twinco, nor does it undertake any obligations to any or all of them, except the approval and covenant referred to in paragraph (b) of this clause 2 and the consent in clause 3 hereof, nor shall it by its intervention be deemed to have made

any such warranty, to have established any such privity of contract, or to have undertaken any such obligations other than such approval and covenant and such consent.

- (f) The terms "document of title", "Twinco" and "Lessee" as used in this clause 2 shall have the same meaning as that ascribed to them by the provisions of Clause 7 of Part IV of the Water Power Lease.

3. CONSENT

The Government hereby consents to this Amendment to Sublease insofar as required by the provisions of Clause 1 of Part IV of the Water Power Lease.

4. Except as otherwise amended hereby, the parties acknowledge that the Sublease dated as of November 15, 1961, is in full force and effect.

IN WITNESS WHEREOF His Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Amendment to Sublease as intervenor and the Sublessor and Sublessee have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.

By His Honour's Command

J. G. CHANNING
Deputy Minister of Provincial Affairs

HAMILTON FALLS POWER CORPORATION LIMITED

ELIZABETH SCHNEIDHOFER
Witness

By V. H. SMITH
President

D. C. WADSWORTH
Witness

And C. T. MANNING (SEAL)
Secretary

TWIN FALLS POWER CORPORATION LIMITED

ELIZABETH SCHNEIDHOFER
Witness

By P. S. MARCHANT
Vice President

D. C. WADSWORTH
Witness

And D. C. WADSWORTH (SEAL)
Secretary

[CONFORMED COPY]

SECOND AMENDMENT TO SUBLEASE

BETWEEN

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

AND

TWIN FALLS POWER CORPORATION LIMITED

WITH

HIS HONOUR THE HONOURABLE FABIAN O'DEA, ONE
OF HER MAJESTY'S COUNSEL, LEARNED IN THE LAW,
COMMANDER ON THE RETIRED LIST OF HER MAJESTY'S
NAVAL RESERVE, LIEUTENANT-GOVERNOR OF THE
PROVINCE OF NEWFOUNDLAND IN COUNCIL,

as Intervenor.

Dated as of November 30, 1967.

Registered at St. John's, Newfoundland
in the Registry of Deeds on _____, 19____
to Vol. 2, 916, Page 236-243.

SECOND AMENDMENT TO SUBLEASE ENTERED INTO AS OF THE
30TH DAY OF NOVEMBER, 1967.

Between:

(GREAT SEAL OF
NEWFOUNDLAND)

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED, a company
duly incorporated under the laws of
Canada and having its head office in
the City of St. John's, in the Prov-
ince of Newfoundland (hereinafter
called the "Sublessor" which ex-
pression shall, unless the context
otherwise requires, include the suc-
cessors and assigns of the Sub-
lessor),

FABIAN O'DEA
Lieutenant-Governor

PARTY OF THE FIRST PART

—and—

T. ALEX. HICKMAN
Minister of Justice

TWIN FALLS POWER CORPORATION
LIMITED, a company duly incorpo-
rated under the laws of Canada and
having its head office in the City of
St. John's, in the Province of New-
foundland (hereinafter called the
"Sublessee" which expression shall,
unless the context otherwise re-
quires and subject to the provisions
of the Sublease, include the succes-
sors and assigns of the Sublessee).

PARTY OF THE SECOND PART.

WHEREAS under and by virtue of the powers conferred by the
Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961,
the Act No. 51 of 1961, of the Province of Newfoundland, there was
executed on the 16th day of May 1961 a Statutory Lease (hereinafter
called the "Water Power Lease") between His Honour the Honour-
able Campbell Macpherson, Officer of the Most Excellent Order of the

British Empire, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter sometimes called the "Government" which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province) and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS by a Sublease dated as of the 15th day of November, 1961 and registered at the Registry of Deeds for Newfoundland on the 30th day of November, 1961, in Volume 549 at Folios 236-261, between Churchill Falls (Labrador) Corporation Limited, Sublessor, and Twin Falls Power Corporation Limited, Sublessee, with His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council, intervenor, certain of the rights and liberties leased to the Sublessor under the Water Power Lease were subleased and subdemised to the Sublessee, the whole as therein more fully set forth; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act 1963, an Act of the Province of Newfoundland, certain amendments to the Water Power Lease were made; and

WHEREAS by Amendment to Sublease dated as of the 15th day of April, 1963, certain amendments to the said Sublease were made and all references hereafter made to the said Sublease shall be deemed to include the said Amendment to Sublease; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1964, the Act No. 43 of 1964 of the Province of Newfoundland, there was executed as of the 1st day of January 1964 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amend-

ment) Act, 1966-67, the Act No. 84 of 1966-67 of the Province of Newfoundland, there was executed as of the 14th day of July, 1966 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS the Sublessor and the Sublessee desire to effect further amendments to the Sublease.

NOW THEREFORE THIS SECOND AMENDMENT TO SUBLEASE WITNESSETH:

1. The said Sublease is hereby amended as follows:

(a) The following paragraph is added to subclause (2) of clause 8 of Part IV as paragraph (d) thereof, namely:

"(d) Notwithstanding anything contained in this Sublease, Churchill Falls (Labrador) Corporation Limited and its permitted assigns shall be entitled to enjoy the rights conferred upon it pursuant to Clause III of the Operating Lease between Twin Falls Power Corporation Limited and Churchill Falls (Labrador) Corporation Limited dated as of November 30th, 1967 in the manner and to the extent permitted by said Operating Lease."

(b) The following subclauses are added to clause 8 of Part IV immediately following subclause (6), namely:

"(7) In the event of a suspension pursuant to this clause 8, the Sublessee shall pay to the Sublessor monthly, in addition to any amounts payable pursuant to subclause (4) of this clause 8, one-twelfth of the aggregate of the following amounts:

(a) an amount equal to \$1.40 multiplied by the number of horsepower which the Sublessor is obliged to deliver to Sublessee pursuant to paragraph (a) of subclause (1) of this clause 8; and

(b) \$305,000.

(8) In the event that during a suspension the delivery of hydro-electric power by the Sublessor is interrupted, as contemplated by subclause (3) of this clause 8, the Sublessee shall pay to the Sublessor monthly, in respect of the entire period of such interruption and in lieu of the amounts provided in subclauses (4) and (7) of this clause 8, one-twelfth of the aggregate of the following amounts:

(a) an amount equal to \$1.40 multiplied by the number of horsepower which the Sublessor is obliged to deliver to Sublessee pursuant to paragraph (a) of subclause (1) of this clause 8, provided, however, that if for a period in excess of thirty (30) consecutive days during such interruption, the Sublessee is unable to deliver at least 80% of the power which it is then obligated to deliver pursuant to power contracts (for any reason other than a shortage of water resulting from natural causes), then in respect of the entire period during which the Sublessee is unable to make delivery as aforesaid, the aforesaid amount contemplated by this paragraph (a) shall be reduced to an amount equal to \$1.40 multiplied by the actual number of horsepower, if any, which the Sublessee is able to deliver; and

(b) \$305,000."

2. INTERVENTION

And to these presents came and intervened:

His Honour the Honourable Fabian O'Dea, one of Her Majesty's Counsel, learned in the Law, Commander on the Retired List of Her Majesty's Naval Reserve, Lieutenant-Governor of the Province of Newfoundland in Council, and in executing this Second Amendment to Sublease as an intervenor declares:

- (a) That it is authorized to execute and deliver this Second Amendment to Sublease as an intervenor pursuant to the authority granted by Section 2 of the Act No. 51 of 1961 of the Province of Newfoundland.
- (b) That by its execution hereof it approves this Second Amendment to Sublease as a document of title for the purposes set forth in subclauses (4) and (5) of clause 7 of Part IV of the Water Power Lease and gives to Twinco a covenant enforceable at law enabling Twinco to obtain an amended document of title under the circumstances and with the effect prescribed by the aforementioned subclauses (4) and (5) of clause 7 of Part IV of the Water Power Lease.
- (c) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then notwithstanding such cancellation and determination the rights of Twinco under this Second Amendment to Sublease shall in no way be impaired or affected thereby but shall, subject to subclause (d) of this clause 2, continue in full force and with the same effect as though such cancellation and determination has not taken place.
- (d) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then this Second Amendment to Sublease shall be amended without impairing or affecting the rights of Twinco hereunder, so as to provide that
 - (i) The Government shall be substituted for the Sublessor; and
 - (ii) all of the benefits of the Sublessor theretofore accruing under this Second Amendment to Sublease shall thereafter accrue to the Government instead of to Sublessor;

and this Second Amendment to Sublease shall be altered accordingly both in substance and in form.

- (e) That it makes no warranty as to the title of Twinco, nor does it establish any privity of contract with the Sublessor or Twinco, nor does it undertake any obligations to any or all of them, except the approval and covenant referred to in paragraph (b) of this clause 2 and the consent in clause 3 hereof, nor shall it by its intervention be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations other than such approval and covenant and such consent.
- (f) The terms "document of title", "Twinco" and "Lessee" as used in this clause 2 shall have the same meaning as that ascribed to them by the provisions of clause 7 of Part IV of the Water Power Lease.

3. CONSENT

The Government hereby consents to this Second Amendment to Sublease insofar as required by the provisions of clause 1 of Part IV of the Water Power Lease.

4. Except as amended by the Amendment to Sublease dated as of April 15, 1963 and otherwise amended hereby, the parties acknowledge that the Sublease dated as of November 15, 1961, is in full force and effect.

IN WITNESS WHEREOF His Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Second Amendment to Sublease as intervenor and the Sublessor and Sublessee have caused their Corporate Seals to be affixed hereto in the presence of their respective

officers duly authorized for the purposes hereof as of the date first above written.

BY HIS HONOUR'S COMMAND

G. A. FRECKER
Minister of Provincial Affairs

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

(SEAL)

By D. GORDON
Chairman

ELIZABETH SCHNEIDHOFER
Witness

and C. T. MANNING
Vice-President (Legal)
and Secretary

TWIN FALLS POWER CORPORATION
LIMITED

(SEAL)

By M. F. NICHOLSON
Chairman

ELIZABETH SCHNEIDHOFER
Witness

and A. B. THOMSON
Secretary

THIRD AMENDMENT to SUBLEASE entered into as of
the First day of July 1974.

B E T W E E N:

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED, a com-
pany incorporated under the
laws of Canada and having its
head office in the City of
St. John's, in the Province of
Newfoundland (hereinafter
called the "Sublessor" which
expression shall, unless the
context otherwise requires,
include the successors and
assigns of the Sublessor),

PARTY OF THE FIRST PART

TWIN FALLS POWER CORPORATION
LIMITED, a company duly incor-
porated under the laws of
Canada and having its head
office in the City of St. John's,
in the Province of Newfoundland
(hereinafter called the "Sub-
lessee" which expression shall,
unless the context otherwise re-
quires and subject to the pro-
visions of the Sublease, include
the successors and assigns of the
Sublessee).

PARTY OF THE SECOND PART

Vincent P. Mc Carthy
Deputy Minister of Justice
WHEREAS under and by virtue of the powers conferred
by the Churchill Falls (Labrador) Corporation Limited (Lease)
Act, 1961, the Act No. 51 of 1961, of the Province of Newfound-
land, there was executed on the 16th day of May 1961 a Statutory
Lease (hereinafter called the "Water Power Lease") between His
Honour the Honourable Campbell Macpherson, Officer of the
Most Excellent Order of the British Empire, Lieutenant-Governor
of the Province of Newfoundland in Council (hereinafter sometime
called the "Government" which expression shall, unless the

context otherwise requires, mean the Government for the time being of the said Province) and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS by a Sublease dated as of the 15th day of November, 1961 and registered at the Registry of Deeds for Newfoundland on the 30th day of November 1961, in Volume 549 at Folios 236-261, between Churchill Falls (Labrador) Corporation Limited, Sublessor, and Twin Falls Power Corporation Limited, Sublessee, with His Honour the Honourable Campbell Macpherson, Officer of the Most Excellent Order of the British Empire, Lieutenant-Governor of the Province of Newfoundland in Council, intervenor, certain of the rights and liberties leased to the Sublessor under the Water Power Lease were subleased and subdemised to the Sublessee, the whole as therein more fully set forth; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act 1963, an Act of the Province of Newfoundland, certain amendments to the Water Power Lease were made; and

WHEREAS by Amendment to Sublease dated as of the 15th day of April, 1963, certain amendments to the said Sublease were made and all references hereafter made to the said Sublease shall be deemed to include the said Amendment to Sublease; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1964, the Act No. 43 of 1964 of the Province of Newfoundland, there was executed as of the 1st day of January 1964 an agreement between the Government as therein defined

and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1966-67, the Act No. 84 of 1966-67 of the Province of Newfoundland there was executed as of the 14th day of July, 1966 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS by Second Amendment to Sublease dated as of the 30th day of November, 1967, certain amendments to the said Sublease were made and all references hereafter made to the Sublease shall be deemed to include the said Second Amendment to Sublease; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1968, the Act No. 101 of 1968 of the Province of Newfoundland, there was executed on the 30th day of September, 1968 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1969, the Act No. 77 of 1969 of the Province of Newfoundland, there was executed on the 12th day of May, 1969 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS under and by virtue of the powers conferred by the Churchill Falls (Labrador) Corporation Limited (Lease) (Amendment) Act, 1970, the Act No. 62 of 1970 of the Province of Newfoundland, there was executed as of the 1st day of January 1970 an agreement between the Government as therein defined and the Sublessor in the terms set forth in the Schedule to the said Act; and

WHEREAS the Sublessor and the Sublessee desire to effect a further amendment to the Sublease.

NOW THEREFORE THIS THIRD AMENDMENT TO SUBLEASE WITNESSETH:

1. The said Sublease is hereby amended as follows:
 - (a) by deleting from paragraph (e) of Clause 2 of Part I the words "pursuant to Clause 8 of Part IV hereof"; and
 - (b) by adding in paragraph (d) of Subclause (2) of Clause 8 of Part IV immediately after the reference to "November 30th, 1967" the following "as amended,".

2. INTERVENTION

And to these presents came and intervened:
His Honour the Honourable Gordon A. Winter,
Lieutenant-Governor of the Province of Newfoundland
in Council, and in executing this Third Amendment to
Sublease as an intervenor declares:

- (a) That it is authorized to execute and deliver this Third Amendment to Sublease as an intervenor pursuant to the authority granted by Section 2 of the

Act No. 51 of 1961 of the Province of Newfoundland

- (b) That by its execution hereof it approves this Third Amendment to Sublease as a document of title for the purposes set forth in subclauses (4) and (5) of clause 7 of Part IV of the Water Power Lease and gives to Twinco a covenant enforceable at law enabling Twinco to obtain an amended document of title under the circumstances and with the effect prescribed by the aforementioned subclauses (4) and (5) of clause 7 of Part IV of the Water Power Lease.
- (c) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then notwithstanding such cancellation and determination the rights of Twinco under this Third Amendment to Sublease shall in no way be impaired or affected thereby but shall, subject to subclause (d) of this clause 2, continue in full force and with the same effect as though such cancellation and determination has not taken place.
- (d) If the Water Power Lease is cancelled and determined at any time by reason of the default of the Lessee thereunder, then this Third Amendment to Sublease shall be amended without impairing or affecting the rights of Twinco hereunder, so as to provide that
 - (i) The Government shall be substituted for the Sublessor; and

(ii) all of the benefits of the Sublessor theretofore accruing under this Third Amendment to Sublease shall thereafter accrue to the Government instead of to Sublessor;

and this Third Amendment to Sublease shall be altered accordingly both in substance and in form;

(e) That it makes no warranty as to the title of Twinco, nor does it establish any privity of contract with the Sublessor or Twinco, nor does it undertake any obligations to any or all of them, except the approval and covenant referred to in paragraph (b) of this clause 2 and the consent in clause 3 hereof, nor shall it by its intervention be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations other than such approval and covenant and such consent.

(f) The terms "document of title", "Twinco" and "Lessee" as used in this clause 2 shall have the same meaning as that ascribed to them by the provisions of clause 7 of Part IV of the Water Power Lease.

3. CONSENT

The Government hereby consents to this Third Amendment to Sublease insofar as required by the provisions of clause 1 of Part IV of the Water Power Lease.

4. Except as amended by the Amendment to Sublease dated as of April 15, 1963, the Second Amendment to Sublease dated as of November 30, 1967 and otherwise amended


hereby, the parties acknowledge that the Sublease dated as of November 15, 1961, is in full force and effect.


IN WITNESS WHEREOF His Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Third Amendment to Sublease as intervenor and the Sublessor and Sublessee have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.

BY HIS HONOUR'S COMMAND


.....
Minister of Provincial Affairs

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By 


and 

Vice President & Accountant

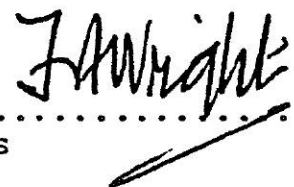

.....
Witness

TWIN FALLS POWER CORPORATION
LIMITED

By 

and 

Secretary


.....
Witness

THIS RENEWAL OF LEASE AGREEMENT made on the 9th day of June, 1989.

BETWEEN: CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED, a company duly incorporated under the laws of Canada and having its head office in the City of St. John's in the Province of Newfoundland (hereinafter called the "Sublessor")

AND: TWIN FALLS POWER CORPORATION LIMITED, a company duly incorporated under the laws of Canada and having its head office in the City of St. John's in the Province of Newfoundland (hereinafter called the "Sublessee")

WHEREAS by an Agreement dated the 15th day of November, 1961 (hereinafter called the "Sublease") the Sublessor did sublease and sub-demise unto the Sublessee full right and liberty to use all that portion of the waters within the Unknown River Watershed as described in the Sublease;

AND WHEREAS the Sublease, by its terms, expires December 31, 1989 unless renewed under the terms contained in Clause 2 of Part III of the Sublease;

AND WHEREAS the Sublessor and the Sublessee have agreed to a renewal of the Sublease as provided by Clause 2 of Part III of the Sublease;

NOW THEREFORE THIS INDENTURE WITNESSETH that the Sublessor and Sublessee have agreed each with the other that the Sublease dated as of the 15th day of November, 1961, be and hereby is renewed for a term of Twenty-five years commencing on the first day of January, 1990, subject to payment of the same royalty and containing like covenants and conditions as are contained in the Sublease with the exception of the covenant for renewal, together with the additional condition that this renewal shall be subject to termination whenever the Iron Ore Company of Canada or the Wabush Iron Company Limited are no longer obligated to purchase an aggregate of at least 50,000 horsepower from the Sublessee on a horsepower per year basis.

This Agreement shall enure to the benefits of and be binding on the parties hereto and each of their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have caused their corporate seals to be hereunto affixed and attested by the hands of their respective signing officers this day and year first above written.

Marlene Walsh
Witness

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

Cyril J. Abreu
J. P. Henderson

Marlene Walsh
Witness

TWIN FALLS POWER CORPORATION
LIMITED

R. J. Hart
Maurice P. Greene

OPERATING LEASE

BETWEEN

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

AND

TWIN FALLS POWER CORPORATION LIMITED

WITH

HIS HONOUR THE HONOURABLE FABIAN O'DEA, ONE
OF HER MAJESTY'S COUNSEL, LEARNED IN THE LAW,
COMMANDER ON THE RETIRED LIST OF HER MAJESTY'S
NAVAL RESERVE, LIEUTENANT-GOVERNOR OF THE
PROVINCE OF NEWFOUNDLAND IN COUNCIL

THE ROYAL TRUST COMPANY

IRON ORE COMPANY OF CANADA

WABUSH IRON CO. LIMITED

THE STEEL COMPANY OF CANADA, LIMITED

DOMINION FOUNDRIES AND STEEL, LIMITED

QUEBEC NORTH SHORE AND LABRADOR RAILWAY
COMPANY

NORTHERN LAND COMPANY LIMITED

WABUSH LAKE RAILWAY COMPANY, LIMITED

AND

CAROL LAKE COMPANY LIMITED,

as Intervenors.

Dated as of November 30, 1967.

OPERATING LEASE

THIS AGREEMENT made as of the 30th day of November, 1967

BETWEEN:

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED (hereinafter called "CFLCo"), a company incorporated under the laws of Canada and having its head office at the City of St. John's, in the Province of Newfoundland,

OF THE FIRST PART

AND:

TWIN FALLS POWER CORPORATION LIMITED (hereinafter called "Twinco"), a company incorporated under the laws of Canada and having its head office at the City of St. John's, in the Province of Newfoundland,

OF THE SECOND PART

WHEREAS CFLCo is engaged in the construction of a 5,000,000 kilowatt hydro-electric generating plant at a site on the Churchill River in Labrador;

WHEREAS the parties, in anticipation that the Special Reservation provisions of the Sublease will be put into effect, wish to make suitable provisions with respect to the operation and maintenance of the Twinco hydro-electric generating plant and related facilities.

