

1 **P. U. 1(2007)**
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4 **IN THE MATTER OF** the *Public*
5 *Utilities Act*, (R.S.N.L.) 1990,
6 Chapter P-47 (the “*Act*”), and
7

8 **AND**
9

10 **IN THE MATTER OF** an Application by
11 Newfoundland and Labrador Hydro (“Hydro”)
12 for the approval, pursuant to Sections 70, 71
13 and 75 of the *Act*, of certain rules, regulations
14 and rates pertaining to the supply of electrical
15 power and energy to one of its industrial
16 customers, Aur Resources Inc.
17

18
19 **WHEREAS** Hydro is a corporation continued and existing under the *Hydro Corporation Act*, is
20 a public utility within the meaning of the *Act* and is subject to the provisions of the *Electrical*
21 *Power Control Act, 1994*; and
22

23 **WHEREAS** Hydro filed the within Application seeking approval of rates and rules and
24 regulations in relation to the provision of services to Aur Resources Inc., a new Island Industrial
25 Customer of Hydro (the “Application”); and
26

27 **WHEREAS** the Application seeks approval of a service agreement negotiated with Aur
28 Resources Inc. which is consistent with the Service Agreements approved by the Board for the
29 other Island Industrial Customers (the “Other Service Agreements”), except that for 2006 the

1 demand charge is based on the highest firm demand in the month rather than the year (the
2 “Service Agreement”); and

3
4 **WHEREAS** the Application seeks approval of rates for Aur Resources Inc., which are consistent
5 with the other Island Industrial Customers except that the rates exclude: 1) the Historical Plan
6 Balance portion of the Rate Stabilization Plan (“RSP”) that is payable by the other Island
7 Industrial Customers; and 2) a specifically assigned charge until the appropriate specifically
8 assigned charge can be determined with a full cost of service study in a general rate application;
9 and

10
11 **WHEREAS** at the time of filing the Application Hydro provided the consent of Aur Resources
12 Inc., to the making of the Application; and

13
14 **WHEREAS** on January 20, 2006 the Board issued Order No. P.U. 1(2006) approving, on an
15 interim basis, rates for Aur Resources which included the Historical Plan Balance portion of the
16 Rate Stabilization Plan, a specifically assigned charge of \$150,000, and a demand charge which
17 for 2006 is based on the highest firm demand in the month; and

18
19 **WHEREAS** on October 31, 2006 Hydro filed an agreement between Hydro, Aur Resources Inc.,
20 several other Island Industrial Customers and the Consumer Advocate setting out a consensus
21 that the rates and rules and regulations for Aur Resources Inc., should be approved as proposed
22 in the Application and that any amounts calculated by Hydro pursuant to the interim rates
23 approved by the Board under Order No. P.U. 1(2006) that are in excess of the final rates

1 approved by the Board should be refunded or credited to Aur Resources Inc., (the “Agreement”);
2 and

3
4 **WHEREAS** on December 15, 2006 Hydro filed letters from Abitibi Consolidated Inc.,
5 Stephenville Division and Abitibi Consolidated Inc., Grand Falls Division, the Island Industrial
6 Customers not party to the Agreement, which letters confirm that neither customer objects to the
7 Application being disposed of in accordance with the Agreement; and

8
9 **WHEREAS** by Orders Nos. P.U. 3(2005) and P.U. 12(2005) the Board approved capital monies
10 to be spent by Hydro and to be recovered from Aur Resources Inc., for the engineering and
11 construction of a transmission interconnection for the Duck Pond Mine being developed by Aur
12 Resources Inc.; and

13
14 **WHEREAS** the Board has approved rate schedules and service agreements for each of Hydro’s
15 other Island Industrial Customers, which are similar to those proposed for Aur Resources Inc.,
16 except in relation to the demand charge for 2006, the Historical Plan Balance and the specifically
17 assigned charge; and

18
19 **WHEREAS** in relation to the demand charge Hydro states in its response to information request
20 PUB 1.0 NLH that the intent of basing the demand charge on firm monthly demand is to provide
21 Aur Resources Inc., with reasonable flexibility during the construction, testing and
22 commissioning processes that it will be undertaking in its first year of receiving power from the
23 Island grid; and

