

1 Q. Please provide an update on the status of negotiations with Vale for a Capacity
2 Assistance Agreement. If the Agreement has been finalized, please provide a
3 detailed summary of its terms. (Volume I, Section 2: Regulated Activities, page
4 2.13, lines 15 to 18)

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7 A. On January 14, 2015, Hydro notified all parties of the finalization of a capacity
8 assistance agreement with Vale. The amount of capacity assistance is to a maximum
9 of 15.8 MW, though the actual amount of capacity assistance available for the
10 winter 2014/15 period has been tested at 10.8 MW. Payments under this
11 Agreement are comprised of a Capacity Fee of \$28/kW plus compensation for fuel
12 consumed by Vale to provide the capacity assistance.

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14 NP-NLH-345 Attachment 1 provides the agreement.

THIS SUPPLEMENTAL CAPACITY ASSISTANCE AGREEMENT is made in the Province of Newfoundland as of the 14th day of December 2014.

BETWEEN: **NEWFOUNDLAND AND LABRADOR HYDRO** a corporation and agent of the Crown constituted by statute, renamed and continued by the *Hydro Corporation Act*, 2007 Chapter H-17 of the 2007 Statutes of Newfoundland and Labrador and having its head office at St. John's, in the Province of Newfoundland and (hereinafter called "Hydro"), of the first part;

AND **CORNER BROOK PULP AND PAPER LIMITED** a company organized under the laws of Newfoundland and Labrador (hereinafter called "the Customer"), of the second part.

WHEREAS Hydro and the Customer are parties to an agreement whereby Hydro sells Electrical Power and Energy to the Customer which agreement was most recently approved by the Board of Commissioners of Public Utilities for the Province of Newfoundland on February 8, 2012 in Order No. P.U. 4(2012) (herein after called "Service Agreement");

AND WHEREAS the Customer has hydroelectric generating capability which enables it to provide electrical capacity to Hydro;

AND WHEREAS Hydro and the Customer are parties to an agreement whereby the Customer reduces its load pursuant to a request of Hydro such that it provides up to 60 MW of relief on the island transmission system which agreement was approved by the Board of Commissioners of Public Utilities for the Province of Newfoundland on November 28, 2014 in Order No. P.U. 49 (2014) (herein after called "Capacity Assistance Agreement");

THEREFORE THIS AGREEMENT WITNESSETH that the parties agree as follows:

ARTICLE 1
INTERPRETATION

In this Agreement, unless the context otherwise requires,

1.01 (a) "Mill Essential Services Load" means that amount of Mill Load required to operate the Customer's main power boiler and essential heating and lighting but in any event shall not exceed 10 MW.

(b) "Mill Load" means the Customer's 60 Hz electrical power requirements as

taken at its 66 kV supply buses, or at such other points agreed to in writing by the parties.

(c) "Secondary Energy" means the same as it does under the Service Agreement.

(d) "Supplemental Capacity Assistance" means a provision of capacity in excess of that which is required under the Capacity Assistance Agreement but which does not require the Customer to reduce Mill Load below Mill Essential Services Load (the maximum Supplemental Capacity Assistance is estimated to be approximately 30 MW).

(e) "Supplemental Capacity Assistance Period" is a period determined by Hydro at the time of the request of not less than three (3) hours and not more than six (6) hours during which Supplemental Capacity Assistance is provided in accordance with a Supplemental Capacity Assistance Request.

(f) "Supplemental Capacity Assistance Request" means a request by Hydro from its Energy Control Center to the Deer Lake Power control room to provide Supplemental Capacity Assistance in an amount to be determined by Hydro.

(g) "Winter" means the period from December 1 to March 31 inclusive.

ARTICLE 2 SUPPLEMENTAL CAPACITY ASSISTANCE

2.01 Hydro may make Supplemental Capacity Assistance Requests only following a Capacity Assistance Request for 60 MW under the existing Capacity Assistance Agreement approved in Board Order No. P.U. 49(2014), no more than twice in a calendar day, no more than twenty times in a Winter, each of a duration of not less than 3 hours and not more than six (6) hours, and such that the total duration of such Supplemental Capacity Assistance Periods does not exceed 100 hours in a Winter.