NOW THEREFORE THIS AGREEMENT WITNESSETH:

I. Interpretation

1. The following words and phrases wherever used in this Agreement shall, unless there be something in the context inconsistent therewith, have the following meanings:-



Registered 11 day of December

A.D. 1967 at 1:50 o'clock p.m.

Vol. 916 Fol. 250-259

A. Richards
Registrar of Deeds (NFLD.)

John O'Sea

Lieutenant-Governor

John O'Sea
Minister of Justice

1.1 "Sublease" means that certain Sublease dated as of November 15, 1961, between CFLCo, as sublessor, Twinco, as sublessee, and the Government of the Province of Newfoundland, as intervenor, as the said Sublease has been and may be amended from time to time;

1.2 "Bond Indenture" means the Deed of Trust and Mortgage dated as of November 15, 1961, between Twinco and The Royal Trust Company, as Trustee, as the same has been and may be amended from time to time.

2. Words and expressions which have been given defined meanings in the Sublease or in the Bond Indenture, as the case may be, shall have the same meanings when employed in this Agreement.

II. *Operative Date*

This Agreement shall become operative as and from the date specified in the Second Notice when given by CFLCo to Twinco pursuant to clause 8 of Part IV of the Sublease provided the said parties have entered into the written undertaking contemplated by said clause 8 of Part IV of the Sublease.

III. *Lease of Rights and Assets*

With warranty as to its own acts and deeds only, Twinco hereby leases to CFLCo for a term commencing upon the operative date of this Agreement and continuing, subject to earlier termination as herein provided, and subject to possible suspension from time to time as herein also provided, for the entire term of the Sublease as the same may be from time to time extended or renewed, and in consideration of a yearly rental of \$1.00, if demanded, and of the retention by Twinco of the right to transmit and export hydro-electric power over the transmission facilities of the Second Expanded Project, the right to transmit and export hydro-electric power and likewise leases to CFLCo all assets of Twinco comprised in the Second Expanded Project with

full right to use, enjoy, modify, expand and operate the same, including without limitation the right to extend the forebay and the right to do whatever is necessary to make the Second Expanded Project suitable for winter operation, all such modifications and expansions to be carried out at the sole expense of CFLCo and in such manner as will not interfere, upon restoration to Twinco of its suspended rights and liberties under the Sublease in the event of such restoration being required, with the capability of Twinco to operate the Second Expanded Project as fully and effectively as Twinco was able to operate same prior to the suspension.

IV. *Early Termination*

- (a) If any Event of Default shall have occurred and be continuing under the Bond Indenture when this Agreement is made, or shall have occurred and be continuing while it is in effect, this Agreement may be terminated, at any time while such Event of Default continues, by the Trustee or by the purchaser at any sale under the Bond Indenture of the property leased hereunder, whether under the power of sale conferred by the Bond Indenture or under judicial proceedings, the whole in accordance with section 16.01 of the Bond Indenture.
- (b) If, by reason of a default of CFLCo as contemplated by clause 10 of Part IV of the Sublease, the Water Power Lease is cancelled and determined, the respective rights and obligations of CFLCo and Twinco hereunder shall ipso facto terminate except that CFLCo and Twinco shall have and enjoy the rights and liberties conferred upon them respectively pursuant to clause V hereof.

V. *Suspension when Suspension of Sublease Interrupted*

If pursuant to the provisions of subclause (3) of clause 8 of Part IV of the Sublease, CFLCo should at any time or from time to time be required to restore to Twinco, during any period of interrup-

tion contemplated by said subclause, the enjoyment of the rights and liberties otherwise suspended pursuant to the said clause 8, the rights hereby conferred upon CFLCo and the obligations of CFLCo hereunder shall be suspended during the period of any such interruption and shall revive upon cessation of such interruption.

During any period of suspension of CFLCo's rights hereunder Twinco, in addition to being restored the enjoyment of the rights hereby conferred on CFLCo, shall have and enjoy at no cost to it save as provided in the Sublease:

- (a) all rights and liberties so restored to Twinco under the Sublease;
- (b) full use of all modifications and expansions made by CFLCo hereunder; and
- (c) all those rights and facilities first conveyed and granted to Twinco by CFLCo pursuant to the Licence Agreement in the same manner and to the same extent as if the Licence Agreement were still in full force and effect;

and CFLCo shall have, notwithstanding such suspension, all those rights which had been first conveyed and granted to CFLCo by Twinco pursuant to said Licence Agreement, in like manner and to a like extent. Provided, however, each of CFLCo and Twinco shall, during any such period of suspension of CFLCo's rights hereunder, assume their respective obligations set forth in subclauses (2), (3), (4), (5) and (6) of clause 3 of the Licence Agreement to the same extent as if the provisions of the said subclauses of the Licence Agreement were still in full force and effect.

VI. *Assumption of Obligations under Sublease*

In consideration of the rights hereby granted to it, CFLCo hereby assumes, to the entire exoneration of Twinco, all obligations of Twinco under clause 6 of Part II of the Sublease.

VII. *Assumption of Obligations under Power Contracts*

CFLCo, for the consideration aforesaid and in consideration for Twinco continuing to make when due the payments to CFLCo required under the Sublease, hereby assumes, to the entire exoneration of Twinco, all of Twinco's obligations to pay all those expenses of operation which are contemplated by Exhibit A to the Amended Power Contracts saving, unless otherwise agreed, insurance, external audit, legal, professional and any other Exhibit A expenses which the parties agree shall continue to be paid by Twinco.

VIII. *Maintenance*

CFLCo shall keep and maintain in good working order all structures, works and plant erected from time to time for the Second Expanded Project and all modifications and expansions made hereunder and shall attend to all necessary repairs in order to secure the normal and satisfactory working of all such structures, works, plant, modifications and expansions, the whole at the sole expense of CFLCo.

IX. *Operation of Second Expanded Project*

Subject to the provisions and requirements of clause 8 of Part IV of the Sublease and of the undertaking given by CFLCo pursuant to said clause, CFLCo shall be entitled, as and when CFLCo at its discretion may elect to do so, to operate the Second Expanded Project, including Twin Falls townsite, transmission lines and other facilities.

CFLCo hereby undertakes and agrees to indemnify and hold harmless Twinco from and against any and all liability to any third parties for injuries to persons or damages to property that may result from CFLCo's exercise or improper exercise of any of the rights, or from its use and enjoyment of any assets, hereby leased and granted, or from failure of CFLCo to carry out any of its covenants under this Agreement.

X. *Successors and Assigns*

This Agreement shall be binding upon and enure to the benefit of each party hereto and its successors and assigns. Any assignment by either party hereto shall not release the assignor from any of its obligations hereunder, save with the written consent of the other party. Forthwith upon the execution of any assignment hereof or of any assignment of any such assignment, the assignor shall furnish the intervenors with a certified copy thereof together with the name and address of the assignee.

XI. *Interventions*

HERETO INTERVENED HIS HONOUR THE HONOURABLE FABIAN O'DEA, one of Her Majesty's Counsel, learned in the Law, Commander on the Retired List of Her Majesty's Naval Reserve, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter called the "Government", which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province), who declares:

- (a) That the Government hereby consents to this Agreement;
- (b) That it makes no warranty as to the title of Twinco or CFLCo, nor does it establish any privity of contract with Twinco or CFLCo, nor does it undertake any obligations to any or all of them, nor shall it by its intervention be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations;

AND HERETO ALSO INTERVENED THE ROYAL TRUST COMPANY, herein acting in its capacity as Trustee under the Bond Indenture, which hereby acknowledges that the requirements of section 16.07 of the Bond Indenture have been fully satisfied with respect to this Agreement.

AND HERETO ALSO INTERVENED IRON ORE COMPANY OF CANADA which, under reserve of all rights under its Amended Power Contract with Twinco, hereby consents to this Agreement;

AND HERETO ALSO INTERVENED WABUSH IRON CO. LIMITED, THE STEEL COMPANY OF CANADA, LIMITED and DOMINION FOUNDRIES AND STEEL, LIMITED, which companies, under reserve of all their rights under their Amended Power Contract with Twinco, hereby consent to this Agreement.

AND HERETO ALSO INTERVENED QUEBEC NORTH SHORE AND LABRADOR RAILWAY COMPANY, NORTHERN LAND COMPANY LIMITED, WABUSH LAKE RAILWAY COMPANY, LIMITED and CAROL LAKE COMPANY LIMITED, each of which companies hereby consents to this Agreement.

IN WITNESS WHEREOF his Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Operating Lease as intervenor and the parties hereto and the other intervenors have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.

BY HIS HONOUR'S COMMAND

J. A. Frecker
.....
Minister of Provincial Affairs

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By *[Signature]* Chairman

Elizabeth Schmitz Vice-President and Secretary
Witness

TWIN FALLS POWER CORPORATION
LIMITED

By

And

Secretary

Witness

THE ROYAL TRUST COMPANY

By

And

B.C. Com. Manager
Bond Trusteeship Department

R. Rees, Assistant Secretary

Witness

IRON ORE COMPANY OF CANADA

By

Attest

Witness

WABUSH IRON CO. LIMITED

By

Attest

Assistant Secretary

Witness

THE STEEL COMPANY OF CANADA,
LIMITED

By

And

VICE-PRESIDENT

SECRETARY

Witness

Richard W. [Signature]

 Witness

DOMINION FOUNDRIES AND STEEL,
 LIMITED

By

VICE PRESIDENT

And

ASSISTANT SECRETARY

QUEBEC NORTH SHORE AND LABRADOR
 RAILWAY COMPANY

By

And

A. Brabant

 Witness

NORTHERN LAND COMPANY LIMITED

By

And

A. Brabant

 Witness

WABUSH LAKE RAILWAY COMPANY,
 LIMITED

By

And

Quail Kemp

 Witness

CAROL LAKE COMPANY LIMITED

By

Attest

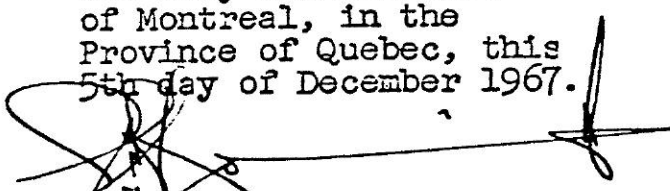
A. Brabant

 Witness

I, Elizabeth Schneidhofer, of the City and
District of Montreal, and Province of Quebec, Secretary,
make oath and say:

THAT I was personally present and did
see the within OPERATING LEASE
dated as of November 30th, 1967, duly executed
by CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED and TWIN FALLS POWER CORPORATION
LIMITED by affixing thereto the common seal
of CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED in the presence of DONALD GORDON
and C.T. MANNING, the Chairman and the Vice-
President (Legal) and Secretary respectively
of CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED and by the affixing thereto of the
common seal of TWIN FALLS POWER CORPORATION
LIMITED in the presence of M.F. NICHOLSON
and A.B. THOMSON, the Chairman and the Secretary
respectively of TWIN FALLS POWER CORPORATION
LIMITED, the whole on the 5th day of December
1967, and that I am the subscribing witness to
such execution.

Sworn to before me at
the City and District
of Montreal, in the
Province of Quebec, this
5th day of December 1967.


A Commissioner of the
Supreme Court of Newfoundland

(C. T. Manning)

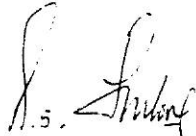
Elizabeth Schneidhofer

AMENDMENT TO OPERATING LEASE entered into
as of the First day of July 1974.

B E T W E E N : CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED (hereinafter called "CFLCo"),
a company incorporated under the laws
of Canada and having its head office at
the City of St. John's, in the Province
of Newfoundland,

OF THE FIRST PART,

A N D : TWIN FALLS POWER CORPORATION LIMITED
(hereinafter called "Twinco"), a company
incorporated under the laws of Canada
and having its head office at the City
of St. John's, in the Province of New-
foundland,



ADMINISTRATOR

OF THE SECOND PART.

WHEREAS the parties hereto entered into an Operating
Lease made as of the 30th day of November, 1967, and registered
at the Registry of Deeds for Newfoundland on the 11th day of
December, 1967, in Volume 916 at Folios 250-259; and

WHEREAS the parties hereto desire to effect certain
amendments to the Operating Lease resulting from the construc-
tion of the Third Expansion (hereinafter defined) and Twinco's
undertaking to operate same as more fully set forth in its
Agreement (hereinafter called the "IOC Agreement") with Iron
Ore Company of Canada (hereinafter called "IOC") made as of
December 31st, 1974.

NOW THEREFORE, THIS AMENDMENT TO OPERATING LEASE
WITNESSETH:

1.- The Operating Lease is hereby amended as follows:



Minister of Justice

- (a) The following sub-paragraph is added to paragraph 1 of Article I immediately following sub-paragraph 1.2 namely:

"1.3. "Third Expansion" shall mean those additional facilities, buildings, machinery, equipment and property installed or added since July 1971 or being installed or added to the step-down station owned by Twinco near Wabush Lake and which are more fully described in Schedule A of the IOC Agreement, and which shall include without limitation:

- (i) two 60 MVAR synchronous condensers including auxiliaries, buildings, step-up transformers 46 KV cabling and circuit breakers,
- (ii) one 47/65 MVA transformer including associated 230 KV bay, bus work and disconnects,
- (iii) expansion of the 46 KV section of the switchyard including structural steel and foundations, circuit breakers, disconnects and relocation of existing customer feeders,
- (iv) the addition, replacement or modification to control cabling, protective relaying, station controls, remote supervisory control and communications required to accommodate the expanded station,
- (v) the lease of surface rights to additional property as set forth in the Indenture entered into as of October 1st, 1971 between Wabush Iron Co. Limited, Twinco and others; and

- (vi) all other additions, rights, facilities, property easements and right-of-way relating to the foregoing."
- (b) Wherever in the Operating Lease there is reference to "Second Expanded Project", namely, in Articles III, VIII and IX, there shall be added immediately thereafter the words "and the Third Expansion".
- (c) Subject to the foregoing paragraph (b) of this clause 1, Articles VIII, IX, X and XI shall be renumbered Articles IX, X, XI and XII and a new Article VIII shall be added as follows:

"VIII. Assumption of Obligations under IOC Agreement.

CFLCo hereby acknowledges that it has taken communication of the IOC Agreement and it hereby assumes, to the entire exoneration of Twinco, the obligations of Twinco contained therein except as contained in Article 3 thereof, in consideration for which Twinco undertakes to remit to CFLCo, as and when received, all amounts paid to it by IOC pursuant to Article 3.02 of the IOC Agreement. In the event IOC defaults in any of its obligations contained in Sections 3.02, 3.03, 3.04 and 3.05 thereof (except to the extent such obligations may relate to Section 3.01 thereof), Twinco undertakes to take such action to enforce same as CFLCo shall direct in writing and which shall not be at variance with any applicable provision

of the IOC Agreement. Furthermore, should the circumstances contemplated in the second sentence of Article 3.05 occur, Twinco undertakes to consult with CFLCo and to act in accordance with its instructions with respect to any written agreement with IOC reducing or eliminating the Normal Service Charge."

2.- Except as otherwise amended hereby, the parties acknowledge that the Operating Lease of November 30th, 1967, is in full force and effect.

3.- INTERVENTIONS

HERETO INTERVENED HIS HONOUR THE HONOURABLE GORDON A. WINTER, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter called the "Government", which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province), who declares:


- (a) That the Government hereby consents to this Amendment to Operating Lease;
- (b) That it makes no warranty as to the title of Twinco or CFLCo, nor does it establish any privity of contract with Twinco or CFLCo, nor does it undertake any obligations to any or all of them, nor shall it by its intervention be deemed to have made any such warranty, to have established any such privity of contract, or to have undertaken any such obligations;

AND HERETO ALSO INTERVENED IRON ORE COMPANY OF CANADA which, under reserve of all rights under its Amended Power Contract with Twinco, hereby consents to this Amendment to Operating Lease;

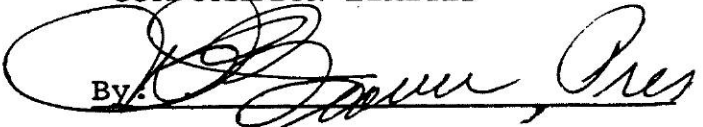
AND HERETO ALSO INTERVENED WABUSH IRON CO. LIMITED, THE STEEL COMPANY OF CANADA, LIMITED and DOMINION FOUNDRIES AND STEEL, LIMITED, which companies, under reserve of all their rights under their Amended Power Contract with Twinco, hereby consent to this Amendment to Operating Lease.

IN WITNESS WHEREOF, his Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Amendment to Operating Lease as intervenor and the parties hereto and the other intervenors have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.


BY HIS HONOUR'S COMMAND


Minister of Provincial Affairs
REGISTRAR GENERAL

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By: 


Witness

And: 
Vice President & Assistant Secretary

TWIN FALLS POWER CORPORATION
LIMITED

J. A. Wright
Witness

By: [Signature]
And: Percy A. Bangson
Secretary

IRON ORE COMPANY OF CANADA

L. MacKenzie
Witness

By: [Signature]
Attest: [Signature]

WABUSH IRON CO. LIMITED

Jayce Minkowski
Witness

By: [Signature]
Vice President
Attest: C. B. Bell
Assistant Secretary

THE STEEL COMPANY OF CANADA,
LIMITED

L. Sodergard
Witness

By: S. H. S. Lang
VICE-PRESIDENT
And: [Signature]
VICE-PRESIDENT and SECRETARY

DOMINION FOUNDRIES AND STEEL,
LIMITED

Hughy Brechin
Witness

By: [Signature]
EXECUTIVE VICE PRESIDENT
FINANCIAL
And: [Signature]
SECRETARY

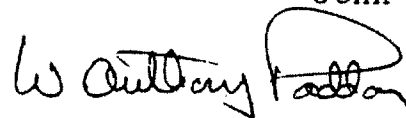
SECOND AMENDMENT TO OPERATING LEASE entered
into as of the 10th day of November 1981.

BETWEEN: CHURCHILL FALLS (LABRADOR) CORPORATION
LIMITED (hereinafter called "CF(L)Co"),
a company incorporated under the laws of
Canada and having its head office at the
City of St. John's, in the Province of
Newfoundland,

OF THE FIRST PART,

AND: TWIN FALLS POWER CORPORATION LIMITED
(hereinafter called "Twinco"), a company
incorporated under the laws of Canada and
having its head office at the City of St.
John's, in the Province of Newfoundland,

OF THE SECOND PART.


LIEUTENANT-GOVERNOR

WHEREAS the parties hereto entered into an
Operating Lease made as of the 30th day of November, 1967,
and registered at the Registry of Deeds of Newfoundland
on the 11th day of December, 1967, in Volume 916 at Folios
250-259; and

WHEREAS the Operating Lease was amended by
Amendment to Operating Lease made as of the 1st day of
July, 1974, and registered at the Registry of Deeds for
Newfoundland on the 21st day of September, 1976, in
Volume 2131 at Folios 108-114; and

WHEREAS the parties hereto desire to effect
certain further amendments to the Operating Lease resulting
from the construction of the Fourth Expansion (hereinafter
defined) and Twinco's undertaking to operate same as more
fully set forth in its Agreement (hereinafter called
the "Fourth Expansion Agreement") with Iron Ore Company
of Canada (hereinafter called "IOC") made as of
November 10th, 1981.


MINISTER OF JUSTICE

NOW, THEREFORE, THIS SECOND AMENDMENT TO
OPERATING LEASE WITNESSETH:

1. The Operating Lease as amended is hereby
further amended as follows:

(a) The following sub-paragraph is added to
paragraph 1 of Article I immediately
following sub-paragraph 1.3, namely:

"1.4. "Fourth Expansion" shall mean those
additional facilities, machinery, equipment
and property installed or added during 1981
at the step-down station owned by Twinco
near Wabush Lake and which shall include
without limitation:

- (i) one outdoor 35-47-65 MVA 230 KV-
46 KV transformer (the "Transformer")
with copper windings in lieu of
aluminum,
- (ii) one set of spare parts including one
high voltage bushing, one low voltage
bushing, one HV neutral bushing and
one set of gaskets,
- (iii) one 46 KV breaker, and
- (iv) all ancillary equipment necessary or
desirable for the installation and
commissioning of the foregoing
indicating without limitation,
associated protective relays and
meters, fire pads and fire walls."