1 **WHEREAS** in relation to the exclusion of the Historical Plan Balance of the Rate Stabilization
2 Plan, Hydro states in its response to information request PUB 25 NLH that Aur Resources Inc.,
3 should not pay a portion of the Historical Plan Balance primarily on the principle of cost
4 causation, in that all costs being recovered in the Industrial Customer RSP Historic Plan are costs
5 incurred by the Industrial Customer class prior to 2004; and

6

7 **WHEREAS** in relation to the specifically assigned charge, as stated in its response to
8 information request PUB 4.0 NLH, Hydro proposes to exclude the specifically assigned charge
9 until the appropriate specifically assigned charges can be determined in a new test year cost of
10 service study, given that the Board approved 2004 Cost of Service Study contained no specially
11 assigned charges applicable to that customer; and

12

13 **WHEREAS** on October 5, 2006 the Board issued Order No. P.U. 31(2006) setting rates for the
14 Island Industrial Customers in accordance with direction contained in an Order in Council issued
15 pursuant to section 5.1 of the *EPCA*; and

16

17 **WHEREAS** the rates established for Aur Resources Inc. by Order No. P.U. 31(2006), to be
18 consistent with Order No. P.U. 1(2006), should have been stated to be interim but the schedule
19 inadvertently failed to make reference to the fact that the rates were interim; and

1 **WHEREAS** on December 14, 2006 the Board issued Order No. P.U. 41(2006) setting interim
2 base rates for all Island Industrial Customers, including rates for Aur Resources Inc., effective
3 January 1, 2007; and

4
5 **WHEREAS** in accordance with the provisions of the RSP and the usual practice, it is anticipated
6 that Hydro will apply in January 2007 for interim approval of the rates arising from the rate
7 stabilization adjustment for Island Industrial Customers effective on consumption on and after
8 January 1, 2007, which will set out specific interim rates for Aur Resources Inc.; and

9
10 **WHEREAS** the Board is satisfied in the circumstances and, in particular in the context of the
11 Agreement filed with the Board in this matter, that rates, rules and regulations for Aur Resources
12 Inc., should be similar to those of the other Island Industrial customers of Hydro except that:

- 13 i) for 2006 the demand charge should be based on the highest firm demand in the
14 month;
- 15 ii) rates should exclude the historical plan balance of the RSP; and
- 16 iii) until a new full cost of service study is completed and reviewed, rates should not
17 include a specifically assigned charge.

18

19 **IT IS THEREFORE ORDERED THAT:**

20

- 21 1. Page 2 of Schedule “A” of PU 31(2006) shall be replaced with the attached page 2 of 2
22 Schedule “A”, attached hereto as Schedule “A”, which correctly sets out that the rates
23 established for Aur Resources Inc., in Order No. P.U. 31(2006) are interim.

- 1 2. The Board approves, pursuant to section 75 of the *Act*:
- 2 a. Firm and Non-Firm Rates for Aur Resources Inc., attached hereto as Schedule
- 3 “B”, to be effective for consumption on or after January 20, 2006 to and including
- 4 September 30, 2006;
- 5 b. Firm and Non-Firm Rates for Aur Resources Inc., attached hereto as Schedule
- 6 “C”, to be effective for consumption on or after October 1, 2006 to and including
- 7 December 31, 2006; and
- 8 c. Refund or credit to Aur Resources Inc., of the difference for 2006 between the
- 9 rates developed in accordance with the Agreement and those approved in Order
- 10 No. P.U. 1(2006)
- 11
- 12 3. The Service Agreement attached hereto as Schedule “D” is approved for the provision of
- 13 service to Aur Resources Inc.
- 14
- 15 4. Hydro shall pay the expenses of the Board incurred in connection with this matter.

Dated at St. John's, Newfoundland and Labrador, this 18th day of January 2007.

Robert Noseworthy
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

G. Cheryl Blundon
Board Secretary

Schedule "A"

Order No. P.U. 1(2007)

Issued: January 18, 2007

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM – INTERIM*
AUR RESOURCES INC.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.17 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*	@ 2.675 ¢ per kWh
RSP Adjustment.....	@ 1.223 ¢ per kWh
Energy Rate.....	@ 3.898 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

Specifically Assigned Charges:

The specifically assigned charges for customer plant in service that is specifically assigned to Aur Resources Inc. shall be \$150,000 per annum.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements signed with other Members of the Industrial Customer class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

***Replaces page 2 of 2 of Schedule "A" of Order No. P.U. 31(2006), Effective: October 1, 2006.**

Schedule “B”

Order No. P.U. 1(2007)

Issued: January 18, 2007

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM
AUR RESOURCES INC.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.17 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*@ 2.675 ¢ per kWh
RSP Adjustment	
Current Plan.....	@ (0.109) ¢ per kWh
Fuel Rider.....	@ 0.640 ¢ per kWh
Total RSP Adjustment	@ <u>0.531</u> ¢ per kWh
Energy Rate.....	@ 3.206 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates. Aur Resources Inc. is not subject to the Historic Plan component of the RSP Adjustment.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements signed with other Members of the Industrial Customer class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – NON-FIRM
AUR RESOURCES INC.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2002 (3.21%).