2.02 A Supplemental Capacity Assistance Request shall be made to the Customer upon not less than 15 minutes notice prior to the time that the Supplemental Capacity Assistance Period is scheduled to commence. Any request to cease a Supplemental Capacity Assistance Period, or to change the Supplemental Capacity Assistance amount, shall be made upon 15 minutes notice but a change in the level of Supplemental Capacity Assistance provided in a Supplemental Capacity Assistance Period does not i) constitute a new Supplemental Capacity Assistance Request; or ii) disentitle the Customer to payment under section 3.01 hereof for the period in the initial Supplemental Capacity Assistance Request.

2.03 Any Supplemental Capacity Assistance Request made by Hydro may be cancelled by Hydro if notice to cancel that Supplemental Capacity Assistance is given by Hydro to the Customer not less than 15 minutes before the time that the Supplemental Capacity Assistance Period was scheduled to commence.

2.04 The Customer's acceptance or rejection of a Supplemental Capacity Request is at the Customer's discretion. However, it is recognized that the Customer will do everything reasonable to deliver the Supplemental Capacity Assistance, without impacting the Mill Essential Service Load. There will be no penalties in the event the Customer can not meet a Supplemental Capacity Request.

ARTICLE 3 **PAYMENT**

3.01 Hydro shall pay the Customer a variable rate of 55 cents per kW per hour for the first 10 MW of Supplemental Capacity Assistance provided and 65 cents per kW per hour for Supplemental Capacity Assistance provided in excess of the first 10 MW block requested and provided during each Supplemental Capacity Assistance Period. The duration of the Supplemental Capacity Assistance Period in which the Supplemental Capacity Assistance Request is made will commence with the time of the original Capacity Assistance Period (as defined in the Capacity Assistance Agreement) and end at the termination of that same Capacity Assistance Period and the payment for that period will be based on the maximum Supplemental Capacity Assistance requested, supplied and sustained in that period. The duration of which will not be less than three (3) hours and not more than six (6) hours.

3.02 The amounts paid for Supplemental Capacity Assistance shall be the only amounts payable and no amounts shall be payable under the Secondary Energy and/or Capacity Assistance arrangements that exist under separate agreements with respect to Supplemental Capacity Assistance provided during a Supplemental Capacity Assistance Period under this Agreement but otherwise the Secondary Energy and/or Capacity Assistance arrangements will apply. The Supplemental Capacity Assistance, Secondary Energy and, Capacity Assistance agreements are separate agreements and amounts payable under any one agreement will not impact the amounts payable under the other two agreements.

3.03 The Customer shall render its accounts on a monthly basis at the end of each month and Hydro will, within twenty (20) days after the date of receiving such account, make payment in lawful money of Canada at the appointed office of the Customer or by means of direct deposit into a Canadian bank account of the Customer. Any amounts in arrears or overdue to the Customer after expiration of such twenty (20) days shall bear interest, before and after judgment, at the prime rate of the Bank of Montreal plus 2% annually until such balance is paid. The prime rate of the Bank of Montreal is the annual

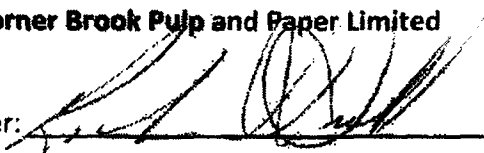
rate so established and announced by such bank at its head office in Canada as an annual rate of interest for demand loans payable in Canadian Dollars in Canada.

ARTICLE 4
TERM OF AGREEMENT

4.01 This agreement commences as of December 14, 2014 and expires on March 31, 2018 provided however that either party may terminate this agreement by providing advance written notice to the other party to that effect no earlier than March 31 and no later than June 30, which termination shall be effective not earlier than for the following Winter Period.

IN WITNESS WHEREOF, each Party has executed this Agreement by its duly authorized representatives.

Corner Brook Pulp and Paper Limited

Per: 

Title: VP/GM CORNER BROOK Pulp & Paper Ltd

Newfoundland and Labrador Hydro

Per: 

Title: VP System Operations and Planning