- (b) Wherever in the Operating Lease as amended there is reference, subsequent to Article I, to "the Third Expansion", namely, in Articles III, IX and X, there shall be added immediately thereafter the words "and the Fourth Expansion".
- (c) Subject to the foregoing paragraph (b) of this clause 1, Articles IX, X, XI and XII of the Operating Lease as amended shall be renumbered Articles X, XI, XII and XIII and a new Article IX shall be added as follows:

"IX. Assumption of Obligations under Fourth Expansion Agreement:

CF(L)Co hereby acknowledges that it has taken communication of the Fourth Expansion Agreement and it hereby assumes, to the entire exoneration of Twinco, the obligations of Twinco contained therein except as contained in Article 3 thereof, in consideration for which Twinco undertakes to remit to CF(L)Co, as and when received, all amounts paid to it by IOC pursuant to Article 3.02 of the Fourth Expansion Agreement. In the event IOC defaults in any of its obligations contained in Section 3.02, 3.03, 3.04 and 3.05 thereof (except to the extent such obligations may relate to Section 3.01 thereof), Twinco undertakes to take such action to enforce same as CF(L)Co shall direct in writing and which shall not

be at variance with any applicable provision of the Fourth Expansion Agreement. Furthermore, should the circumstances contemplated in the second sentence of Article 3.05 occur, Twinco undertakes to consult with CF(L)Co and to act in accordance with its instructions with respect to any written agreement with IOC reducing or eliminating the Normal Service Charge."

2. Except as otherwise amended hereby, the parties acknowledge that the Operating Lease of November 30th, 1967, as amended by Amendment to Operating Lease of July 1, 1974, is in full force and effect.

3. INTERVENTIONS

HERETO INTERVENED HIS HONOUR THE HONOURABLE W. ANTHONY PADDON, Lieutenant-Governor of the Province of Newfoundland in Council (hereinafter called the "Government", which expression shall, unless the context otherwise requires, mean the Government for the time being of the said Province), who declares:

- (a) That the Government hereby consents to this Second Amendment to Operating Lease;
- (b) That it makes no warranty as to the title of Twinco or CF(L)Co, nor does it establish any privity of contract with Twinco or CF(L)Co, nor does it undertake any obligations to any or all of them, nor shall it by its intervention be deemed to have made any

such warranty, to have established any such privity of contract, or to have undertaken any such obligations;

AND HERETO ALSO INTERVENED IRON ORE COMPANY OF CANADA which, under reserve of all rights under its Amended Power Contract with Twinco, hereby consents to this Second Amendment to Operating Lease;

AND HERETO ALSO INTERVENED WABUSH IRON CO. LIMITED, THE STEEL COMPANY OF CANADA, LIMITED and DOMINION FOUNDRIES AND STEEL, LIMITED, which companies, under reserve of all their rights under their Amended Power Contract with Twinco, hereby consent to this Second Amendment to Operating Lease.

IN WITNESS WHEREOF, his Honour the Lieutenant-Governor in Council has caused the Great Seal of the Province of Newfoundland to be affixed hereto and has signed this Second Amendment to Operating Lease as intervenor and the parties hereto and the other intervenors have caused their Corporate Seals to be affixed hereto in the presence of their respective officers duly authorized for the purposes hereof as of the date first above written.

BY HIS HONOUR'S COMMAND

W. Anthony Taddon
Lieutenant-Governor

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By: D. J. [Signature] PRESIDENT

And: Sgt. Butler - SECRETARY

Judi Stamp
Witness

TWIN FALLS POWER CORPORATION
LIMITED

By: *Donald* PRESIDENT.

And: *Se. Butler* - SECRETARY

Judi Stamp
Witness

IRON ORE COMPANY OF CANADA

By: *Booth* Vice President

Attest: *Strick* SECRETARY

Mary V. Gasford
Witness

WABUSH IRON CO. LIMITED

By: *W. M. M. M.*

Attest: *R. H. M. M.*

J. L. Hartman
Witness

STELCO INC., formerly
THE STEEL COMPANY OF CANADA,
LIMITED

By: *J. E. M.* VICE-PRESIDENT.

And: *J. H. M.*
VICE-PRESIDENT and SECRETARY

DOFASCO INC., formerly
DOMINION FOUNDRIES AND STEEL,
LIMITED

By: *J. E. M.* VICE PRESIDENT

And: *R. H. M.* ASSISTANT SECRETARY

Shirley Loder
Witness

Valerie Moore
Witness

THIS AGREEMENT made at St. John's in the Province of Newfoundland as of the 9th day of March, 1998.

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

AND **NEWFOUNDLAND AND LABRADOR HYDRO-ELECTRIC CORPORATION** a corporation constituted by statute and an agent of her Majesty the Queen in right of the Province of Newfoundland and having its head office at Hydro Place, St. John's in the said Province (hereinafter called "Hydro") of the second part.

WHEREAS Hydro has purchased from CF(L)Co certain Electricity from CF(L)Co's hydro-electric plant at Churchill Falls pursuant to the 1976 Hydro/CF(L)Co Power Contract;

AND WHEREAS the parties wish to terminate the 1976 Hydro/CF(L)Co Power Contract and agree to a new contract for the supply and delivery of Electricity from CF(L)Co to Hydro upon the terms and conditions as 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

1.0 In this Agreement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

- (a) "Amount of Energy on Order" for a period means the Amount of Power on Order multiplied by the Load Factor prescribed in Article 3 multiplied by the number of hours in the period;
- (b) "Amount of Power on Order" means the amount of kilowatts prescribed in Article 3;
- (c) "Basic Contract Demand" means, in respect of any month, the number of kilowatthours obtainable, calculated to the nearest 1/100 of a billion kilowatthours, when the annual Amount of Energy on Order is multiplied by the number which corresponds to the number of days in the month concerned and the result is then divided by the number which corresponds to the number of days in the year concerned.
- (d) "Delivery Point" means the point or points at which delivery of the Energy is to be made hereunder, and includes, collectively, all of such points;
- (e) "Effective Delivery Point" means that point on the transmission lines from CF(L)Co's hydro-electric plant in Churchill Falls towards the Province of Quebec which is at the height of land, about opposite present Mile 148.8 on the Quebec North Shore and Labrador Railway, which is the presumed watershed between the St. Lawrence River and the Churchill River, or such other point on such transmission lines as may be determined by CF(L)Co;
- (f) "Electricity" includes Power and Energy;
- (g) "Energy" means the amount of Power taken during a given period of time and measured in kilowatthours;

- (h) **"Force Majeure" means**
- (i) **any fortuitous event, act of governmental authority, act of public enemies, war, invasion or insurrection, riot, civil disturbance, labour trouble, strike; or**
 - (ii) **any flood, fire, shortage of labour, or of materials or of transport or other cause of inability to perform or delay in performing obligations hereunder which, in each such event, is beyond the reasonable control of the party or parties affected;**
- (i) **"Hydro-Quebec" means the corporate body duly incorporated and regulated by Hydro-Quebec Act, Chapter H-5, Revised Statutes of Quebec and having its head office at the City of Montreal in the Province of Quebec and includes its successors and assigns;**
- (j) **"Load Factor" means for any period, the ratio, expressed as a percentage, of the average Power over that period to the Maximum Power in that period;**
- (k) **"Maximum Power" means the greatest amount of Power averaged over a period of thirty (30) consecutive minutes during the appropriate month or part of a month, as the case may be;**
- (l) **"Month" means a calendar month;**
- (m) **"Power" means the amount of Electricity delivered at any instant of time measured in kilowatts; and**

- (n) "1976 Hydro/CF(L)Co Power Contract" means the Power Contract executed and delivered as of September 1, 1976 by and between Hydro and CF(L)Co as amended from time to time.

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 in Canada 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 inclusively of the first and exclusively of the last.

1.06 Whenever this Agreement requires a notice to be given or a 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 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

TERM OF AGREEMENT

2.01 The term of this Agreement runs from and including March 9, 1998 to and including 31 August, 2041.

ARTICLE 3

AMOUNT OF ELECTRICITY AND DELIVERY THEREOF

3.01 The Amount of Power on Order is 300,000 kilowatts and the Load Factor is ninety percent (90%) per month. The aggregate amount is not to exceed 2.362 billion kilowatthours in a year.

3.02 Subject to the provisions of this Agreement, CF(L)Co will deliver to Hydro at the Delivery Points prescribed by or under Clause 3.03, such quantity of Electricity that if transmitted to and measured at the Effective Delivery Point, would amount to the Amount of Power on Order and Amount of Energy on Order.

3.03 The Electricity referred to in Clause 3.02 shall be delivered by CF(L)Co to Hydro at the following Delivery Points:

- (1) The CF(L)Co 230,000 volt bus at Churchill Falls;
- (2) The metered locations of various Hydro customers being supplied by the 13.8 kV distribution system owned by CF(L)Co;
- (3) The metered locations of various Hydro customers being supplied by the 66 kV sub-transmission system owned by CF(L)Co;
- (4) The Effective Delivery Point; and
- (5) Any other points mutually agreed to from time to time between CF(L)Co and Hydro pursuant to Clause 3.05.

Provided, however, that the sum of the amounts of Electricity delivered at the Delivery Points shall not exceed the amount specified in Clause 3.02, subject to any surplus energy sold to Hydro pursuant to Clause 5.

3.04 For the purpose of determining the equivalent amount of Electricity delivered to Hydro at the Effective Delivery Point the amount of Electricity delivered at each of the Delivery Points shall be increased or decreased at that Delivery Point by the quantity of transmission losses or gains, as the case be, between the Effective Delivery Point and the Delivery Point.

3.05 Subject to Clause 7.01, CF(L)Co will, on the written request of Hydro made from time to time, change any of the Delivery Points prescribed in Clause 3.03 or add one or more new Delivery Points, but if any such change or addition requires the installation of

additional facilities, or obliges CF(L)Co to incur any other costs or expenses, such facilities will be furnished and installations made at the expense of Hydro.

3.06 The Electricity delivered to Hydro under this Agreement shall be only for consumption outside of the Province of Quebec.

ARTICLE 4
PRICE OF POWER AND ENERGY

4.01 Subject to the other provisions of this Agreement, Hydro shall pay to CF(L)Co for the right to use and for the use of the Electricity of CF(L)Co the sum of the amounts prescribed in accordance with the Clauses of this Article 4 from and including Clause 4.02 to and including Clause 4.07.

4.02 Hydro shall pay to CF(L)Co each Month from March 9, 1998 to September 1, 2041, an amount to be determined:

- (a) by multiplying the Basic Contract Demand for that Month by 66.67% of the applicable rate set out in Clause 4.03 (whether or not the Amount of Energy on Order for the Month is taken or made available);
- (b) by multiplying the amount of Energy taken at the Effective Delivery Point by Hydro for that Month by 33.33% of the applicable rate set out in Clause 4.03; and
- (c) by adding the amounts computed in accordance with paragraphs (a) and (b) of this Clause 4.02.

4.03 The applicable rates per kilowatthour for the Electricity of CF(L)Co shall be:

- (a) \$0.0027202 from and including March 9, 1998 to and including 31 August, 2001;
- (b) \$0.0025426 from and including 1 September, 2001 to and including 31 August, 2016; and
- (c) \$0.0020000 from and including 1 September, 2016 to and including 1 September, 2041.

4.04 Hydro shall pay to CF(L)Co that portion of the interest payments due by CF(L)Co on its debt obligations which CF(L)Co would, under its contract arrangements with Hydro-Quebec subsisting on 1 September, 1976, have received from Hydro-Quebec in respect of the Amount of Energy on Order, if that Energy had not been recaptured from Hydro-Quebec.

4.05 Payments under Clause 4.04 in respect of any debt obligation of CF(L)Co each consisting of all amounts then outstanding on account of that debt obligation, shall be made by Hydro at least three business days prior to the date upon which the interest on such debt obligation is required to be paid by CF(L)Co, whether that date is monthly, quarterly, half-yearly or yearly.

4.06 If, as a result of the recapture by CF(L)Co from Hydro-Quebec of the whole or any part of the Amount of Energy on Order the price payable to CF(L)Co by Hydro-Quebec for Energy is reduced by Hydro-Quebec during the period of the recapture notice in accordance with contract arrangements between CF(L)Co and Hydro-Quebec in effect at the date of the execution and delivery of this Agreement, then, from and including the date that such reduction becomes effective and thereafter during the

recapture notice period, which shall not exceed three years, Hydro shall, on notice of any such reduction given by CF(L)Co to Hydro, pay to CF(L)Co amounts necessary to indemnify CF(L)Co in respect of such reduction, and each such amount shall be

- (a) an amount sufficient to bring the payment received by CF(L)Co from Hydro-Quebec up to the sum CF(L)Co would have received from Hydro-Quebec; and
- (b) paid on or before the date that such amount would have been paid by Hydro-Quebec,

if the Amount of Energy on Order or part thereof, as the case may be, had not been recaptured from Hydro-Quebec.

4.07 This Agreement shall be construed towards the end that during the term thereof Hydro shall pay to CF(L)Co for the Electricity to be delivered to it by CF(L)Co hereunder the same price as would have been paid to CF(L)Co by Hydro-Quebec, in accordance with contract arrangements between CF(L)Co and Hydro-Quebec in effect at the date of the execution and delivery of this Agreement if such Electricity had, from the beginning of such contract arrangements, been sold continuously to Hydro-Quebec, without any reduction in the price that would have been paid under such contract arrangements if such Electricity had not been recaptured and a notice of recapture had not been given in respect of it, and if in respect of any period the sum of the amounts to be paid by Hydro to CF(L)Co under this Agreement is less or greater than the price that would have been so paid by Hydro-Quebec in accordance with such contract arrangements in respect of the same period, then, the price to be paid by Hydro to CF(L)Co hereunder shall be adjusted by way of increase or decrease to equalize it with the price that would have been so paid by Hydro-Quebec for the same amount of Electricity in respect of the same period.

ARTICLE 5
SURPLUS ENERGY

5.01 CF(L)Co agrees to deliver to Hydro when requested up to and including December 31, 2014, interruptible Energy from its generating facilities resulting from under utilization of Energy reserved for its existing obligations when, in the sole discretion of CF(L)Co, it can be made available, and the price of such Energy shall be determined in the manner prescribed in Clause 5.02.

5.02 The rates for any Energy supplied to Hydro pursuant to this Article 5, shall be 33% of the rates prescribed in Clause 4.03. At the end of each four year review period as defined under the terms of the Power Contract between CF(L)Co and Hydro-Quebec dated May 12, 1969 (the "Power Contract"), the Energy Payable (as defined under the terms of the Power Contract) shall be compared to the Annual Energy Base as determined pursuant to the Power Contract (the "AEB"). If the Energy Payable for the period is less than the AEB, then Hydro shall pay 66% of the rates prescribed in Clause 4.03 on the amount of Energy that is equal to the difference between the Energy Payable for the period and the AEB, up to a maximum of the amount of Energy taken pursuant to this Article 5.

ARTICLE 6
MONTHLY BILL

6.01 Except where otherwise expressly provided in this Agreement, CF(L)Co will render its accounts monthly, and Hydro will make payment in lawful money of Canada at CF(L)Co's office at St. John's, Newfoundland or at any such other place as CF(L)Co may designate, and Hydro will make payment of every such bill within 15 days after the

date on which any such account was rendered (without abatement or set off whatsoever except for credits or adjustments, if any, included in the account).

ARTICLE 7

METERING

7.01 Metering equipment and meters to register the Electricity taken by Hydro under this Agreement, shall be of a type approved by the appropriate Department of the Government of Canada, shall be furnished by CF(L)Co, and, if required to be located on Hydro's premises, shall be installed by CF(L)Co in a suitable place satisfactory to CF(L)Co and provided by Hydro, and shall be installed in such manner as to register accurately the total amount of Electricity taken by Hydro under this Agreement.

7.02 Hydro shall have the right, at its own expense, to install, equip and maintain check meters adjacent to the meters of CF(L)Co.

7.03 Wherever the metering equipment may be installed the readings of the meters will be increased or decreased as is appropriate to compensate for transmission losses between the point of metering and the Delivery Point.

7.04 Authorized employees of CF(L)Co shall have the right to access all such meters at all reasonable times for the purpose of reading, inspecting, testing, repairing or replacing them.

7.05 Should any meter fail to function or to register accurately, CF(L)Co shall promptly adjust, repair or replace the same.

7.06 Should any meter fail to register accurately, CF(L)Co may charge for the Electricity supplied during the period when the registration was inaccurate, either,

- (a) on the basis of the amount of Electricity charged for
 - (i) during the corresponding term immediately succeeding or preceding the period of alleged inaccurate registration, or
 - (ii) during the corresponding term in the previous calendar year; or
- (b) on the basis of the amount of Electricity supplied as established by available evidence,

whichever basis appears most fair and accurate.

7.07 The amount of Electricity taken at the Effective Delivery Point by Hydro under this Agreement shall be determined using the methodology established in Appendix "A" of this Agreement.

ARTICLE 8

LIABILITY FOR SERVICE

8.01 The Electricity herein contracted for will be made available for use by Hydro during 24 hours on each and every day of the term of this Agreement.

8.02 Either party may at any time discontinue or reduce the supply or taking of Electricity under this Agreement for the purpose of safeguarding human life or protecting its facilities from major damage but only to the extent necessary for such purpose.

8.03 No event of Force Majeure or of default hereunder shall give rise to, or result in, the termination of this Agreement.

8.04 Subject to Clause 4.07, events of Force Majeure shall have the effect of abating to the extent thereby not earned any payments provided for in this Agreement.

8.05 Subject to Clause 4.07, should either or both parties to this Agreement by reason of Force Majeure be prevented or delayed in the performance of any of its or their obligations hereunder, such party or parties shall not on that account be subject to any penalty under the provisions hereof or incur any liability to the other, but shall nonetheless perform such obligation as soon and to as full an extent as possible.

ARTICLE 9
CONSTRUCTION OR INSTALLATION OF TRANSMISSION
LINES OR APPARATUS

9.01 For the purpose of using the Electricity to be supplied by CF(L)Co, Hydro shall at its expense furnish and install properly designed and suitable apparatus in accordance with good engineering practice, and shall at all times operate and maintain such apparatus so as to avoid causing any undue disturbance on the system of CF(L)Co.

9.02 If, at any time during the term of this Agreement, CF(L)Co or Hydro desires to improve the continuity of service to any of their customers, CF(L)Co and Hydro will co-operate and use their best endeavours to carry out the improvements either by changes to existing equipment or additions to the original installations of either CF(L)Co or Hydro.

ARTICLE 10
RESPONSIBILITY FOR DAMAGES

10.01 CF(L)Co shall assume all obligations, risks and responsibilities for and shall forever indemnify and save Hydro harmless from and against any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of CF(L)Co on CF(L)Co's side of the Delivery Point up to and including the Delivery Point, or by the presence or use of CF(L)Co's equipment, unless such injuries or damages are caused by the negligence of Hydro or any of its employees.

10.02 Hydro shall assume all obligations, risks and responsibilities and shall forever indemnify and save CF(L)Co harmless from and against any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of Hydro on Hydro's side of the Delivery Point or by the presence or use of Hydro's equipment, unless such injuries or damages are caused by the negligence of CF(L)Co or any of its employees.

10.03 Subject to Clauses 10.04 and 10.05, neither party to this Agreement shall make any claim upon the other by reasons of one party's circuit and system being damaged or rendered inoperative for any period as a result of an occurrence on the circuits and system of the other party.

10.04 If any of the transmission lines or apparatus installed by CF(L)Co on Hydro's premises should be destroyed or damaged by the negligence of Hydro, its servants or agents, Hydro shall reimburse CF(L)Co for the cost of their replacement or repair.

10.05 If any of the transmission lines or apparatus installed by Hydro on the premises of CF(L)Co should be destroyed or damaged by the negligence of CF(L)Co, its servants or agents, CF(L)Co shall reimburse Hydro for the cost of their replacement or repair.

ARTICLE 11

MODIFICATION OF AGREEMENT

11.01 All previous communications between the parties to this Agreement, 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.

11.02 Any amendment to or change or modification of this Agreement shall be binding upon the parties hereto to 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 12

TERMINATION OF 1976 HYDRO/CF(L)CO POWER CONTRACT

12.01 Hydro and CF(L)Co hereby covenant and agree that the 1976 Hydro/CF(L)Co Power Contract shall terminate when this Agreement comes into effect pursuant to Article 2 of this Agreement.