The energy sources and associated conversion factors are:

1. Holyrood, using No. 6 fuel with a conversion factor of 630 kWh/bbl
2. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
3. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

Schedule “C”

Order No. P.U. 1(2007)

Issued: January 18, 2007

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM
AUR RESOURCES INC.

Rate:

Demand Charge:

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$6.17 per month per kilowatt of billing demand.

Firm Energy Charge:

Base Rate*@ 2.675 ¢ per kWh
RSP Adjustment	
Current Plan.....	@ (0.162) ¢ per kWh
Fuel Rider.....	@ 0.457 ¢ per kWh
Total RSP Adjustment	@ <u>0.295</u> ¢ per kWh
Energy Rate.....	@ 2.970 ¢ per kWh

***Subject to RSP Adjustment:**

RSP Adjustment refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates. Aur Resources Inc. is not subject to the Historic Plan component of the RSP Adjustment.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements signed with other Members of the Industrial Customer class.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – NON-FIRM
AUR RESOURCES INC.

Rate:

Non-Firm Energy Charge (¢ per kWh):

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2002 (3.21%).

The energy sources and associated conversion factors are:

4. Holyrood, using No. 6 fuel with a conversion factor of 630 kWh/bbl
5. Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
6. Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl.

Adjustment for Losses:

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year, shall be applied.

General:

Details regarding the calculation and application of these rates are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

Schedule “D”

Order No. P.U. 1 (2007)

Issued: January 18, 2007

THIS SERVICE AGREEMENT made at St. John's, in the Province of Newfoundland and Labrador on the 17th day of January, 2006.

BETWEEN:

NEWFOUNDLAND AND LABRADOR HYDRO, a corporation and an agent of the Crown constituted by statute, renamed and continued by the Hydro Corporation Act, Revised Statutes of Newfoundland and Labrador, Chapter H-16, (hereinafter called "Hydro") of the first part;

AND

AUR RESOURCES INC., a company organized under the laws of the Canada (hereinafter called the "Customer") of the second part.

WHEREAS Hydro has agreed to sell Electrical Power and Energy to the Customer and the Customer has agreed to purchase the same from Hydro according to the Rates set by the Board of Commissioners of Public Utilities for the Province of Newfoundland and Labrador and by the terms of this Agreement;

THEREFORE THIS AGREEMENT WITNESSETH that the parties agree as follows:

ARTICLE 1
INTERPRETATION

- 1.01 In this Agreement, including the recitals, unless the context otherwise requires,
- (a) "Amount of Power on Order" means the Power contracted for in accordance with Article 2;
 - (b) "Billing Demand" means the components of the Customer's monthly Power consumption for which Demand charges apply as determined in accordance with Articles 3 and 10;
 - (c) "Board" means the Board of Commissioners of Public Utilities for Newfoundland and Labrador;
 - (d) "Demand" means the amount of Power averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen minute period thereafter and measured by a demand meter of a type approved for revenue metering by the appropriate department of the Government of Canada;