ARTICLE 13
SUCCESSORS AND ASSIGNS

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

ARTICLE 14
APPLICABLE LAW AND FORUM

14.01 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 said Province, subject to the right of appeal up to the Supreme Court of Canada, where such appeal lies.

ARTICLE 15
ADDRESS FOR SERVICE

15.01 Subject to Clause 15.02 and 15.03, 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 served personally, sent by fax or mailed by prepaid registered post, addressed, if service is to be made

(a) on CF(L)Co, to

Churchill Falls (Labrador) Corporation Limited
Hydro Place
St. John's, Newfoundland
Fax: (709) 737-1782

ATTENTION: The Secretary

(b) on Hydro, to

Newfoundland and Labrador Hydro
Hydro Place
St. John's, Newfoundland
Fax: (709) 737-1782

ATTENTION: The Secretary

15.02 Any notice, request or other instrument made pursuant to Clause 15.01 shall be deemed to have been received by the party hereto to which it is addressed, if personally served on the date of delivery, if mailed three business days after the time of its being so mailed, or if sent by fax on the day following the date of delivery.

15.03 Either of the parties hereto may change the address or fax number to which a notice, request or other instrument may be served personally, mailed or faxed 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 served personally, mailed or faxed in the manner prescribed in Clause 15.01 on or to such party at the new address or fax number.

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

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


Witness

CHURCHILL FALLS (LABRADOR)
CORPORATION LIMITED

By  _____

Title: President

And  _____

Title: General Manager

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


Witness

NEWFOUNDLAND AND LABRADOR HYDRO-
ELECTRIC CORPORATION

By  _____

Title: President

And Maurice P. Greene

Title: Vice-Pres, Gen. Counsel &
Corp. Sec.

APPENDIX "A"

Metering Methodology

Meter Readings (Refer to Drawing - Labrador Load Metering)

CF1-	230 kV Energy to Wabush Measured at Churchill Falls
CF2-	138 kV Energy to Happy Valley Measured at Churchill Falls
CF3-	Hydro Customers in Churchill Falls
W1 -	46 kV Total energy to Iron Ore Company of Canada (IOCC) at Wabush Terminal Station (T.S.)
W2 -	46 kV Total energy to Wabush Mines at Wabush T.S.
W3 -	46 kV Total energy to Fermont for Hydro-Quebec at Wabush T. S.
W4 -	46 kV Total energy to Labrador City and Wabush for Hydro at Wabush T.S.

Calculations Applied to Meter Readings

1. Determine TWINCo (Twin Falls Power Corporation) consumption at Churchill Falls
 - a) IOCC Energy from TWINCo

Add together all half hour energy readings from W1 associated with a demand up to and including 160 MW.
 - b) Wabush Mines Energy from TWINCo

Add together all half hour energy readings from W2 associated with a demand up to and including 53.6 MW.
 - c) TWINCo Customers' Energy Consumption at Wabush T.S.

Add together IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.
 - d) TWINCo Consumption at Churchill Falls

Multiply TWINCo Customers' Energy Consumption at Wabush by the ratio of 1.053. 1.053 is the ratio of the TWINCo power at Churchill Falls of 225 MW to the TWINCo contracted energy delivery of 213.6 MW.

2. Determine Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

a) Hydro and Hydro-Quebec load at Wabush T.S.

Add together meter readings W1, W2, W3 and W4 and subtract IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.

b) Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

Subtract TWINCo Consumption at Churchill Falls from CF1.

c) Hydro and Hydro-Quebec Line Losses to Wabush T.S.

Subtract Hydro and Hydro-Quebec load at Wabush T.S. from Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

d) Hydro-Quebec Line Losses to Wabush T.S.

Multiply Hydro and Hydro-Quebec Line Losses to Wabush T.S. by the ratio of W3 to Hydro and Hydro-Quebec Load at Wabush T. S.

e) Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

Add together Hydro-Quebec Line Losses to Wabush T.S. and W3.

f) Hydro Consumption at Churchill Falls for Wabush T.S.

Subtract Hydro-Quebec Consumption at Churchill Falls for Wabush T.S. from Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

3. Determine Hydro Consumption at Churchill Falls for Happy Valley T.S.

a) Determine 230/138 kV transformers' No Load Losses

These are constant at 27,010 kWh per month.

b) Determine 230/138 kV Transformer's Load Losses

Calculated by squaring meter reading CF2 and multiplying the result by the constant factor 9.917×10^{-11} .

c) Hydro Consumption at Churchill Falls for Happy Valley T.S.

Add together the 230/138 kV transformer's No Load and Load Losses with meter reading CF2.

4. Determine Hydro Consumption at Churchill Falls for Churchill Falls

Multiply meter reading CF3 by 1.07. 7 percent represents the distribution losses in Churchill Falls.

5. Determine Hydro Consumption at Churchill Falls

Add together Hydro Consumption at Churchill Falls for Wabush, Happy Valley and Churchill Falls.

6. Determine Hydro Equivalent Consumption at the Effective Delivery Point

Divide Hydro Consumption at Churchill Falls by 1.023036. 2.3036 percent is the average energy lost between the Churchill Falls 230 kV bus and the Effective Delivery Point as determined by load flow analysis.

7. Total Energy taken by Hydro at the Effective Delivery Point

Add Hydro Equivalent Consumption at the Effective Delivery Point to Hydro-Quebec Purchase from Hydro at the Effective Delivery Point as determined in Annex IV of the Hydro-Quebec/Hydro agreement dated March 9, 1998.



AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT made as of February 19, 2001.

AMONG: **HYDRO-QUÉBEC**, a corporate body duly incorporated and regulated by the *Hydro-Québec Act*, Chapter H-5, Revised Statutes of Quebec, an agent of the Crown in right of the Province of Quebec, and having its head office at the City of Montreal in the Province of Quebec,

(hereinafter called "HQ")

AND: **NEWFOUNDLAND AND LABRADOR HYDRO**, a corporation constituted by statute, an agent of Her Majesty the Queen in right of the Province of Newfoundland and Labrador, and having its head office at the City of St. John's, in the Province of Newfoundland and Labrador,

(hereinafter called "N&LH")

(HQ and N&LH are hereinafter individually referred to as the "Party" and collectively as the "Parties")

AND: **CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**, a company incorporated under the laws of Canada and having its head office at the City of St. John's, in the Province of Newfoundland and Labrador,

(hereinafter called the "Intervenant")

WHEREAS HQ, N&LH and the Intervenant entered into a Purchase and Sale Agreement dated as of March 9, 1998, as supplemented by the appendix to the Purchase and Sale Agreement and annexes thereto (collectively, the "Purchase and Sale Agreement");

WHEREAS by Notice of Recapture and Waiver between the Intervenant and HQ dated as of March 9, 1998 (the "Notice"), the Intervenant has recaptured an additional quantity of power and energy which, together with all power and energy already recaptured by the Intervenant, constitutes 300 MW or 2.362 TWh per year, being the maximum quantity of power and energy available for

recapture by the Intervenant pursuant to Section 6.6 of the Power Contract, dated March 12, 1969 signed by HQ and the Intervenant (the "Contract");

WHEREAS pursuant to an agreement dated March 9, 1998 between the Intervenant and N&LH (the "N&LH PPA"), the Intervenant has agreed to sell to N&LH, and N&LH has agreed to purchase, all of such recaptured quantity of power and energy;

WHEREAS N&LH utilizes a portion of the total recaptured quantity for sales in Labrador (the "Labrador Load"), the amount of which may vary from time to time;

WHEREAS while this Agreement is in effect, N&LH agrees not to use any portion of the said recaptured quantity for sales outside Labrador except quantities sold to HQ;

WHEREAS N&LH has offered to sell to HQ, and HQ agrees to purchase for the price and on the terms set forth herein, the Yearly Quantity (as defined herein);

WHEREAS HQ, N&LH and the Intervenant wish to amend and restate the Purchase and Sale Agreement as set forth below (the amended and restated Purchase and Sale Agreement is referred to herein as the "Agreement"); and

NOW, THEREFORE, the Parties agree as follows:

1. PURCHASE AND SALE COMMITMENT

HQ commits to purchase from N&LH and N&LH commits to sell to HQ the Yearly Quantity (as defined herein) at the Delivery Point (as defined herein) during the Delivery Period (as defined herein).

2. DELIVERY PERIOD

The deliveries shall start at 00:00:00 (Quebec time) on March 9, 1998 and shall terminate at 23:59:59 (Quebec time) on March 31, 2004 (the "Delivery Period").

3. RENEWAL OF AGREEMENT

With respect to the continued sale of the Yearly Quantity under the terms of this Agreement after 00:00:00 (Quebec time) on April 1, 2004, the Parties hereby undertake to negotiate in good faith the applicable prices and conditions for all available energy at the Delivery Point taking into account the level of firm year-round power which will be made available to HQ by N&LH. The Parties shall commence negotiations for the renewal of this Agreement by October 1, 2003.

4. YEARLY QUANTITY

During the Delivery Period, N&LH shall make available to HQ at the Delivery Point (as defined herein) a yearly quantity of power and energy in MWh equal to 300 MW at a maximum annual load factor of 90% (being 2.362 TWh), less the Labrador Load (the "Yearly Quantity").

5. CHARACTERISTICS OF YEARLY QUANTITY

- 5.1 The Yearly Quantity shall be the yearly total of the monthly quantities of power and associated energy calculated at the Delivery Point, as follows: 300 MW at a maximum load factor of 90% for the month, less the Labrador Load and losses for the applicable month.
- 5.2 For the period commencing at 00:00:00 (Quebec time) on March 9, 1998 and ending at 23:59:59 (Quebec time) on March 8, 2001, (i) notwithstanding anything in the contrary contained in this Agreement, the Parties (and the Intervenant) hereby confirm that HQ shall not be obliged under the Agreement to pay more than a maximum aggregate amount of \$78.90 M (being 3,549,737 MWh x 93% (100% minus Applicable Losses of 7%) x \$23.90/MWh) for the first 3,549,737 MWh delivered under the Agreement; and (ii) the power and associated energy delivered pursuant to the Agreement during such period and after the aggregate amount of \$78.90 M is achieved shall be sold to HQ at a \$2.7202/MWh price at the Delivery Point, without applying the Applicable Losses provided for in Section 6.
- 5.3 For the period commencing at 00:00:00 (Quebec time) on March 9, 2001 and ending at 23:59:59 (Quebec time) on March 31, 2004, (i) notwithstanding anything in the contrary contained in the Agreement, the Parties (and the Intervenant) hereby confirm that HQ shall not be obliged under the Agreement to pay more than a maximum aggregate amount of \$97.53 M (being 4,388,000 MWh x 93% (100% minus Applicable Losses of 7% subject to adjustment in accordance with Section 6) x \$23.90/MWh) for the first 4,388,000 MWh delivered under the Agreement; and (ii) the power and associated energy delivered pursuant to the Agreement during such period and after the aggregate amount of \$97.53 M (subject to adjustment in accordance with Section 6) is achieved shall be sold to HQ at a \$2.5426/MWh price at the Delivery Point, without applying the Applicable Losses provided for in Section 6.

6. APPLICABLE LOSSES

- 6.1 For the purposes of this Agreement, N&LH shall deduct from the Yearly Quantity to be invoiced to HQ the applicable losses, deemed to be at a rate of 7%, of power and energy across the HQ system associated with

the transmission of the Yearly Quantity to HQ, subject to adjustment, whether upward or downward, in accordance with any decision of the *Régie de l'énergie* (Québec), made from time to time, fixing or modifying the rate of losses associated with the transmission service applicable to the electric power transmission system in Quebec of TransÉnergie, ("Applicable Losses").

- 6.2 Any new rate for transmission losses approved by the *Régie de l'énergie* (Québec) shall come into effect under this Agreement upon the date which it becomes effective on the electric power transmission system in Quebec of TransÉnergie. N&LH and HQ will adjust the transmission losses proportionately to the period covered by the applicable rate of losses fixed or modified by the *Régie de l'énergie* (Québec).

7. DELIVERY OF YEARLY QUANTITY

- 7.1 N&LH shall deliver the Yearly Quantity at the Delivery Point (as defined herein) and shall bear any risk, cost and loss of power and associated energy pertaining to the transmission to the Delivery Point.
- 7.2 HQ shall take delivery of Yearly Quantity at the Delivery Point and shall bear any risk, cost and loss (except Applicable Losses), of power and associated energy during the transmission from the Delivery Point.

8. DELIVERY POINT

The delivery point shall be that point on the transmission lines from the Intervenant's hydro-electric plant in Churchill Falls towards the Province of Quebec which is at the height of land, about opposite present Mile 148.8 on the Quebec North Shore and Labrador Railway, which is the presumed watershed between the St-Lawrence River and the Churchill River, or such other point on such transmission lines as may be agreed to by the Intervenant and HQ pursuant to the terms of the Contract (the "Delivery Point").

9. PRICE

The price applicable to the Yearly Quantity, adjusted for Applicable Losses in accordance with Section 6, during the Delivery Period shall be 2.39¢ per kWh (the "Applicable Price").

10. FORECAST AVAILABILITY

N&LH shall send to HQ a forecast covering the duration of the Agreement of the maximum monthly power and associated energy availability. Furthermore, N&LH shall send to HQ on May 31 and November 30 of

each year a confirmation of the said forecast. HQ shall include the monthly forecast in its operating reserves and in the forecast of its operational load requirements, which it provides to the Intervenant.

11. SCHEDULING, TRANSMISSION AND METERING

The scheduling and the transmission of the Yearly Quantity shall be done under the same terms and conditions as in the Contract. The Metering of the Yearly Quantity shall be done using the methodology established in the Annex IV of this Agreement.

12. BILLING AND PAYMENT

- 12.1 N&LH shall render, as agreed by the Representatives, but at least once a month, a bill for the portion of Yearly Quantity provided for the prior month. The bill shall incorporate all information as may be reasonably necessary to determine the amounts due. The portion of the Yearly Quantity provided during a month shall be determined in accordance with the methodology established in the Annex IV of this Agreement. Bills shall be sent as agreed by the Representatives but no later than the 10th of each month following the month in which the portion of Yearly Quantity was delivered.
- 12.2 HQ shall make the payments by electronic transfer to N&LH bank account specified in Annex II, unless other means are agreed to by the Representatives.
- 12.3 All amounts shown to be due on a bill shall be due and payable on the 15th day of the calendar month in which the bill is received. Any inaccuracy in any account shall be corrected by appropriate adjustment to a subsequent account. Interest on the amount of adjustment shall be added or subtracted, as the case may be, at the rate specified below. For purposes of this Section, a bill is deemed received two (2) business days following its mailing by registered mail or on the date of actual receipt if personally delivered or delivered by facsimile. If the due date or the 15th day is a holiday in HQ's system or a day of the weekend, the payment is due on the following business day.
- 12.4 Any amount remaining unpaid after the expiration of the period determined under Section 12.3 shall bear interest from the due date to the date of payment at an annual rate two percentage points higher than the prime commercial rate per annum as in effect and announced from time to time by the Royal Bank of Canada, or by any other Canadian chartered bank agreed by the Representatives. Any change in such announced rate is to be effective, for the purposes hereof, on the date on which such change is effective.

- 12.5 In the event HQ reasonably believes the amount of any bill, whether in whole or in part is not correct, it shall give N&LH written notice to that effect no later than thirty (30) days from receipt of the bill. The notice shall state the amount in dispute and briefly describe the nature of such dispute. In such event, the Parties shall use their best efforts to resolve such dispute within a reasonable period of time not to exceed sixty (60) days from the date of such notice. HQ will still be obligated to make timely payment of any disputed amount. If it is ultimately determined that the disputed amount, in whole or in part, was not properly payable to N&LH, interest shall be due on the refunded amount from the date of the payment to the date of the refund was made, at the rate referred to in Section 12.4.
- 12.6 Subject to Sections 5 and 13, HQ shall pay for all power and associated energy made available to it at the Delivery Point by N&LH pursuant to the Agreement, whether or not it takes delivery of all or any such power and associated energy.

13. FORCE MAJEURE

- 13.1 Each Party (and the Intervenant) shall use all commercially reasonable efforts to perform its obligations under the Agreement, but conditions may arise which prevent or delay performance by one or the other Party (or the Intervenant) because of causes beyond its reasonable control, including without limiting the generality of the foregoing, flood, earthquake, storm, lightning, fire, explosion, epidemic, war, riot, civil disturbance, labour trouble, strike, sabotage, and restraint by court or public authority which by exercise of due diligence and foresight, the Party (or the Intervenant) could not be expected to avoid ("Force Majeure"). Failure of equipment to perform adequately, or improper operation of equipment, shall not constitute Force Majeure.
- 13.2 If a Party (or the Intervenant) is rendered unable to fulfil any obligations by reason of Force Majeure, it shall be excused from performing to the extent it is prevented or delayed from so doing including, without limitation, obligations pursuant to Section 18, but excluding any obligation to make payments for that portion of the Yearly Quantity delivered prior to the event of Force Majeure. Such Party (or the Intervenant) shall exercise commercially reasonable efforts to correct such inability with all reasonable dispatch, and shall not be liable for injury, damage or loss resulting from such inability. However, settlement of strikes and labour disturbances shall be wholly within the discretion of the Party (or the Intervenant) having the difficulty.

14. ALTERNATIVE DELIVERY ROUTES

- 14.1 If for any reason HQ is unable to take delivery of the full Yearly Quantity over the transmission facilities provided in the Contract, then the Representatives shall use commercially reasonable efforts to arrange for the delivery of all or part of the balance of the Yearly Quantity to be taken over available routes and if necessary at another delivery point, under reasonable terms. In the event N&LH makes delivery in this manner, HQ shall bear all of the incremental costs of the delivery above those which would otherwise be normally incurred, including the cost of any incremental losses on N&LH system.
- 14.2 If for any reason, N&LH is unable to make delivery of the full Yearly Quantity over the transmission facilities provided in the Contract, then the Representatives shall use commercially reasonable efforts to arrange for the delivery of all or part of the balance of the Yearly Quantity to be made over other available routes and if necessary at another delivery point, under reasonable terms. In the event HQ accepts delivery in this manner, N&LH shall bear all of the incremental costs of the delivery above those which would otherwise be normally incurred, including the cost of any incremental losses on the system of HQ.
- 14.3 If delivery is made pursuant to this Section 14, the Representatives shall establish suitable means of measurement to determine that portion of the Yearly Quantity delivered to HQ in this manner.

15. REPRESENTATIVES OF THE PARTIES

- 15.1 Each Party shall appoint at least one representative, hereinafter collectively referred to as the "Representatives", as specified in Annex I. Each Representative is authorized, on behalf of his respective Party, to act to ensure delivery of and payments for Yearly Quantity in accordance with the provisions of the Agreement. The Representatives shall have no authority to amend the terms of the Agreement. The Intervenant will be consulted by the Representatives when it is deemed appropriate.

16. ACCESS TO RECORDS AND DOCUMENTS

- 16.1 Each Party hereto shall, upon the request of the other Party's Representative, promptly supply to the Representative any and all documents required to substantiate any fact pertaining to the Agreement, including in particular, but not limited to, the Metering Methodology (Annex IV). The Representatives shall determine the scope of and the procedure for the access to records and documents.

- 16.2 Each of the Parties shall keep records and memoranda of its operations hereunder and shall maintain such data for a period of at least three (3) years after the Agreement terminates.

17. CONFIDENTIALITY

- 17.1 The records, documents and all other data required for auditing shall be considered proprietary information of the supplying Party and shall be disclosed on a need to know basis to the directors, officers, and employees of the demanding Party. The information shall not be used for any other purpose without prior written permission from the owner of the information.
- 17.2 If, due to requirements of a governmental or judicial body of relevant jurisdiction, a Party must release information to such body as required by law, such Party shall use reasonable efforts to assure that such governmental or judicial body shall treat such information as confidential.

18. DAMAGES AND LIABILITY

- 18.1 Notwithstanding anything to the contrary contained herein, with respect to suits, actions or claims by third parties related to the Agreement, each Party hereto ("Indemnifying Party") shall indemnify and hold the other Party hereto ("Indemnified Party"), its parent, its subsidiaries, and their respective officers, directors, employees, and agents harmless from any and all liability, damages, costs, and expenses arising from any suit or cause of action regardless of the type to the extent such liability was not caused by any intentional or negligent act or omission by the Indemnified Party, its agents or employees.
- 18.2 If no remedy or measure of damages is expressly herein provided, the obligor's liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived.
- 18.3 Unless expressly herein provided, direct actual damages shall exclude any consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, in tort, delict or contract, under any indemnity provision or otherwise, as it is the intent of the Parties that the limitations herein imposed on remedies and the measure of damages be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent, or active or passive.
- 18.4 The provisions of this Section 18 shall survive the termination of this Contract.

19. DISPUTE RESOLUTION

Any dispute, controversy or claim between the Parties with respect to the Agreement (each a "Dispute") however arising will be settled by arbitration. The arbitration shall be in accordance with the UNCITRAL arbitration rules in force on the date that the relevant Dispute is referred for arbitration (the "Arbitration Rules"), provided that if there is any inconsistency between the following provisions and the provisions of the Arbitration Rules, the following provisions shall prevail to the extent of the inconsistency:

- (a) Each of the Parties may make demand for arbitration in writing to the other Party, setting forth the nature of the Dispute, the amount involved, if any, the remedy sought, and the name of the arbitrator appointed by the Party demanding arbitration, providing that no such demand may be so submitted less than thirty (30) days after nor more than two (2) years after both of the conflicting Parties are aware of its existence.
- (b) Within ten (10) days after any demand for arbitration, the other Party will name its arbitrator or, in default thereof, such arbitrator will be named pursuant to the Arbitration Rules. The two arbitrators named by the Parties will name a third arbitrator within seven (7) days after selection of the second arbitrator or, in the absence of agreement on a third arbitrator by the two (2) arbitrators so appointed, a third arbitrator will be appointed pursuant to the Arbitration Rules. Unless the Parties agree otherwise, no arbitrator will be resident of Quebec or Newfoundland and Labrador.
- (c) The arbitration hearing will be held in Toronto, Ontario and will commence not less than thirty (30) days after the date of the original demand. The award of the arbitrators will be made not later than thirty (30) days after the date of the closing of the hearing or, if oral hearings have been waived, after the date of transmitting the final statements and proof to the arbitrators provided that in no event will any award be made later than 120 days after the date of the original demand for arbitration. The laws of the Province of Newfoundland and Labrador shall apply to the arbitration.
- (d) The award of the arbitrators will be final and binding on the Parties. Judgement upon such award may be entered on behalf of the prevailing Party in any court having jurisdiction thereof, and application shall be made by such Party to any such court for judicial acceptance of such award and an order of enforcement.
- (e) The expenses of the arbitration will be borne equally by the Parties unless the arbitrators otherwise provide in their award.

20. NOTICE

Any notice, demand or request required or authorized by the Agreement to be given to a Party shall be in writing and shall either be personally delivered to the Corporate Secretary of each Party or telecommunicated or mailed by registered mail, postage prepaid, to the address and to the persons specified in Annex III. Notice shall be deemed to have been given on the date of actual receipt if it is personally delivered or telecommunicated, or two (2) workdays after the date of mailing by registered mail.

21. TAXATION

- 21.1 Except for all reimbursable taxes (see Section 21.2), the prices in the Agreement have been fixed on the understanding that no Quebec nor Newfoundland and Labrador tax, impost or other charge will be payable.
- 21.2 HQ shall pay to N&LH all applicable reimbursable taxes. N&LH shall remit such taxes to the government and provide all prescribed documents in order to permit HQ to receive reimbursement of taxes.
- 21.3 In the event any tax or other charge is imposed by the Federal Government of Canada or any agency, subdivision or instrumentality thereof on the Agreement or the sales, purchase or deliveries under the Agreement, it shall be the equal responsibility of, and shall be paid equally by N&LH and HQ.
- 21.4 In the event any other tax or other charge is imposed by the Government of Quebec or any agency, subdivision or instrumentality thereof on transaction pursuant to the Agreement, it shall be the sole responsibility of, and shall be paid by, HQ and shall not be subtracted from the Agreement price or otherwise paid or reimbursed by N&LH. In the event any such tax, impost or other charge is required by any such government or governmental body to be paid by N&LH, it shall be entitled to be reimbursed therefor by HQ, with interest thereon from the date of payment to the date of reimbursement at the rate specified in Section 12.4. If requested by HQ, N&LH shall contest, at HQ's expense, any such tax, impost or other charge and remit to HQ any received reimbursement.
- 21.5 In the event any other tax or other charge is imposed by the Government of Newfoundland and Labrador or any agency, subdivision or instrumentality thereof on the Agreement or the sales or deliveries under the Agreement, it shall be the sole responsibility of, and shall be paid by, N&LH and shall not be added to the Agreement price or otherwise paid or reimbursed by HQ. In the event any such tax, impost or other charge is required by any such government or governmental body to be paid by HQ,

it shall be entitled to be reimbursed therefor by N&LH, with interest thereon from the date of payment at the rate specified in Section 12.4. If requested by N&LH, HQ shall contest, at N&LH expenses, any such tax, export duty, impost or other charge and remit to N&LH any received reimbursement.

22. MISCELLANEOUS

- 22.1 N&LH undertakes that, during the term of this Agreement, N&LH will not agree to terminate the N&LH PPA and will not amend or agree to amend the N&LH PPA if any such amendment would prevent N&LH from performing its obligation hereunder.
- 22.2 The Parties and the Intervenant agree that this Agreement does not, in any way, modify the Contract and shall be considered as a distinct commercial agreement between the Parties and the Intervenant.
- 22.3 This Agreement or the rights hereunder shall not be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Party and without having obtained the necessary governmental and regulatory authorizations.
- 22.4 This Agreement, together with the Annexes, constitutes the entire agreement of the Parties regarding the subject matter hereof. This Agreement, shall be governed by and interpreted in accordance with the laws applicable in the Province of Newfoundland and Labrador without regard to the principles of conflicts of law applicable under such laws and every action or other proceeding arising hereunder shall be determined exclusively by a court of competent jurisdiction in the Province of Newfoundland and Labrador, subject to the right of appeal up to the Supreme Court of Canada.
- 22.5 The Annexes hereto shall form part of this Agreement.
- 22.6 Any modifications of the Agreement shall be in writing and duly signed by both Parties and the Intervenant.
- 22.7 Nothing in this Agreement and its Annexes modifies or contradicts the terms of the Contract.

IN WITNESS WHEREOF, each Party has executed this Agreement, in the City of St. John's, Province of Newfoundland and Labrador, by its duly authorized representative as of the day and year first before written.

HYDRO-QUEBEC

By: 

Name: **Thierry Vandal**

Title: Executive Vice-President Production

NEWFOUNDLAND AND LABRADOR HYDRO

By: 

Name: **William E. Wells**

Title: President & Chief Executive Officer

By: 

Name: **T. David Collett**

Title: Vice-President Production

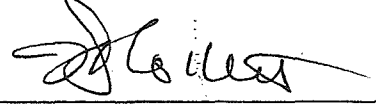
INTERVENTION

The Intervenant hereby acknowledges and agrees with the terms of this Agreement, and hereby undertakes in favour of the Parties (i) to do all such acts, matters and things as may, from time to time, be necessary to the carrying out of the terms, conditions and intent hereof, and (ii) during the term of this Agreement not to terminate the N&LH PPA by mutual consent and not to amend or agree to amend the N&LH PPA if any such amendment would prevent N&LH from performing its obligations hereunder.

IN WITNESS WHEREOF, the Intervenant has executed this Agreement, in the City of St. John's, Province of Newfoundland and Labrador, by its duly authorized representative as of the day and year first above written.

CHURCHILL FALLS AND (LABRADOR) CORPORATION LIMITED

By: 
Name: **William E. Wells**
Title: Chief Executive Officer

By: 
Name: **T. David Collett**
Title: President

ANNEX I

REPRESENTATIVES

Representatives for HQ are: •

Representatives for N&LH are: •

Any Party may change its Representatives by providing written notice to the others.

ANNEX II

BANK ACCOUNTS

For the purposes of Section 12 "BILLING AND PAYMENT", the respective Bank Accounts of the Parties are the following:

Bank account of HQ:

*

Bank account of N&LH:

*

ANNEX III

NOTICES

All notices under this Agreement shall be sent at the address and to the persons specified below. Any Party or the Intervenant may change its address by providing notice to the others.

HQ:

Attention of:
Corporate Secretary
75 René-Lévesque Blvd. West
Montreal, Quebec
H2Z 1A4

N&LH:

Attention of:
Corporate Secretary
P.O. Box 12400
St. John's, Newfoundland
A1B 4K7

The Intervenant:

Attention of:
Corporate Secretary
P.O. Box 12500
St. John's, Newfoundland
A1B 3T5

ANNEX IV

Metering Methodology

Meter Readings (Refer to figure 1 – Labrador Load Metering)

CF1-	230 kV Energy to Wabush Measured at Churchill Falls
CF2-	138 kV Energy to Happy Valley Measured at Churchill Falls
CF3-	NLH Customers in Churchill Falls
W1-	46 kV Total energy to Iron Ore Company of Canada (IOCC) at Wabush Terminal Station (T.S.)
W2-	46 kV Total energy to Wabush Mines at Wabush T.S.
W3-	46 kV Total energy to Fermont for HQ at Wabush T.S.
W4-	46 kV Total energy to Labrador City and Wabush for N&LH at Wabush T.S.

Calculations Applied to Meter Readings

1. Determine TWINCo (Twin Falls Power Corporation) consumption at Churchill Falls
 - a) IOCC Energy from TWINCo

Add together all half-hour energy readings from W1 associated with a demand up to and including 160 MW.
 - b) Wabush Mines Energy from TWINCo

Add together all half-hour energy readings from W2 associated with a demand up to and including 53.6 MW.
 - c) TWINCo Customers' Energy Consumption at Wabush T.S.

Add together IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.
 - d) TWINCo Consumption at Churchill Falls

Multiply TWINCo Customers' Energy Consumption at Wabush by the ratio of 1.053. 1.053 is the ratio of the TWINCo power at Churchill Falls of 225 MW to the TWINCo contracted energy delivery of 213.6 MW.
2. Determine N&LH and HQ Consumption at Churchill Falls for Wabush T.S.
 - a) N&LH and HQ load at Wabush T.S.

Add together meter readings W1, W2, W3 and W4 and subtract IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.

b) N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

Subtract TWINCo Consumption at Churchill Falls from CF1.

c) N&LH and HQ Line Losses to Wabush T.S.

Subtract N&LH and HQ load at Wabush T.S. from N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

d) HQ Line Losses to Wabush T.S.

Multiply N&LH and HQ Line Losses to Wabush T.S. by the ratio of W3 to N&LH and HQ Load at Wabush T.S.

e) HQ Consumption at Churchill Falls for Wabush T.S.

Add together HQ Line Losses to Wabush T.S. and W3.

f) N&LH Consumption at Churchill Falls for Wabush T.S.

Subtract HQ Consumption at Churchill Falls for Wabush T.S. from N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

3. Determine N&LH Consumption at Churchill Falls for Happy Valley T.S.

a) Determine 230/138 kV transformers' No Load Losses

These are constant at 27,010 kWh per month.

b) Determine 230/138 kV transformers' Load Losses

Calculated by squaring meter reading CF2 and multiplying the result by the constant factor 9.917×10^{-11} .

c) N&LH Consumption at Churchill Falls for Happy Valley T.S.

Add together the 230/138 kV transformers' No Load and Load Losses with meter reading CF2.

4. Determine N&LH Consumption at Churchill Falls for Churchill Falls

Multiply meter reading CF3 by 1.07. 7 percent represents the distribution losses in Churchill Falls.

5. Determine N&LH Consumption at Churchill Falls

Add together N&LH Consumption at Churchill Falls for Wabush, Happy Valley and Churchill Falls.

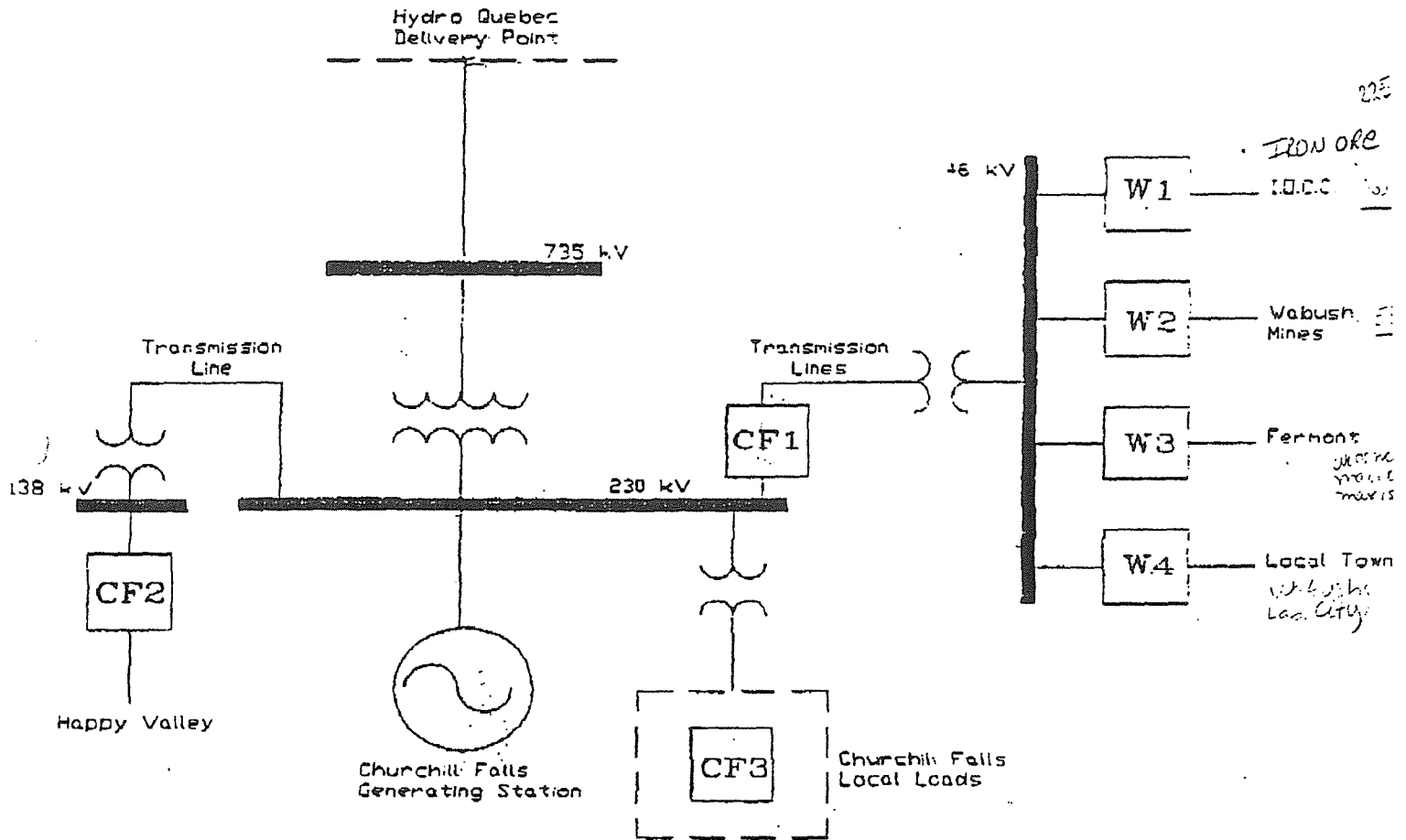
6. Determine N&LH Equivalent Consumption at the Delivery Point

Divide N&LH Consumption at Churchill Falls by 1.023036. 2.3036 percent is the average energy lost between the Churchill Falls 230 kV bus and the Delivery Point as determined by load flow analysis.

7. Determine HQ Purchase from N&LH at the Delivery Point

Subtract N&LH Equivalent Consumption at the Delivery Point from CF(L)Co recaptured energy for the period.

Lab East



Newfoundland and Labrador Hydro Labrador Load Metering

Date: October 16 1998

Drawn By: Andrea Benson

File Name: SKETCH3\HYDRO

NBRE DE PAGES 19

PURCHASE AND SALE AGREEMENT made as of March 31, 2004.

AMONG: **HYDRO-QUÉBEC**, a corporate body duly incorporated and regulated by the *Hydro-Québec Act*, Chapter H-5, Revised Statutes of Quebec, an agent of the Crown in right of the Province of Quebec, and having its head office at the City of Montreal in the Province of Quebec,

(hereinafter called "HQ")

AND: **NEWFOUNDLAND AND LABRADOR HYDRO**, a corporation constituted by statute, an agent of Her Majesty the Queen in right of the Province of Newfoundland and Labrador, and having its head office at the City of St. John's, in the Province of Newfoundland and Labrador,

(hereinafter called "N&LH")

(HQ and N&LH are hereinafter individually referred to as the "Party" and collectively as the "Parties")

AND: **CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED**, a company incorporated under the laws of Canada and having its head office at the City of St. John's, in the Province of Newfoundland and Labrador,

(hereinafter called the "Intervenant")

WHEREAS the Intervenant has recaptured a quantity of power and energy in the amount of 300 MW or 2.362 TWh per year, being the maximum quantity of power and energy available for recapture by the Intervenant pursuant to Section 6.6 of the Power Contract, dated March 12, 1969 signed by HQ and the Intervenant (the "Contract");

WHEREAS pursuant to an agreement dated March 9, 1998 between the Intervenant and N&LH (the "N&LH PPA"), the Intervenant has agreed to sell to N&LH, and N&LH has agreed to purchase, all of such recaptured quantity of power and energy;

WHEREAS N&LH utilizes a portion of the total recaptured quantity for sales in Labrador (the "Labrador Load"), the amount of which may vary from time to time;

WHEREAS while this Agreement is in effect, N&LH agrees not to use any portion of the said recaptured quantity for sales outside Labrador except quantities sold to HQ; and

WHEREAS N&LH has offered to sell to HQ, and HQ agrees to purchase for the price and on the terms set forth herein, the Yearly Quantity (as defined herein);

NOW, THEREFORE, the Parties agree as follows:

1. PURCHASE AND SALE COMMITMENT

HQ commits to purchase from N&LH and N&LH commits to sell to HQ the Yearly Quantity (as defined herein) at the Delivery Point (as defined herein) during the Delivery Period (as defined herein).

2. DELIVERY PERIOD

The deliveries shall start at 00:00:00 (Quebec time) on April 1, 2004 and shall terminate at 23:59:59 (Quebec time) on March 31, 2009 (the "Delivery Period").

3. RENEWAL OF AGREEMENT

With respect to the continued sale of the Yearly Quantity under the terms of this Agreement after 00:00:00 (Quebec time) on April 1, 2009, the Parties hereby undertake to negotiate in good faith the applicable prices and conditions for all available energy at the Delivery Point taking into account the level of firm year-round power which will be made available to HQ by N&LH. The Parties shall commence negotiations for the renewal of this Agreement by October 1, 2008.

4. YEARLY QUANTITY

During the Delivery Period, N&LH shall make available to HQ at the Delivery Point (as defined herein) a yearly quantity of power and energy in MWh equal to 300 MW at a maximum annual load factor of 90% (being 2.362 TWh), less the Labrador Load (the "Yearly Quantity").

5. CHARACTERISTICS OF YEARLY QUANTITY

- 5.1 The Yearly Quantity shall be the yearly total of the monthly quantities of power and associated energy calculated at the Delivery Point, as follows: 300 MW at a maximum load factor of 90% for the month, less the Labrador Load and losses for the applicable month.

6. APPLICABLE LOSSES

- 6.1 For the purposes of this Agreement, N&LH shall deduct from the Yearly Quantity to be invoiced to HQ the applicable losses, deemed to be at a rate of 5.2%, of power and energy across the HQ system associated with the transmission of the Yearly Quantity to HQ, subject to adjustment, whether upward or downward, in accordance with any decision of the *Régie de l'énergie* (Québec), made from time to time, fixing or modifying the rate of losses associated with the transmission service applicable to the electric power transmission system in Quebec of TransÉnergie, ("Applicable Losses").
- 6.2 Any new rate for transmission losses approved by the *Régie de l'énergie* (Québec) shall come into effect under this Agreement upon the date which it becomes effective on the electric power transmission system in Quebec of TransÉnergie. N&LH and HQ will adjust the transmission losses proportionately to the period covered by the applicable rate of losses fixed or modified by the *Régie de l'énergie* (Québec).

7. DELIVERY OF YEARLY QUANTITY

- 7.1 N&LH shall deliver the Yearly Quantity at the Delivery Point (as defined herein) and shall bear any risk, cost and loss of power and associated energy pertaining to the transmission to the Delivery Point.
- 7.2 HQ shall take delivery of Yearly Quantity at the Delivery Point and shall bear any risk, cost and loss (except Applicable Losses), of power and associated energy during the transmission from the Delivery Point.