- (e) **"Electricity"** includes Power and Energy;
- (f) **"Energy"** means the amount of electricity delivered in a given period of time and measured in kilowatt hours;
- (g) **"Firm Energy"** means the Energy associated with the Firm Power;
- (h) **"Firm Power"** means, except as varied by paragraph 3.02(a) and subject to Clause 3.03, the Demand normally associated with the Amount of Power on Order;
- (i) **"Hydro Delivery Points"** means the load side of the 66,000/4160 volt transformer at the Customer's premises at its Duck Pond mine site, or at such other location or locations that Hydro and the customer mutually agree in writing;
- (j) **"Interconnection Contribution Agreement"** means that agreement between Hydro and the Customer entered into on the 21st day of March 2005 and as filed with the Board, which sets out the terms and conditions upon which Hydro constructed a transmission interconnection on behalf of the Customer including provisions for the repayment of those costs;
- (k) **"Interruptible Demand"** means, that part of a Customer's Demand which exceeds its Power on Order, which may be interrupted, in whole or in part, at the discretion of Hydro, and which is supplied to the Customer in accordance with Clause 5.01;
- (l) **"Interruptible Energy"** means the Energy associated with Interruptible Demand determined as that Energy taken in each fifteen-minute interval in which Interruptible Demand is taken and it shall be deemed that in such cases Firm Energy is taken at 100 per cent load factor;
- (m) **"Maximum Demand"** means the greatest amount of Power during the appropriate Month or part of a Month, as the case may be, averaged over each consecutive period of fifteen minutes duration commencing on the hour and ending each fifteen minute period thereafter, and measured by a demand meter of a type approved for revenue metering by the appropriate department of the Government of Canada;
- (n) **"Month"** means a calendar month;
- (o) **"Non-Firm Energy"** means Energy associated with Interruptible Demand;
- (p) **"Power"** means the amount of electrical power delivered at any time and measured in kilowatts;

- (q) **"Province"** means the Province of Newfoundland and Labrador;
- (r) **"Rate Schedules"** means the schedules of rates that are approved by the Board for the sale and purchase of Power and Energy;
- (s) **"Secondary Energy"** means that Energy Hydro is willing to sell, according to Clause 4.01, at a rate approved by the Board and which, if not sold, would be surplus to its needs and likely to result in spillage at one or more of Hydro's hydraulic generating stations;
- (t) **"Specifically Assigned Charge"** means the payment made by the Customer in each Month, calculated according to a method approved by the Board, for the use of Specifically Assigned Plant;
- (u) **"Specifically Assigned Plant"** means that equipment and those facilities which are owned by Hydro and used to serve the Customer only;
- 1.02 Hydro and the Customer agree that they are bound by this Agreement and by the agreements and covenants contained in the Rates Schedules. In the event of a conflict between this Agreement and the Rates Schedules, the Rates Schedules shall have priority.
- 1.03 In this Agreement all references to dollar amounts and all references to any other money amounts are, unless specifically otherwise provided, expressed in terms of coin or currency of Canada which at the time of payment or determination shall be legal tender herein for the payment of public and private debts.
- 1.04 Words in this Agreement importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders.
- 1.05 Where a word is defined anywhere in this Agreement, other parts of speech and tenses of the same word have corresponding meanings.
- 1.06 Wherever in this Agreement a number of days is prescribed for any purpose, the days shall be reckoned exclusively of the first and inclusively of the last.
- 1.07 The headings of all the articles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.08 Any reference in this Agreement to an Article, a Clause, a subclause or a paragraph shall, unless the context otherwise specifically requires, be taken as a reference to an article, a clause, a subclause or a paragraph of this Agreement.

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

ARTICLE 2
AMOUNT OF FIRM POWER

- 2.01 Subject to this Agreement, Hydro agrees to deliver to the Customer and the Customer agrees to purchase from Hydro the Amount of Power on Order.
- 2.02 Subject to Clause 2.06, the Customer shall declare to Hydro in writing, not later than October 1 of each calendar year, its Amount of Power on Order for the following calendar year. Such declarations may provide for an Amount of Power on Order to apply throughout the calendar year, or may provide for one or more successive increases at specified times during the calendar year, but subject to Clause 2.05, may not provide for a decrease other than a decrease to take effect on January 1st of that following calendar year. The Amount of Power on Order shall in no event be greater than 15,000 kilowatts.
- 2.03 Hydro will supply all future Power requirements requested by the Customer additional to the 15,000 kilowatts provided, however, that the Customer's requests for such additional Power be made upon adequate notice in order that Hydro may make suitable extensions or additions to its system.
- 2.04 If Hydro cannot fully comply with a declaration of Amount of Power on Order made in accordance with Article 2.02 it will, as soon as practicable and in any event not later than November 1 of the year in which the declaration was made, advise the Customer of the extent to which it can comply. If more than one industrial customer requests an increase in their Amount of Power on Order and Hydro cannot in its judgment provide enough Power to satisfy all of the timely requests it has received, Hydro will offer additional Amounts of Power on Order to the industrial customers who made those requests in such amounts as are prorated in accordance to the quantity of additional Amounts of Power on Order in the timely requests it has received from those customers.
- 2.05 If the Customer obtains a new source of electric generation such that it can decrease or eliminate the amount of Power it requires from Hydro, then, provided the Customer gives Hydro thirty-six Month's written notice of the reduction, the Customer may reduce or eliminate its Amount of Power on Order and its Billing Demand effective on the date that the new generation is to go into service as indicated in that written notice.