8. DELIVERY POINT

The delivery point shall be that point on the transmission lines from the Intervenant's hydro-electric plant in Churchill Falls towards the Province of Quebec which is at the height of land, about opposite present Mile 148.8 on the Quebec North Shore and Labrador Railway, which is the presumed watershed between the St-Lawrence River and the Churchill River, or such other point on such transmission lines as may be agreed to by the Intervenant and HQ pursuant to the terms of the Contract (the "Delivery Point").

9. PRICE

The price applicable to the Yearly Quantity, adjusted for Applicable Losses in accordance with Section 6, shall be 3.60¢ per kWh for the first twelve month period of the Contract, commencing April 1, 2004, and increasing in

each subsequent twelve month period by 2% over and above the price applicable to the preceding twelve month period.

10. FORECAST AVAILABILITY

N&LH shall send to HQ a forecast covering the duration of the Agreement of the maximum monthly capacity and associated available energy. Furthermore, N&LH shall send to HQ on May 31 and November 30 of each year a confirmation of the said forecast. HQ shall include the monthly forecast in its operating reserves and in the forecast of its operational load requirements, which it provides to the Intervenant. For avoidance of doubt, if NLH foresees any major changes in the Labrador Load, then it will submit, within 30 days, to HQ a restated Forecast Availability.

11. SCHEDULING, TRANSMISSION AND METERING

The scheduling and the transmission of the Yearly Quantity shall be done under the same terms and conditions as in the Contract. The Metering of the Yearly Quantity shall be done using the methodology established in the Annex IV of this Agreement.

12. BILLING AND PAYMENT

- 12.1 N&LH shall render, as agreed by the Representatives, but at least once a month, a bill for the portion of Yearly Quantity provided for the prior month. The bill shall incorporate all information as may be reasonably necessary to determine the amounts due. The portion of the Yearly Quantity provided during a month shall be determined in accordance with the methodology established in the Annex IV of this Agreement. Bills shall be sent as agreed by the Representatives but no later than the 10th of each month following the month in which the portion of Yearly Quantity was delivered.
- 12.2 HQ shall make the payments by electronic transfer to N&LH bank account specified in Annex II, unless other means are agreed to by the Representatives.
- 12.3 All amounts shown to be due on a bill shall be due and payable on the 15th day of the calendar month in which the bill is received. Any inaccuracy in any account shall be corrected by appropriate adjustment to a subsequent account. Interest on the amount of adjustment shall be added or subtracted, as the case may be, at the rate specified below. For purposes of this Section, a bill is deemed received two (2) business days following its mailing by registered mail or on the date of actual receipt if personally delivered or delivered by facsimile. If the due date or the 15th day is a holiday in HQ's system or a day of the weekend, the payment is due on the following business day.

- 12.4 Any amount remaining unpaid after the expiration of the period determined under Section 12.3 shall bear interest from the due date to the date of payment at an annual rate two percentage points higher than the prime commercial rate per annum as in effect and announced from time to time by the Royal Bank of Canada, or by any other Canadian chartered bank agreed by the Representatives. Any change in such announced rate is to be effective, for the purposes hereof, on the date on which such change is effective.
- 12.5 In the event HQ reasonably believes the amount of any bill, whether in whole or in part is not correct, it shall give N&LH written notice to that effect no later than thirty (30) days from receipt of the bill. The notice shall state the amount in dispute and briefly describe the nature of such dispute. In such event, the Parties shall use their best efforts to resolve such dispute within a reasonable period of time not to exceed sixty (60) days from the date of such notice. HQ will still be obligated to make timely payment of any disputed amount. If it is ultimately determined that the disputed amount, in whole or in part, was not properly payable to N&LH, interest shall be due on the refunded amount from the date of the payment to the date of the refund was made, at the rate referred to in Section 12.4.
- 12.6 Subject to Sections 5 and 13, HQ shall pay for all power and associated energy made available to it at the Delivery Point by N&LH pursuant to the Agreement, whether or not it takes delivery of all or any such power and associated energy.
- 13. FORCE MAJEURE**
- 13.1 Each Party (and the Intervenant) shall use all commercially reasonable efforts to perform its obligations under the Agreement, but conditions may arise which prevent or delay performance by one or the other Party (or the Intervenant) because of causes beyond its reasonable control, including without limiting the generality of the foregoing, flood, earthquake, storm, lightning, fire, explosion, epidemic, war, riot, civil disturbance, labour trouble, strike, sabotage, and restraint by court or public authority which by exercise of due diligence and foresight, the Party (or the Intervenant) could not be expected to avoid ("Force Majeure"). Failure of equipment to perform adequately, or improper operation of equipment, shall not constitute Force Majeure.
- 13.2 If a Party (or the Intervenant) is rendered unable to fulfil any obligations by reason of Force Majeure, it shall be excused from performing to the extent it is prevented or delayed from so doing including, without limitation, obligations pursuant to Section 18, but excluding any obligation to make payments for that portion of the Yearly Quantity delivered prior to the event of Force Majeure. Such Party (or the Intervenant) shall exercise

commercially reasonable efforts to correct such inability with all reasonable dispatch, and shall not be liable for injury, damage or loss resulting from such inability. However, settlement of strikes and labour disturbances shall be wholly within the discretion of the Party (or the Intervenant) having the difficulty.

14. ALTERNATIVE DELIVERY ROUTES

- 14.1 If for any reason HQ is unable to take delivery of the full Yearly Quantity over the transmission facilities provided in the Contract, then the Representatives shall use commercially reasonable efforts to arrange for the delivery of all or part of the balance of the Yearly Quantity to be taken over available routes and if necessary at another delivery point, under reasonable terms. In the event N&LH makes delivery in this manner, HQ shall bear all of the incremental costs of the delivery above those which would otherwise be normally incurred, including the cost of any incremental losses on N&LH system.
- 14.2 If for any reason, N&LH is unable to make delivery of the full Yearly Quantity over the transmission facilities provided in the Contract, then the Representatives shall use commercially reasonable efforts to arrange for the delivery of all or part of the balance of the Yearly Quantity to be made over other available routes and if necessary at another delivery point, under reasonable terms. In the event HQ accepts delivery in this manner, N&LH shall bear all of the incremental costs of the delivery above those which would otherwise be normally incurred, including the cost of any incremental losses on the system of HQ.
- 14.3 If delivery is made pursuant to this Section 14, the Representatives shall establish suitable means of measurement to determine that portion of the Yearly Quantity delivered to HQ in this manner.

15. REPRESENTATIVES OF THE PARTIES

- 15.1 Each Party shall appoint at least one representative, hereinafter collectively referred to as the "Representatives", as specified in Annex I. Each Representative is authorized, on behalf of his respective Party, to act to ensure delivery of and payments for Yearly Quantity in accordance with the provisions of the Agreement. The Representatives shall have no authority to amend the terms of the Agreement. The Intervenant will be consulted by the Representatives when it is deemed appropriate.

16. ACCESS TO RECORDS AND DOCUMENTS

- 16.1 Each Party hereto shall, upon the request of the other Party's Representative, promptly supply to the Representative any and all

documents required to substantiate any fact pertaining to the Agreement, including in particular, but not limited to, the Metering Methodology (Annex IV). The Representatives shall determine the scope of and the procedure for the access to records and documents.

- 16.2 Each of the Parties shall keep records and memoranda of its operations hereunder and shall maintain such data for a period of at least three (3) years after the Agreement terminates.

17. CONFIDENTIALITY

- 17.1 The records, documents and all other data required for auditing shall be considered proprietary information of the supplying Party and shall be disclosed on a need to know basis to the directors, officers, and employees of the demanding Party. The information shall not be used for any other purpose without prior written permission from the owner of the information.
- 17.2 If, due to requirements of a governmental or judicial body of relevant jurisdiction, a Party must release information to such body as required by law, such Party shall use reasonable efforts to assure that such governmental or judicial body shall treat such information as confidential.

18. DAMAGES AND LIABILITY

- 18.1 Notwithstanding anything to the contrary contained herein, with respect to suits, actions or claims by third parties related to the Agreement, each Party hereto ("Indemnifying Party") shall indemnify and hold the other Party hereto ("Indemnified Party"), its parent, its subsidiaries, and their respective officers, directors, employees, and agents harmless from any and all liability, damages, costs, and expenses arising from any suit or cause of action regardless of the type, resulting from any action or fault on the part of the Indemnifying Party, to the extent such liability was not caused by any intentional or negligent act or omission by the Indemnified Party, its agents or employees.
- 18.2 If no remedy or measure of damages is expressly herein provided, the obligor's liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived.
- 18.3 Unless expressly herein provided, direct actual damages shall exclude any consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, in tort, delict or contract, under any indemnity provision or otherwise, as it is the intent of the Parties that the limitations herein imposed on remedies and the

measure of damages be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent, or active or passive.

- 18.4 The provisions of this Section 18 shall survive the termination of this Contract.

19. DISPUTE RESOLUTION

Any dispute, controversy or claim between the Parties with respect to the Agreement (each a "Dispute") however arising will be settled by arbitration. The arbitration shall be in accordance with the UNCITRAL arbitration rules in force on the date that the relevant Dispute is referred for arbitration (the "Arbitration Rules"), provided that if there is any inconsistency between the following provisions and the provisions of the Arbitration Rules, the following provisions shall prevail to the extent of the inconsistency:

- (a) Each of the Parties may make demand for arbitration in writing to the other Party, setting forth the nature of the Dispute, the amount involved, if any, the remedy sought, and the name of the arbitrator appointed by the Party demanding arbitration, providing that no such demand may be so submitted less than thirty (30) days after nor more than two (2) years after both of the conflicting Parties are aware of its existence.
- (b) Within ten (10) days after any demand for arbitration, the other Party will name its arbitrator or, in default thereof, such arbitrator will be named pursuant to the Arbitration Rules. The two arbitrators named by the Parties will name a third arbitrator within seven (7) days after selection of the second arbitrator or, in the absence of agreement on a third arbitrator by the two (2) arbitrators so appointed, a third arbitrator will be appointed pursuant to the Arbitration Rules. Unless the Parties agree otherwise, no arbitrator will be resident of Quebec or Newfoundland and Labrador.
- (c) The arbitration hearing will be held in Toronto, Ontario and will commence not less than thirty (30) days after the date of the original demand. The award of the arbitrators will be made not later than thirty (30) days after the date of the closing of the hearing or, if oral hearings have been waived, after the date of transmitting the final statements and proof to the arbitrators provided that in no event will any award be made later than 120 days after the date of the original demand for arbitration. The laws of the Province of Newfoundland and Labrador shall apply to the arbitration.
- (d) The award of the arbitrators will be final and binding on the Parties. Judgement upon such award may be entered on behalf of the prevailing Party in any court having jurisdiction thereof, and application shall be

made by such Party to any such court for judicial acceptance of such award and an order of enforcement.

- (e) The expenses of the arbitration will be borne equally by the Parties unless the arbitrators otherwise provide in their award.

20. NOTICE

Any notice, demand or request required or authorized by the Agreement to be given to a Party shall be in writing and shall either be personally delivered to the Corporate Secretary of each Party or telecommunicated or mailed by registered mail, postage prepaid, to the address and to the persons specified in Annex III. Notice shall be deemed to have been given on the date of actual receipt if it is personally delivered or telecommunicated, or two (2) workdays after the date of mailing by registered mail.

21. TAXATION

- 21.1 Except for all reimbursable taxes (see Section 21.2), the prices in the Agreement have been fixed on the understanding that no Quebec nor Newfoundland and Labrador tax, impost or other charge will be payable.
- 21.2 HQ shall pay to N&LH all applicable reimbursable taxes. N&LH shall remit such taxes to the government and provide all prescribed documents in order to permit HQ to receive reimbursement of taxes.
- 21.3 In the event any tax or other charge is imposed by the Federal Government of Canada or any agency, subdivision or instrumentality thereof on the Agreement or the sales, purchase or deliveries under the Agreement, it shall be the equal responsibility of, and shall be paid equally by N&LH and HQ.
- 21.4 In the event any other tax or other charge is imposed by the Government of Quebec or any agency, subdivision or instrumentality thereof on transaction pursuant to the Agreement, it shall be the sole responsibility of, and shall be paid by, HQ and shall not be subtracted from the Agreement price or otherwise paid or reimbursed by N&LH. In the event any such tax, impost or other charge is required by any such government or governmental body to be paid by N&LH, it shall be entitled to be reimbursed therefor by HQ, with interest thereon from the date of payment to the date of reimbursement at the rate specified in Section 12.4. If requested by HQ, N&LH shall contest, at HQ's expense, any such tax, impost or other charge and remit to HQ any received reimbursement.

21.5 In the event any other tax or other charge is imposed by the Government of Newfoundland and Labrador or any agency, subdivision or instrumentality thereof on the Agreement or the sales or deliveries under the Agreement, it shall be the sole responsibility of, and shall be paid by, N&LH and shall not be added to the Agreement price or otherwise paid or reimbursed by HQ. In the event any such tax, impost or other charge is required by any such government or governmental body to be paid by HQ, it shall be entitled to be reimbursed therefor by N&LH, with interest thereon from the date of payment at the rate specified in Section 12.4. If requested by N&LH, HQ shall contest, at N&LH expenses, any such tax, export duty, impost or other charge and remit to N&LH any received reimbursement.

22. MISCELLANEOUS

22.1 N&LH undertakes that, during the term of this Agreement, N&LH will not agree to terminate the N&LH PPA and will not amend or agree to amend the N&LH PPA if any such amendment would prevent N&LH from performing its obligation hereunder.

22.2 The Parties and the Intervenant agree that this Agreement does not, in any way, modify the Contract and shall be considered as a distinct commercial agreement between the Parties and the Intervenant.

22.3 This Agreement or the rights hereunder shall not be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Party and without having obtained the necessary governmental and regulatory authorizations.

22.4 This Agreement, together with the Annexes, constitutes the entire agreement of the Parties regarding the subject matter hereof. This Agreement, shall be governed by and interpreted in accordance with the laws applicable in the Province of Newfoundland and Labrador without regard to the principles of conflicts of law applicable under such laws and every action or other proceeding arising hereunder shall be determined exclusively by a court of competent jurisdiction in the Province of Newfoundland and Labrador, subject to the right of appeal up to the Supreme Court of Canada.

22.5 The Annexes hereto shall form part of this Agreement.

22.6 Any modifications of the Agreement shall be in writing and duly signed by both Parties and the Intervenant.

22.7 Nothing in this Agreement and its Annexes modifies or contradicts the terms of the Contract.

IN WITNESS WHEREOF, each Party has executed this Agreement, in the City of St. John's, Province of Newfoundland and Labrador, by its duly authorized representative as of the day and year first before written.

HYDRO-QUEBEC

By: 

Name: **Thierry Vandal**

Title: President, Hydro-Quebec Production

NEWFOUNDLAND AND LABRADOR HYDRO

By: 

Name: **William E. Wells**

Title: President & Chief Executive Officer

By: 

Name: **James R. Haynes**

Title: Vice-President Production

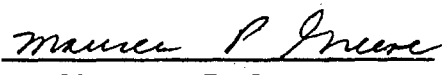
INTERVENTION

The Intervenant hereby acknowledges and agrees with the terms of this Agreement, and hereby undertakes in favour of the Parties (i) to do all such acts, matters and things as may, from time to time, be necessary to the carrying out of the terms, conditions and intent hereof, and (ii) during the term of this Agreement not to terminate the N&LH PPA by mutual consent and not to amend or agree to amend the N&LH PPA if any such amendment would prevent N&LH from performing its obligations hereunder.

IN WITNESS WHEREOF, the Intervenant has executed this Agreement, in the City of St. John's, Province of Newfoundland and Labrador, by its duly authorized representative as of the day and year first above written.

CHURCHILL FALLS AND (LABRADOR) CORPORATION LIMITED

By: 
Name: **William E. Wells**
Title: Chief Executive Officer & President

By: 
Name: **Maureen P. Greene**
Title: Vice-President, Human
Resources, General Counsel and
Corporate Secretary

ANNEX I

REPRESENTATIVES

Representatives for HQ are:

- Christian G. Brosseau, Directeur – Projets de developpement; Vice-presidence – Marches de gros et projets de developpement
17e etage
75, boul. Rene-Levesque ouest
Montreal, Quebec H2Z 1A4

Representatives for N&LH are:

- Robert Henderson, Manager, System Operations
P.O. Box 12400
St. John's, Newfoundland and Labrador
A1B 4K7

Any Party may change its Representatives by providing written notice to the others.

ANNEX II

BANK ACCOUNTS

For the purposes of Section 12 "BILLING AND PAYMENT", the Bank account of N&LH is the following:

Bank account of N&LH:

Account no.
Transit no.
Bank of Nova Scotia
Main Branch
St. John's, Newfoundland and Labrador

ANNEX III

NOTICES

All notices under this Agreement shall be sent at the address and to the persons specified below. Any Party or the Intervenant may change its address by providing notice to the others.

HQ:

Attention of:
Corporate Secretary
75 René-Lévesque Blvd. West
Montreal, Quebec
H2Z 1A4

N&LH:

Attention of:
Corporate Secretary
P.O. Box 12400
St. John's, Newfoundland and Labrador
A1B 4K7

The Intervenant:

Attention of:
Corporate Secretary
P.O. Box 12500
St. John's, Newfoundland and Labrador
A1B 3T5

ANNEX IV

Metering Methodology

Meter Readings (Refer to figure 1 – Labrador Load Metering)

CF1-	230 kV Energy to Wabush Measured at Churchill Falls
CF2-	138 kV Energy to Happy Valley Measured at Churchill Falls
CF3-	NLH Customers in Churchill Falls
W1-	46 kV Total energy to Iron Ore Company of Canada (IOCC) at Wabush Terminal Station (T.S.)
W2-	46 kV Total energy to Wabush Mines at Wabush T.S.
W3-	46 kV Total energy to Fermont for HQ at Wabush T.S.
W4-	46 kV Total energy to Labrador City and Wabush for N&LH at Wabush T.S.

Calculations Applied to Meter Readings

1. Determine TWINCo (Twin Falls Power Corporation) consumption at Churchill Falls
 - a) IOCC Energy from TWINCo

Add together all half-hour energy readings from W1 associated with a demand up to and including 160 MW.
 - b) Wabush Mines Energy from TWINCo

Add together all half-hour energy readings from W2 associated with a demand up to and including 53.6 MW.
 - c) TWINCo Customers' Energy Consumption at Wabush T.S.

Add together IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.
 - d) TWINCo Consumption at Churchill Falls

Multiply TWINCo Customers' Energy Consumption at Wabush by the ratio of 1.053. 1.053 is the ratio of the TWINCo power at Churchill Falls of 225 MW to the TWINCo contracted energy delivery of 213.6 MW.
2. Determine N&LH and HQ Consumption at Churchill Falls for Wabush T.S.
 - a) N&LH and HQ load at Wabush T.S.

Add together meter readings W1, W2, W3 and W4 and subtract IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.

b) N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

Subtract TWINCo Consumption at Churchill Falls from CF1.

c) N&LH and HQ Line Losses to Wabush T.S.

Subtract N&LH and HQ load at Wabush T.S. from N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

d) HQ Line Losses to Wabush T.S.

Multiply N&LH and HQ Line Losses to Wabush T.S. by the ratio of W3 to N&LH and HQ Load at Wabush T.S.

e) HQ Consumption at Churchill Falls for Wabush T.S.

Add together HQ Line Losses to Wabush T.S. and W3.

f) N&LH Consumption at Churchill Falls for Wabush T.S.

Subtract HQ Consumption at Churchill Falls for Wabush T.S. from N&LH and HQ Consumption at Churchill Falls for Wabush T.S.

3. Determine N&LH Consumption at Churchill Falls for Happy Valley T.S.

a) Determine 230/138 kV transformers' No Load Losses

These are constant at 27,010 kWh per month.

b) Determine 230/138 kV transformers' Load Losses

Calculated by squaring meter reading CF2 and multiplying the result by the constant factor 9.917×10^{-11} .

c) N&LH Consumption at Churchill Falls for Happy Valley T.S.

Add together the 230/138 kV transformers' No Load and Load Losses with meter reading CF2.

4. Determine N&LH Consumption at Churchill Falls for Churchill Falls

Multiply meter reading CF3 by 1.07. 7 percent represents the distribution losses in Churchill Falls.

5. Determine N&LH Consumption at Churchill Falls

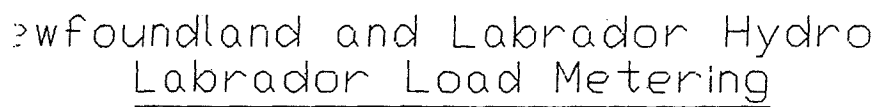
Add together N&LH Consumption at Churchill Falls for Wabush, Happy Valley and Churchill Falls.