- 2.06 For the calendar years 2005 and 2006, the Customer shall declare the Amount of Power on Order for the following Month by giving written notice to that effect to Hydro's Energy Control Center not later than noon of the last working day of each Month. Such declarations shall provide for an Amount of Power on Order that shall apply throughout the following Month. The Amount of Power on Order shall in no event be greater than 15,000 kilowatts. In the event that the Customer does not declare an Amount of Power on Order for any Month pursuant to this clause, the Billing Demand for Firm Power for that Month shall be the Customer's Maximum Demand in that Month.

ARTICLE 3
PURCHASE AND SALE OF POWER AND ENERGY

- 3.01 The sale and purchase of Power and Energy shall be at such prices and upon such terms and conditions as are set out in the Rate Schedules and this Agreement.
- 3.02 Subject to Clauses 2.05 and 2.06 and Article 10, the Customer's Billing Demands, which shall each be charged at the applicable rates as approved by the Board, shall comprise the following:
- (a) the Billing Demand for Firm Power, which in each Month shall be either
 - (i) the Amount of Power on Order,
 - (ii) the lesser of 75% of the Amount of Power on Order for the prior calendar year and, the Amount of Power on Order for the prior calendar year less 20,000 kW,or
 - (iii) the Maximum Demand taken up to that time in that calendar year less any Interruptible Demand, if applicable,whichever is greatest; and
 - (b) the maximum Interruptible Demand for that Month.
- 3.03 Notwithstanding that the Billing Demand for Firm Power shall have, by operation of Clause 3.02, exceeded the Power on Order declared for that calendar year in accordance with Article 2, Hydro is not obliged to provide any amount of Power in excess of the Power on Order.

- 3.04 Notwithstanding anything to the contrary herein, the Customer shall pay in each Month its Specifically Assigned Charge, applicable Demand charges, and Energy charges. Its Energy charges shall comprise its Firm Energy and Non-Firm Energy taken in that Month. The Customer shall also pay any amounts due under the Interconnection Contribution Agreement.

ARTICLE 4 SECONDARY ENERGY

- 4.01 If Hydro has surplus Energy capability and the Customer desires to purchase it, and provided that appropriate metering is in place, Hydro will deliver Secondary Energy to the Customer for use in its electric boilers. The quantity and availability of Secondary Energy shall be determined by Hydro in its sole discretion, however, once declared to be available, Secondary Energy shall remain available for a period of not less than 72 hours. The rate to be paid for Secondary Energy shall be determined by the Board.

ARTICLE 5 INTERRUPTIBLE DEMAND

- 5.01 The Customer may in any Month take an amount of Interruptible Demand and Energy in addition to the Amount of Power of Order which shall be billed at the Non-Firm Demand and Energy rates approved by the Board. Provided the Amount of Power on Order is equal to or greater than 20,000 kW, the amount of Interruptible Demand and Energy available shall be the greater of 10% of the Amount of Power on Order and 5,000 kW. If the Amount of Power on Order is less than 20,000 kW, the Amount of Interruptible Demand and Energy available shall be 25% of the Amount of Power on Order. If Hydro is willing and able to serve the Customer's Interruptible Demand, then the following shall apply:

- (a) The Customer shall, if practicable, make a prior request for, or otherwise as soon as practicable notify Hydro of its requirement, specifying the amount and duration of its Interruptible Demand requirements. Such request or notification may be made by telephone and confirmed by facsimile transmission to Hydro's officials at its Energy Control Centre, who shall advise the Customer if such Interruptible Power will be made available.
- (b) If serving the Customer's Interruptible Demand would result in Hydro generating from, or increasing or prolonging generation from a standby or emergency energy source, then Hydro will so advise the Customer. If the Customer wishes to purchase

Interruptible Demand and Energy at such a time or times, that Power and Energy shall be charged for as calculated by the method or formula approved by the Board.