6. Determine N&LH Equivalent Consumption at the Delivery Point

Divide N&LH Consumption at Churchill Falls by 1.023036. 2.3036 percent is the average energy lost between the Churchill Falls 230 kV bus and the Delivery Point as determined by load flow analysis.

7. Determine HQ Purchase from N&LH at the Delivery Point

Subtract N&LH Equivalent Consumption at the Delivery Point from CF(L)Co recaptured energy for the period.



File Name: C:\SKETCH3\HYDROQ

AMENDMENT OF POWER CONTRACT made as of the 1st day of April, 2009 (the "Effective Date").

BETWEEN:

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED, a company organized under the laws of Canada and having its head office at St. John's, in the Province of Newfoundland and Labrador,

(hereinafter called "CF(L)Co")

OF THE FIRST PART

AND:

NEWFOUNDLAND AND LABRADOR HYDRO, a corporation constituted by statute and an agent of her Majesty the Queen in right of the Province of Newfoundland and Labrador and having its head office at St. John's in said Province;

(hereinafter called "Hydro")

OF THE SECOND PART

WHEREAS the Parties hereto entered into an Agreement dated March 9, 1998 for the supply and delivery of Electricity from CF(L)Co to Hydro (the "Power Contract");

AND WHEREAS the Parties wish to amend the Power Contract by removing the Appendix "A" to the Power Contract and replacing it with a new Appendix "A";

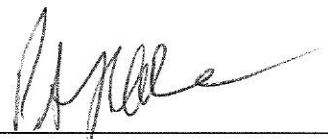
NOW THEREFORE THIS AGREEMENT WITNESSETH that the Parties hereto, each, in consideration of the premises and of the covenants and agreements made herein by the other, covenant and agree as follows:

1. That the Power Contract be amended by removing Appendix "A" to the Power Contract (the "Original Appendix "A"") and replacing it with the Appendix "A" attached hereto (the "New Appendix "A"").
2. That as of the Effective Date, the Original Appendix "A" shall no longer form part of the Power Contract.

3. That as of the Effective Date, the New Appendix "A" shall form part of the Power Contract as Appendix "A" to that Agreement.
4. That the Power Contract as amended hereby is ratified and confirmed.


IN WITNESS WHEREOF Churchill Falls (Labrador) Corporation Limited and Newfoundland and Labrador Hydro have each executed this Agreement in accordance with their by-laws or regulations and in the presence of their respective duly authorized officers as of the day and year first above written.

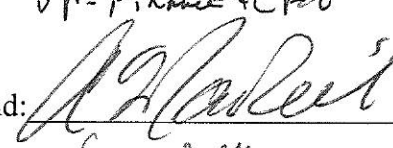
SIGNED, SEALED AND DELIVERED
by Churchill Falls (Labrador)
Corporation Limited in the presence of:



WITNESS

**CHURCHILL FALLS
(LABRADOR) CORPORATION
LIMITED**

By: 

VP - Finance & CFO
And: 


General Manager


SIGNED, SEALED AND DELIVERED
by Newfoundland and Labrador Hydro
in the presence of:



WITNESS

**NEWFOUNDLAND AND LABRADOR
HYDRO**

By: 

VP Regulated Operations
And: 

VP Eng Systems

APPENDIX "A"

Metering Methodology

Meter Readings (Refer to Drawing - Labrador Load Metering)

CF1-	230 kV Energy to Wabush Measured at Churchill Falls
CF2-	138 kV Energy to Happy Valley Measured at Churchill Falls
CF3-	Hydro Customers in Churchill Falls
W1 -	46 kV Total energy to Iron Ore Company of Canada (IOCC) at Wabush Terminal Station (T.S.)
W2 -	46 kV Total energy to Wabush Mines at Wabush T.S.
W3 -	46 kV Total energy to Fermont for Hydro-Quebec at Wabush T. S.
W4 -	46 kV Total energy to Labrador City and Wabush for Hydro at Wabush T.S.

Calculations Applied to Meter Readings

1. Determine TWINCo (Twin Falls Power Corporation) consumption at Churchill Falls

a) IOCC Energy from TWINCo

Add together all half hour energy readings from W1 associated with a demand up to and including the total amount of power available to IOCC under the terms of the Amended Power Contract between IOCC and TWINCO dated November 30, 1967 and the Reserve Power Contract between IOCC and TWINCO dated August 1, 1976..

b) Wabush Mines Energy from TWINCo

Add together all half hour energy readings from W2 associated with a demand up to and including the amount of power available to Wabush Mines under the terms of the Amended Power Contract between Wabush Mines and TWINCO dated November 30, 1967.

c) TWINCo Customers' Energy Consumption at Wabush T.S.

Add together IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.

d) TWINCo Consumption at Churchill Falls

Multiply TWINCo Customers' Energy Consumption at Wabush by the ratio of 1.053. 1.053 is the ratio of the TWINCo power at Churchill Falls of 225 MW to the TWINCo contracted energy delivery of 213.6 MW.

2. Determine Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

a) Hydro and Hydro-Quebec load at Wabush T.S.

Add together meter readings W1, W2, W3 and W4 and subtract IOCC Energy from TWINCo and Wabush Mines Energy from TWINCo.

b) Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

Subtract TWINCo Consumption at Churchill Falls from CF1.

c) Hydro and Hydro-Quebec Line Losses to Wabush T.S.

Subtract Hydro and Hydro-Quebec load at Wabush T.S. from Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

d) Hydro-Quebec Line Losses to Wabush T.S.

Multiply Hydro and Hydro-Quebec Line Losses to Wabush T.S. by the ratio of W3 to Hydro and Hydro-Quebec Load at Wabush T. S.

e) Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

Add together Hydro-Quebec Line Losses to Wabush T.S. and W3.

f) Hydro Consumption at Churchill Falls for Wabush T.S.

Subtract Hydro-Quebec Consumption at Churchill Falls for Wabush T.S. from Hydro and Hydro-Quebec Consumption at Churchill Falls for Wabush T.S.

3. Determine Hydro Consumption at Churchill Falls for Happy Valley T.S.

a) Determine 230/138 kV transformers' No Load Losses

These are constant at 27,010 kWh per month.

b) Determine 230/138 kV Transformer's Load Losses

Calculated by squaring meter reading CF2 and multiplying the result by the constant factor 9.917×10^{-11} .

c) Hydro Consumption at Churchill Falls for Happy Valley T.S.

Add together the 230/138 kV transformer's No Load and Load Losses with meter reading CF2.

4. Determine Hydro Consumption at Churchill Falls for Churchill Falls

Multiply meter reading CF3 by 1.07. 7 percent represents the distribution losses in Churchill Falls.

5. Determine Hydro Consumption at Churchill Falls

Add together Hydro Consumption at Churchill Falls for Wabush, Happy Valley and Churchill Falls.

6. Determine Hydro Equivalent Consumption at the Effective Delivery Point

Divide Hydro Consumption at Churchill Falls by 1.023036. 2.3036 percent is the average energy lost between the Churchill Falls 230 kV bus and the Effective Delivery Point as determined by load flow analysis.

7. Total Energy taken by Hydro at the Effective Delivery Point

Add Hydro Equivalent Consumption at the Effective Delivery Point to the amount of energy Hydro exports at the Effective Delivery Point for use outside the Province of Quebec.

Confidential

Please see Board Secretary to view as needed

This Indenture (the "Lease") made as of the 17th day of March, 2009.

Between: Her Majesty In Right of Newfoundland and Labrador, as represented by the Lieutenant-Governor in Council (the "Government");

And: Nalcor Energy, a corporation incorporated under the laws of the Province of Newfoundland and Labrador (the "Lessee").

Whereas the Lessee has requested that the Lieutenant-Governor in Council grant it water rights for the purposes of water power generation on the Lower Churchill River;

And Whereas under the *Energy Corporation of Newfoundland and Labrador Water Rights Act* the Lieutenant-Governor in Council has the authority to grant to the Lessee (previously the Energy Corporation of Newfoundland and Labrador) water rights for the purposes of water power generation on the Lower Churchill River;

And Whereas the Lieutenant-Governor in Council wishes to enter into, execute and deliver this Lease subject to the terms, conditions, reservations, qualifications and provisions set forth:

Now therefore the parties agree as follows:

RIGHTS LEASED AND RESERVATIONS MADE

1. In consideration of the undertakings of the Lessee and subject to the terms, conditions, reservations, exceptions and provisions herein contained, the Government leases and demises to the Lessee full right and liberty to use exclusively all that part of the Churchill River below the 425 foot contour line or all that part of the Churchill River that lies below elevation 425 feet as referenced in Appendix A of *The Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961*, downstream to the intersection of the Churchill River with the meridian of 60 ° 45' west of Greenwich, and including all waters that originate within the Churchill River catchment area and all rivers that naturally flow within the catchment area or from diversions into the catchment area (the "Lower Churchill River") for the purposes of water power generation **TO HOLD** the same unto the Lessee for a period of 50 years commencing upon the date of the execution of this instrument (the "Term") **TOGETHER WITH** the full right to flood during the term created by this Lease and any renewal of it all those areas of the Lower Churchill River.

GOVERNMENT RESERVATIONS

2. The Government reserves the right of the public to use the Lower Churchill River for the purpose of fishing, shooting, hunting, trapping, logging and travelling; provided that the exercise of these rights shall not materially impair the Lessee's rights as granted under this instrument and provided further that the Lessee shall have the right to restrict the public from entering upon those areas where the public's presence at or near the Lessee's facilities constitutes a hazard to the Lessee or to the public or where it creates an operational concern for the Lessee.

RIGHTS GRANTED

3. Subject to the provisions, terms, conditions, exceptions and reservations of this Lease, the lease and demise of the Lower Churchill River created includes the grant to the Lessee of:
 - (a) the exclusive right to harness and make use of the Lower Churchill River;
 - (b) all water power rights in, to and in respect of the Lower Churchill River;
 - (c) the exclusive right to construct and utilize all dams, tunnels, canals, diversions, power houses and any and all works on the Lower Churchill River necessary for the development of hydro electric power; and
 - (d) the exclusive right to store and regulate so much of the Lower Churchill River as may be economic and/or beneficial for the purposes of the development of the Lower Churchill River for the purposes set forth herein.

LESSEE'S COVENANTS

The Lessee covenants with the Government as follows:

ADHERANCE TO THE LAWS OF NEWFOUNDLAND AND LABRADOR

4. The Lessee shall fulfill and abide by the requirements of all applicable laws of the Province of Newfoundland and Labrador and of Canada and any regulations, orders and directions made under such statutes and regulations.

ENTRY BY GOVERNMENT OFFICIALS ON RIVER

5. The Government by its servants and agents may at all reasonable times during the Term of this Lease enter upon any area of the Lower Churchill River and examine the condition of the same or inquire into the adherence by the Lessee with the terms and conditions set forth herein.

DEVELOPMENT OF PROJECT

6. The Lessee will commence and proceed with due diligence with the development of the generation of electricity from the Lower Churchill River.

MONITORING STATIONS

7. The Lessee may be required by the Government to install, operate and maintain streamflow, water level monitoring stations, and other necessary measures to measure water flow, level or quality at specified locations in the Lower Churchill River and report all relevant data to the Government upon request. Such monitoring shall be carried out in the manner that the Government considers necessary for the assessment of the quantity and quality of the water available in the Lower Churchill River and the quantity of water used by the Lessee for water power generation.
8. If the Lessee undertakes recording information, other than the requirements set out in section 7, concerning the characteristics of the Lower Churchill River, or any part of it, it will provide to the Government upon request copies of such information and data at least once each year.

MAINTENANCE OF STRUCTURES

9. The Lessee shall maintain in good repair and good working order, and in accordance with all laws, by-laws, directions, rules and regulations, all structures, works and plants erected from time to time for the development and utilization of the Lower Churchill River on the premises demised by this Lease, and the Lessee shall make all necessary repairs in order to secure the normal and satisfactory working of all such structures, works and plants. The Lessee shall immediately notify the Government if any problem arises which may threaten the structural stability of the structures, works and plants such as dams and other systems, endanger public safety and / or the environment or adversely affect water users either in or outside the area of the Lower Churchill River.

RENTALS

10. In consideration for the rights granted herein:
- (a) the Lessee shall pay to the Government \$2.50 per megawatt hour of power generated each year from the Lower Churchill River.
 - (b) From January 1, 2010, the rental referred to in paragraph (a) will be adjusted on January 1 of each year during the Term according to the percentage of increase, in relation to the preceding year, in the Consumer Price Index (CPI, Canada, All-items), as established under the *Statistics Act* of Canada, or any succeeding legislation. For such purpose, the Consumer Price Index for a year is the average monthly index for the 12 months ending on September 30 of the preceding year.
 - (c) Where the percentage calculated under paragraph (b) has two or more decimals, only the first two decimals are kept and the second decimal is increased by a unit if the third decimal is 5 or over.

INDEMNITY

11. The Lessee indemnifies and holds the Government harmless against any and all liabilities, losses, claims, demands, damages or expenses including legal expenses of any nature whatsoever, whether arising in tort, contract, statute, trust or otherwise resulting directly or indirectly from the exercise by the Lessee of the rights granted under this Lease, or from the systems and works operated by the Lessee in, on or outside the Lower Churchill River, or from any act or omission of the Lessee in, on or outside the Lower Churchill River or pursuant to the rights granted herein, or arising out of a breach or non-performance of any of the terms, conditions or provisions of this Lease by the Lessee, its employees, agents, licensees, lessees or any other persons authorized by the Lessee.

MAINTENANCE OF RECORDS

12. The Lessee shall prudently maintain in good faith records, accounts and statements of the rates and amounts of water used on a daily basis for the generation of hydroelectric power, rates and amounts of water spilled or released downstream, operating water levels, extent of the flooded area, and any related information that the Government may require in whatever form, manner and time. Copies of such records, accounts, and statements shall be submitted to the Water Rights Section of the Department of Environment and Conservation on or before the end of March of each year during the Term created by this Lease.

ENTRY BY GOVERNMENT ON PLACES OF BUSINESS

13. The employees or agents of the Government may at all reasonable times during the Term of this Lease enter upon the Lessee's structures, works and plants erected from time to time in connection with the rights granted hereunder or upon any of the Lessee's designated places of business to inspect the systems, works and records pertaining to its use of the Lower Churchill River waters, and shall be entitled to copy such information as may be required by the Minister of Environment and Conservation.

ADHERENCE TO PERMITS AND APPROVALS

14. The Lessee shall operate its structures, plants, systems and works in a manner which is consistent with any permits or approvals it has been issued, including any environmental permits or approvals. The Lessee shall be responsible for any and all environmental damage caused by the exercise of its rights granted hereunder, including inadequacies in the Lessee's operational procedures and any failure to adhere to the requirements of any such permits or approvals.

CAPACITY TO DEVELOP

15. The Lessee represents and warrants that it has the required expertise, skills and capacity to develop and operate a hydro – electric development on the Lower Churchill River.

GOVERNMENT'S COVENANTS

The Government hereby covenants with the Lessee as follows:

PEACEFUL ENJOYMENT

16. Subject to the provisions of this Lease, the Lessee shall peaceably hold and enjoy the rights and liberties leased and demised during the Term without any interruption or interference by the Government.

RENEWAL OF LEASE

17. Any renewal of this Lease subsequent to the expiry of the Term shall be at the sole and absolute discretion of Government, upon the written request of the Lessee, such request to be made no later than one year before the expiration of the Term. The terms and conditions of any such renewal granted shall be at the sole and absolute discretion of Government, and there is no requirement that such terms or conditions correspond to the provisions of this Lease. The Lessee acknowledges that it has neither a

right to nor an expectation of such renewal being granted as a result of being granted this Lease.

LEASE OR LICENCE OF CROWN LAND

18. After the date of execution and delivery of this Lease whenever a grant, lease, licence or renewal or other assurance is made of Crown lands located within the planned reservoir area of the Lower Churchill River, a provision shall be inserted in such instruments reserving in favour of the Lessee the right to flood or otherwise impair the land comprised in such instruments and to construct and operate storage reservoirs on it without paying any compensation, fine or other indemnity in respect of the loss or damage suffered by any other holder of rights in the land. This provision is subject to the Lessee providing a description of the planned reservoir area in a form acceptable to Government.

MUTUAL COVENANTS

GRANTING OF SECURITY INTEREST

19. The Lessee shall not grant a security interest upon, encumber, or otherwise transfer, assign, lease, sublease, license or otherwise dispose of any rights or privileges granted hereunder or in any other manner permit any person to utilize any of the rights and privileges granted hereunder for the purposes of securing financial obligations, unless:
 - (a) such interest is being created for the purposes of financing the development of hydro-electric facilities on the Lower Churchill River;
 - (b) such interest contains provisions that prevent any lender (including a trustee, receiver or agent acting on behalf of the lender) from realizing on such security interest until the Government is given notice of any default by the Lessee, and is given a period of 60 days during which time, it may, in its absolute discretion cure any default committed by the Lessee; and
 - (c) it obtains the prior written approval and consent of Government to such action and to the terms thereof.

ENTRY UPON UNOCCUPIED CROWN LAND

20. The Lessee may enter upon, investigate and survey any unoccupied Crown lands for any purpose incidental to the development and generation of electricity from the Lower Churchill River, but the Lessee shall be liable for all damages occasioned in the exercise of its rights

pursuant to this clause by itself, its employees, agents, invitees, or any other persons authorized by the Lessee.

CANCELLATION OF LEASE

21. In addition to any other right the Government may have with respect to this Lease, it may cancel this Lease upon being satisfied that:
- (a) this Lease was issued as a result of or consequent upon a material misrepresentation by the Lessee; or
 - (b) the Lessee has become insolvent, has declared bankruptcy or has committed an act of bankruptcy.

DEFAULT UNDER LEASE

22. (1) Subject to the provisions of subsection (2), if the Lessee defaults in the performance of any of the provisions, terms or conditions herein contained and such default continues unremedied for sixty (60) days after written notice from the Government specifying such default, then this Lease may terminate at the option of the Government.
- (2) If the performance of any of the obligations of the Lessee set forth herein shall to any extent be prevented, restricted, delayed or interfered with by reason of
- (a) war, revolution, civil commotion, riot, acts of public enemies, blockade or embargo;
 - (b) any law, order, proclamation, regulation, ordinance, demand or requirement of any government or any subdivision, authority, agency or representative of any government; or
 - (c) any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of the Lessee, and which the Lessee has been unable to overcome by the exercise of due diligence;

the Lessee shall, on prompt notice to the Government, be excused from the performance of such obligations to the extent of such prevention, restriction, delay or interference provided that the event must continue for a period of time not less than forty – eight (48) hours. Explicitly excluded from this provision are:

- (d) shortage of necessary labour;

- (e) an inability to obtain supplies, labour or other services;
- (f) lack of finances or changes in economic circumstances of the Lessee; and
- (g) any act or event which merely results in the performance of the obligations hereunder being at a cost to the Lessee greater than that which would, but for the occurrence of the act or event, have been incurred by the Lessee.

SEVERANCE

23. Should any provision of this Lease be unenforceable, it shall be considered separate and severable from the remaining provisions of this Lease which shall remain in force and be binding as though the provision had not been included.

INDEPENDENT LEGAL ADVICE

24. The Government and the Lessee acknowledge that they have obtained their own independent legal advice with respect to this Lease to the fullest extent deemed necessary by each party prior to its execution and delivery. Furthermore, the Government and the Lessee acknowledge that neither acted under any duress in negotiating, drafting and executing this Lease. There shall be no presumption that any ambiguity in this Lease be resolved in favour of either of the parties and the doctrine of *contra proferentum* is specifically excluded.

ENTIRE AGREEMENT

25. This Lease sets forth the entire agreement and all the covenants, promises, assurances, agreements, representations, conditions, warranties, statements and understandings (collectively "Representations") between the parties concerning the subject matter hereof. No Representations are made by the Government to the Lessee or by the Lessee to the Government except as expressly set out in this Lease.

GOOD FAITH

26. Each of the Government and the Lessee shall at all times exercise all its rights under this Lease in a manner consistent with good business practices and shall act in good faith.