- (c) Notwithstanding anything contrary herein, if service of the Interruptible Demand is disrupted by Hydro or is curtailed by the Customer as a decision to reject the more expensive standby or emergency energy source (which for the purposes of this clause shall be deemed to be a reduction of Hydro of Interruptible Demand), the Billing Demand for Interruptible Power for the Month shall be determined as follows:
- (i) If there is a total interruption of Interruptible Demand and Interruptible Energy by Hydro for a whole Month, the Customer shall not be required to make any payment for Interruptible Demand and Energy that Month.
 - (ii) If there is a total interruption of Interruptible Demand for part of a Month, the Billing Demand for that Interruptible Demand for that Month shall be reduced by a number of kilowatts bearing the same ratio to that Billing Demand as the number of hours during which the interruption occurs bears to the total number of hours in that Month.
 - (iii) If Hydro requires a reduction of Interruptible Demand for a whole Month, then, the reduced Billing Demand for Interruptible Demand for that Month shall be substituted for the Billing Demand for Interruptible Demand for the same Month, when determining the price of Power and Energy for that Month.
 - (iv) If Hydro requires the reduction of Interruptible Demand for part of a Month, then, subject to subparagraph (v) of this paragraph 5.01(c), there shall, when determining the price of Interruptible Power and Energy for the Months in which the reduction occurs, be substituted for the Billing Demand for Interruptible Demand for that Month, the number of kilowatts obtained by adding
 - (a) the reduced Billing Demand for Interruptible Demand for the part of the month during which the reduction was made, averaged over the whole of that Month;

to

(b) the Billing Demand for Interruptible Demand for the part of the Month during which no reduction was made, averaged over the whole of that Month.

(v) In any case arising under subparagraph (iii) or subparagraph (iv) of this paragraph 5.01(c), where a reduction of Interruptible Demand is made for a whole Month or part thereof and the Maximum Demand for Interruptible Demand over that same period is greater than the reduced Billing Demand for Interruptible Demand for that same period, then, instead of that reduced Billing Demand, that Maximum Demand for such period shall be substituted for the Billing Demand for Interruptible Demand for that period when determining the price of Power and Energy for the Month in which the reduction occurs, but, if in any period during which a reduction occurs, the Maximum Demand for Interruptible Demand is less than the reduced Billing Demand for Interruptible Demand, no account shall be taken of that Maximum Demand.

ARTICLE 6 CHARACTERISTICS OF POWER SERVICE AND POINTS OF DELIVERY

- 6.01 The Power and Energy to be supplied under this Agreement will be delivered to the Customer at three (3) phase alternating current having a normal frequency of sixty (60) cycles and at a voltage of approximately 69,000 volts and delivery will be made at the Hydro Delivery Points.
- 6.02 Hydro will exercise its best endeavours to limit variation from the normal frequency and voltage to tolerable values.

ARTICLE 7 POWER FACTOR

- 7.01 The Customer agrees to take and use the Power contracted for in this Agreement at a power factor of not less than ninety percent (90%) lagging at the point of delivery specified in this Agreement.
- 7.02 Should the power factor be consistently less than ninety percent (90%) lagging, the Customer, upon written notification from Hydro, agrees to install suitable corrective equipment to bring the power factor to a minimum of ninety percent (90%) lagging.

- 7.03 If the Customer should install static condensers to correct the lagging power factor, the equipment shall be so installed that it can be completely disconnected at the request of Hydro.

ARTICLE 8 METERING

- 8.01 The metering equipment and meters to register the amount of Demand and Energy to be taken by the Customer under this Agreement shall be furnished by Hydro and if required to be located on the Customer's premises will be installed by Hydro in a suitable place satisfactory to Hydro and provided by the Customer, and in such manner as to register accurately the total amount of Demand and Energy taken by the Customer under this Agreement.
- 8.02 If the metering is installed on the low voltage side of transformers that are Specifically Assigned Plant or owned by the Customer, an appropriate adjustment will be made to account for losses in the transformers.
- 8.03 The Customer shall have the right, at its own expense, to install, equip and maintain check meters adjacent to the meters of Hydro.
- 8.04 Authorized employees of Hydro shall have the right of access to all such meters at all reasonable times for the purpose of reading, inspecting, testing, repairing or replacing them. Should any meter fail to register accurately, Hydro may charge for the Demand and Energy supplied during the period when the registration was inaccurate, either,
- (a) on the basis of the amount of Demand and Energy 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 Demand and Energy supplied as established by available evidence,

whichever basis appears most fair and accurate.