FORBEARANCE NOT WAIVER

27. The failure of any party to this Lease to insist, in any one instance, upon the strict performance by another party of its obligations under it, or the failure of any party to exercise any right, option or remedy, shall not constitute a waiver or relinquishment for the future of any such obligation, right, option or remedy nor shall it constitute a waiver of a subsequent breach. No covenant or condition of this Lease may be waived by either party except by the written consent of that party, and forbearance or indulgence by that party in any regard whatsoever, for no matter how long, shall not constitute a waiver of such covenant or condition and until such covenant or condition has been performed or waived in writing that party shall be entitled to invoke any remedy available to that party under this Lease.

LEGAL RELATIONSHIP

28. The Government and the Lessee expressly disclaim any intention to create a partnership, joint venture or joint enterprise. It is understood, acknowledged and agreed that nothing contained in this Lease nor any acts of the parties shall constitute or be deemed to constitute the Government and the Lessee as partners, joint venturers or principal and agent in any way or for any purpose.

ASSIGNMENT OF LEASE

29. Subject to Section 19, this Lease or the rights and liberties hereby demised by this Lease shall not be sold, assigned, mortgaged, transferred, leased, subleased, licensed or otherwise alienated, in whole or in part, by the Lessee without obtaining prior written approval of the Government.

AMENDMENT

30. No amendment or modification of this Lease shall be valid unless it is in writing and signed by both parties.

NEWFOUNDLAND AND LABRADOR LAWS TO APPLY

31. This Lease shall be construed and interpreted in accordance with the laws of Newfoundland and Labrador.

SUCCESSORS AND ASSIGNS

32. This Lease shall be binding upon and enure to the benefit of the parties to this Lease, the successors and assigns of the Government, and the successors and permitted assigns of the Lessee. Any assignment by the Lessee shall only become effective when the assignee executes with the Government an instrument whereby it agrees to be bound by and perform all of the Lessee's obligations under this Lease.

SCOPE

33. This Lease does not release the Lessee from the obligation to obtain appropriate approvals, permits or licenses from other concerned federal, provincial and municipal agencies, as may be applicable, for any activities of the Lessee in the development of the hydroelectric potential of the Lower Churchill River.

NOTICES

34. All notices, claims, payments, reports and other communications required under this Lease shall be in writing. The addresses for service are as follows:

Department of Environment and Conservation
Water Rights Section
P.O. Box 8700
St. John's, NL A1B 4J6
Attention: Martin Goebel
Director
Phone: 729-2563
Fax: 729-0320

For the Lessee:
Nalcor Energy.
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 4K7
Attention: Gilbert Bennett
Vice President
Lower Churchill Project
Phone: 737-1836
Fax: 737-1782

Notices, requests or documents shall be deemed to have been received by the addressee as follows:

- (a) As of the date on which they are delivered where delivery is by a party or by messenger or special courier service;
- (b) As of the date on which they are sent where delivery is by telecopier or other means of electronic communication; and
- (c) Six (6) days after delivery to Canada Post Corporation where the postal service is used.

IN WITNESS WHEREOF the parties hereto have executed this Lease on the day and year first before written.

HER MAJESTY IN RIGHT
OF THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR

NALCOR ENERGY

Represented by:

Signature: Kathy Dunderdale
Name: Kathy Dunderdale

Title: Minister of Natural
Resources

Represented by:

Signature: Gilbert Bennett
Name: Gilbert Bennett

Title: VP- Lower Churchill Project

Signature: E. J. Martin
Name: E. J. Martin

Title: President & CEO

This Indenture (the "Lease") made as of the 2nd day of October, 2009.

Between: Her Majesty In Right of Newfoundland and Labrador, as represented by the Lieutenant-Governor in Council (the "Government");

And: Nalcor Energy, a corporation incorporated under the laws of the Province of Newfoundland and Labrador (the "Lessee").

Whereas the Lessee has requested that the Lieutenant-Governor in Council grant it water rights for the purposes of water power generation on the Lower Churchill River;

And Whereas under the *Energy Corporation of Newfoundland and Labrador Water Rights Act* (the "Act") the Lieutenant-Governor in Council has the authority to grant to the Lessee (previously the Energy Corporation of Newfoundland and Labrador) water rights for the purposes of water power generation on the Lower Churchill River;

And Whereas the Government originally granted Nalcor a lease under the Act dated 17 March 2009 (the "original Lease");

And Whereas the definition of the "Lower Churchill River" in the Act was amended by the *Energy Corporation of Newfoundland and Labrador Water Rights (Amendment) Act*, which was proclaimed on 10 September 2009, with retroactive effect back to the original promulgation of the Act;

And Whereas the Lieutenant-Governor in Council wishes to enter into, execute and deliver this Lease in revision and replacement to the original Lease, in compliance with the amended Act subject to the terms, conditions, reservations, qualifications and provisions set forth.

Now therefore the parties agree as follows:

RIGHTS LEASED AND RESERVATIONS MADE

1. In consideration of the undertakings of the Lessee and subject to the terms, conditions, reservations, exceptions and provisions herein contained, the Government leases and demises to the Lessee full right and liberty to use exclusively the "Lower Churchill River" which is defined as:

(i) that part of the Churchill River below the intersection of the Churchill River with the meridian of 63 ° 40' west of Greenwich, downstream to the intersection of the Churchill River with the

meridian of 60 ° 45' west of Greenwich, and all waters that naturally flow into, or by diversion flow into, the Churchill River between those 2 points, and

(ii) that part of the Churchill River upstream of the point of intersection of the Churchill River with the meridian of 63 ° 40' west of Greenwich that lies below the 425 foot contour line or below elevation 425 feet, as referenced in Appendix A of *The Churchill Falls (Labrador) Corporation Limited (Lease) Act*, 1961,

but excludes the area described in Appendix A to *The Churchill Falls (Labrador) Corporation Limited (Lease) Act*, 1961, and all waters while they are in that area, for the purposes of water power generation **TO HOLD** the same unto the Lessee for a period of 50 years commencing upon the date of the execution of this instrument (the "Term") **TOGETHER WITH** the full right to flood during the term created by this Lease and any renewal of it all those areas of the Lower Churchill River.

GOVERNMENT RESERVATIONS

2. The Government reserves the right of the public to use the Lower Churchill River for the purpose of fishing, shooting, hunting, trapping, logging and travelling; provided that the exercise of these rights shall not materially impair the Lessee's rights as granted under this instrument and provided further that the Lessee shall have the right to restrict the public from entering upon those areas where the public's presence at or near the Lessee's facilities constitutes a hazard to the Lessee or to the public or where it creates an operational concern for the Lessee.

RIGHTS GRANTED

3. Subject to the provisions, terms, conditions, exceptions and reservations of this Lease, the lease and demise of the Lower Churchill River created includes the grant to the Lessee of:
 - (a) the exclusive right to harness and make use of the Lower Churchill River;
 - (b) all water power rights in, to and in respect of the Lower Churchill River;
 - (c) the exclusive right to construct and utilize all dams, tunnels, canals, diversions, power houses and any and all works on the Lower Churchill River necessary for the development of hydro electric power; and

- (d) the exclusive right to store and regulate so much of the Lower Churchill River as may be economic and/or beneficial for the purposes of the development of the Lower Churchill River for the purposes set forth herein.

LESSEE'S COVENANTS

The Lessee covenants with the Government as follows:

ADHERANCE TO THE LAWS OF NEWFOUNDLAND AND LABRADOR

- 4. The Lessee shall fulfill and abide by the requirements of all applicable laws of the Province of Newfoundland and Labrador and of Canada and any regulations, orders and directions made under such statutes and regulations.

ENTRY BY GOVERNMENT OFFICIALS ON RIVER

- 5. The Government by its servants and agents may at all reasonable times during the Term of this Lease enter upon any area of the Lower Churchill River and examine the condition of the same or inquire into the adherence by the Lessee with the terms and conditions set forth herein.

DEVELOPMENT OF PROJECT

- 6. The Lessee will commence and proceed with due diligence with the development of the generation of electricity from the Lower Churchill River.

MONITORING STATIONS

- 7. The Lessee may be required by the Government to install, operate and maintain streamflow, water level monitoring stations, and other necessary measures to measure water flow, level or quality at specified locations in the Lower Churchill River and report all relevant data to the Government upon request. Such monitoring shall be carried out in the manner that the Government considers necessary for the assessment of the quantity and quality of the water available in the Lower Churchill River and the quantity of water used by the Lessee for water power generation.
- 8. If the Lessee undertakes recording information, other than the requirements set out in section 7, concerning the characteristics of the Lower Churchill River, or any part of it, it will provide to the Government upon request copies of such information and data at least once each year.

MAINTENANCE OF STRUCTURES

9. The Lessee shall maintain in good repair and good working order, and in accordance with all laws, by-laws, directions, rules and regulations, all structures, works and plants erected from time to time for the development and utilization of the Lower Churchill River on the premises demised by this Lease, and the Lessee shall make all necessary repairs in order to secure the normal and satisfactory working of all such structures, works and plants. The Lessee shall immediately notify the Government if any problem arises which may threaten the structural stability of the structures, works and plants such as dams and other systems, endanger public safety and / or the environment or adversely affect water users either in or outside the area of the Lower Churchill River.

RENTALS

10. In consideration for the rights granted herein:
- (a) the Lessee shall pay to the Government \$2.50 per megawatt hour of power generated each year from the Lower Churchill River.
 - (b) From January 1, 2010, the rental referred to in paragraph (a) will be adjusted on January 1 of each year during the Term according to the percentage of increase, in relation to the preceding year, in the Consumer Price Index (CPI, Canada, All-items), as established under the *Statistics Act* of Canada, or any succeeding legislation. For such purpose, the Consumer Price Index for a year is the average monthly index for the 12 months ending on September 30 of the preceding year.
 - (c) Where the percentage calculated under paragraph (b) has two or more decimals, only the first two decimals are kept and the second decimal is increased by a unit if the third decimal is 5 or over.

INDEMNITY

11. The Lessee indemnifies and holds the Government harmless against any and all liabilities, losses, claims, demands, damages or expenses including legal expenses of any nature whatsoever, whether arising in tort, contract, statute, trust or otherwise resulting directly or indirectly from the exercise by the Lessee of the rights granted under this Lease, or from the systems and works operated by the Lessee in, on or outside the Lower Churchill River, or from any act or omission of the Lessee in, on or outside the Lower Churchill River or pursuant to the rights granted herein, or arising out of a breach or non-performance of any of the terms, conditions or provisions of this Lease by the Lessee, its employees, agents, licensees, lessees or any other persons authorized by the Lessee.

MAINTENANCE OF RECORDS

12. The Lessee shall prudently maintain in good faith records, accounts and statements of the rates and amounts of water used on a daily basis for the generation of hydroelectric power, rates and amounts of water spilled or released downstream, operating water levels, extent of the flooded area, and any related information that the Government may require in whatever form, manner and time. Copies of such records, accounts, and statements shall be submitted to the Water Rights Section of the Department of Environment and Conservation on or before the end of March of each year during the Term created by this Lease.

ENTRY BY GOVERNMENT ON PLACES OF BUSINESS

13. The employees or agents of the Government may at all reasonable times during the Term of this Lease enter upon the Lessee's structures, works and plants erected from time to time in connection with the rights granted hereunder or upon any of the Lessee's designated places of business to inspect the systems, works and records pertaining to its use of the Lower Churchill River waters, and shall be entitled to copy such information as may be required by the Minister of Environment and Conservation.

ADHERENCE TO PERMITS AND APPROVALS

14. The Lessee shall operate its structures, plants, systems and works in a manner which is consistent with any permits or approvals it has been issued, including any environmental permits or approvals. The Lessee shall be responsible for any and all environmental damage caused by the exercise of its rights granted hereunder, including inadequacies in the Lessee's operational procedures and any failure to adhere to the requirements of any such permits or approvals.

CAPACITY TO DEVELOP

15. The Lessee represents and warrants that it has the required expertise, skills and capacity to develop and operate a hydro – electric development on the Lower Churchill River.

GOVERNMENT'S COVENANTS

The Government hereby covenants with the Lessee as follows:

PEACEFUL ENJOYMENT

16. Subject to the provisions of this Lease, the Lessee shall peaceably hold and enjoy the rights and liberties leased and demised during the Term without any interruption or interference by the Government.

RENEWAL OF LEASE

17. Any renewal of this Lease subsequent to the expiry of the Term shall be at the sole and absolute discretion of Government, upon the written request of the Lessee, such request to be made no later than one year before the expiration of the Term. The terms and conditions of any such renewal granted shall be at the sole and absolute discretion of Government, and there is no requirement that such terms or conditions correspond to the provisions of this Lease. The Lessee acknowledges that it has neither a right to nor an expectation of such renewal being granted as a result of being granted this Lease.

LEASE OR LICENCE OF CROWN LAND

18. After the date of execution and delivery of this Lease whenever a grant, lease, licence or renewal or other assurance is made of Crown lands located within the planned reservoir area of the Lower Churchill River, a provision shall be inserted in such instruments reserving in favour of the Lessee the right to flood or otherwise impair the land comprised in such instruments and to construct and operate storage reservoirs on it without paying any compensation, fine or other indemnity in respect of the loss or damage suffered by any other holder of rights in the land. This provision is subject to the Lessee providing a description of the planned reservoir area in a form acceptable to Government.

MUTUAL COVENANTS

GRANTING OF SECURITY INTEREST

19. The Lessee shall not grant a security interest upon, encumber, or otherwise transfer, assign, lease, sublease, license or otherwise dispose of any rights or privileges granted hereunder or in any other manner permit any person to utilize any of the rights and privileges granted hereunder for the purposes of securing financial obligations, unless:
 - (a) such interest is being created for the purposes of financing the development of hydro-electric facilities on the Lower Churchill River;
 - (b) such interest contains provisions that prevent any lender (including a trustee, receiver or agent acting on behalf of the lender) from realizing on such security interest until the Government is given

notice of any default by the Lessee, and is given a period of 60 days during which time, it may, in its absolute discretion cure any default committed by the Lessee; and

- (c) it obtains the prior written approval and consent of Government to such action and to the terms thereof.

ENTRY UPON UNOCCUPIED CROWN LAND

- 20. The Lessee may enter upon, investigate and survey any unoccupied Crown lands for any purpose incidental to the development and generation of electricity from the Lower Churchill River, but the Lessee shall be liable for all damages occasioned in the exercise of its rights pursuant to this clause by itself, its employees, agents, invitees, or any other persons authorized by the Lessee.

CANCELLATION OF LEASE

- 21. In addition to any other right the Government may have with respect to this Lease, it may cancel this Lease upon being satisfied that:
 - (a) this Lease was issued as a result of or consequent upon a material misrepresentation by the Lessee; or
 - (b) the Lessee has become insolvent, has declared bankruptcy or has committed an act of bankruptcy.

DEFAULT UNDER LEASE

- 22. (1) Subject to the provisions of subsection (2), if the Lessee defaults in the performance of any of the provisions, terms or conditions herein contained and such default continues unremedied for sixty (60) days after written notice from the Government specifying such default, then this Lease may terminate at the option of the Government.
- (2) If the performance of any of the obligations of the Lessee set forth herein shall to any extent be prevented, restricted, delayed or interfered with by reason of
 - (a) war, revolution, civil commotion, riot, acts of public enemies, blockade or embargo;
 - (b) any law, order, proclamation, regulation, ordinance, demand or requirement of any government or any subdivision, authority, agency or representative of any government; or

- (c) any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of the Lessee, and which the Lessee has been unable to overcome by the exercise of due diligence;

the Lessee shall, on prompt notice to the Government, be excused from the performance of such obligations to the extent of such prevention, restriction, delay or interference provided that the event must continue for a period of time not less than forty – eight (48) hours. Explicitly excluded from this provision are:

- (d) shortage of necessary labour;
- (e) an inability to obtain supplies, labour or other services;
- (f) lack of finances or changes in economic circumstances of the Lessee; and
- (g) any act or event which merely results in the performance of the obligations hereunder being at a cost to the Lessee greater than that which would, but for the occurrence of the act or event, have been incurred by the Lessee.

SEVERANCE

- 23. Should any provision of this Lease be unenforceable, it shall be considered separate and severable from the remaining provisions of this Lease which shall remain in force and be binding as though the provision had not been included.

INDEPENDENT LEGAL ADVICE

- 24. The Government and the Lessee acknowledge that they have obtained their own independent legal advice with respect to this Lease to the fullest extent deemed necessary by each party prior to its execution and delivery. Furthermore, the Government and the Lessee acknowledge that neither acted under any duress in negotiating, drafting and executing this Lease. There shall be no presumption that any ambiguity in this Lease be resolved in favour of either of the parties and the doctrine of *contra proferentum* is specifically excluded.

ENTIRE AGREEMENT

- 25. This Lease sets forth the entire agreement and all the covenants, promises, assurances, agreements, representations, conditions, warranties, statements and understandings (collectively "Representations") between the parties concerning the subject matter

hereof. No Representations are made by the Government to the Lessee or by the Lessee to the Government except as expressly set out in this Lease.

GOOD FAITH

26. Each of the Government and the Lessee shall at all times exercise all its rights under this Lease in a manner consistent with good business practices and shall act in good faith.

FORBEARANCE NOT WAIVER

27. The failure of any party to this Lease to insist, in any one instance, upon the strict performance by another party of its obligations under it, or the failure of any party to exercise any right, option or remedy, shall not constitute a waiver or relinquishment for the future of any such obligation, right, option or remedy nor shall it constitute a waiver of a subsequent breach. No covenant or condition of this Lease may be waived by either party except by the written consent of that party, and forbearance or indulgence by that party in any regard whatsoever, for no matter how long, shall not constitute a waiver of such covenant or condition and until such covenant or condition has been performed or waived in writing that party shall be entitled to invoke any remedy available to that party under this Lease.

LEGAL RELATIONSHIP

28. The Government and the Lessee expressly disclaim any intention to create a partnership, joint venture or joint enterprise. It is understood, acknowledged and agreed that nothing contained in this Lease nor any acts of the parties shall constitute or be deemed to constitute the Government and the Lessee as partners, joint venturers or principal and agent in any way or for any purpose.

ASSIGNMENT OF LEASE

29. Subject to Section 19, this Lease or the rights and liberties hereby demised by this Lease shall not be sold, assigned, mortgaged, transferred, leased, subleased, licensed or otherwise alienated, in whole or in part, by the Lessee without obtaining prior written approval of the Government.

AMENDMENT

30. No amendment or modification of this Lease shall be valid unless it is in writing and signed by both parties.

NEWFOUNDLAND AND LABRADOR LAWS TO APPLY

31. This Lease shall be construed and interpreted in accordance with the laws of Newfoundland and Labrador.

SUCCESSORS AND ASSIGNS

32. This Lease shall be binding upon and enure to the benefit of the parties to this Lease, the successors and assigns of the Government, and the successors and permitted assigns of the Lessee. Any assignment by the Lessee shall only become effective when the assignee executes with the Government an instrument whereby it agrees to be bound by and perform all of the Lessee's obligations under this Lease.

SCOPE

33. This Lease does not release the Lessee from the obligation to obtain appropriate approvals, permits or licenses from other concerned federal, provincial and municipal agencies, as may be applicable, for any activities of the Lessee in the development of the hydroelectric potential of the Lower Churchill River.

NOTICES

34. All notices, claims, payments, reports and other communications required under this Lease shall be in writing. The addresses for service are as follows:

Department of Environment and Conservation
Water Rights Section
P.O. Box 8700
St. John's, NL A1B 4J6
Attention: Martin Goebel
Director
Phone: 729-2563
Fax: 729-0320

For the Lessee:
Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 4K7
Attention: Gilbert Bennett
Vice President
Lower Churchill Project

Phone: 737-1836
Fax: 737-1782

Notices, requests or documents shall be deemed to have been received by the addressee as follows:

- (a) As of the date on which they are delivered where delivery is by a party or by messenger or special courier service;
- (b) As of the date on which they are sent where delivery is by telecopier or other means of electronic communication; and
- (c) Six (6) days after delivery to Canada Post Corporation where the postal service is used.

EFFECTIVE DATE

35. Notwithstanding the date of its execution, this Lease shall be effective from 17 March 2009 and shall have effect as if it were originally executed on that date.

IN WITNESS WHEREOF the parties hereto have executed this Lease on the day and year first before written.

HER MAJESTY IN RIGHT
OF THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR

NALCOR ENERGY

Represented by:

Signature:

K. Dunderdale

Name:

Kathy Dunderdale

Title:

Minister of Natural Resources

Represented by:

Signature:

Gilbert Bennett

Name:

Gilbert Bennett

Title:

VP-Lower Churchill Project

Signature:

Jim Keating

Name:

Jim Keating

Title:

VP-Oil & Gas

Confidential

Please see Board Secretary to view as needed