ARTICLE 9 LIABILITY FOR SERVICE

- 9.01 Subject to the provisions of the Rate Schedules and this Agreement, the Power and Energy herein contracted for will be made available for use by the Customer

during twenty-four (24) hours on each and every day of the term of this Agreement.

- 9.02 The obligation of Hydro to furnish Power and Energy under this Agreement is expressly subject to all accidents or causes that may occur at any time and affect the generation or transmission of such Power and Energy, and in any such event, but subject to Clause 9.03, Hydro shall have the right in its discretion to reduce or, if necessary, to interrupt the supply of Power and Energy under this Agreement.
- 9.03 Hydro agrees to take all reasonable precautions to prevent any reduction or interruption of the supply of Power and Energy or any variation in the frequency or voltage of such supply, and whenever any such reduction, interruption or variation occurs, Hydro shall use all reasonable diligence to restore its service promptly.
- 9.04 (1) Subject to Clause 9.04(2) hereof, Hydro shall be liable for and in respect of only that direct loss or damage to the physical property of the Customer caused by any negligent act or omission of Hydro its servants or agents. Customer agrees that for the purpose of this Clause 9.04, "direct loss or damage to the physical property of the Customer" shall not be construed to include damages for inconvenience, mental anguish, loss of profits, loss of earnings or any other indirect or consequential damages or losses.
- 9.04 (2) Hydro's liability under subclause 9.04(1) applies only when the direct loss or damage to the Customer arising from a single occurrence exceeds the sum of \$100,000.00. In no event shall the liability of Hydro exceed the sum of \$1,000,000.00 for any single occurrence.
- 9.04 (3) Customer further agrees that any damages to which it may be entitled pursuant to clause 9.04(1) shall be reduced to reflect the extent to which such losses or damages could reasonably have been reduced if the Customer had taken reasonable protective measures.
- 9.05 Hydro shall have the right, temporarily to interrupt its service hereunder in order to maintain or make necessary changes to its system, but, except in cases of emergency or accident, the service shall be interrupted only at such time or times as will be least inconvenient to the Customer, and Hydro shall use all reasonable diligence to complete promptly such repairs or necessary changes.

ARTICLE 10 REDUCED BILLING DEMAND

- 10.01 If at any time during the term of this Agreement the operation of the works of either party is suspended in whole or in part by reason of war, rebellion, civil disturbance, strikes, serious epidemics, fire or other fortuitous event, then, such

party will not be liable to the other party to purchase or, as the case may be, to supply Power and Energy hereunder until the cause of such suspension has been removed and in every such event, the party whose operations are so suspended shall use all reasonable diligence to remove the cause of the suspension.

- 10.02 (1) For the purposes of this Clause 10.02 the expression "reduced Billing Demand" means the number of kilowatts to which the Billing Demand is reduced in any of the circumstances referred to in subclauses (2) or (3) of this Clause 10.02.
- (2) If the Customer is prevented from taking an amount of Power because of a suspension of its operations due to a reason listed in Clause 10.01, and any such interruption or reduction lasts for one hour or longer, then Hydro shall, on the request of the Customer, allow a proportionate reduction of the Billing Demand as calculated pursuant to subclauses (4) through (9) of this Clause 10.02, provided however that, except for reduced Billing Demands that occur pursuant to paragraphs 10.02(4)(b) or (c), in no such case shall the Billing Demand be reduced below 0.85 of the Amount of Power on Order unless Hydro is unable to deliver Power and Energy in accordance with this Agreement.
- (3) If the supply of Power and Energy by Hydro is interrupted or reduced for any of the reasons referred to in Clause 9.02, 9.05 or 10.01, and any such interruption or reduction lasts for one hour or longer, then Hydro shall, on the request of the Customer, allow a proportionate reduction of the payment as calculated pursuant to subclauses (4) through (9) of this Clause 10.02.
- (4) For those times when the Customer is prevented from taking an amount of Power because the Customer's mining or milling operations are suspended or curtailed due to a strike by the employees of the Customer, the Customer's Billing Demand shall be calculated as follows:
- (a) for the first 15 days of the strike and for that portion of the strike which exceeds 120 days, the Billing Demand shall be determined in the manner set out in subclauses (5) to (9) of this clause 10.02;
 - (b) for those whole Months during the period that commences following the first 15 days of the strike and ends not later than 120 days after the strike began, the reduced Billing Demand shall be the Customer's Maximum Demand (less any applicable Compensation Demand), in those Months;
 - (c) for those part Months that comprise periods that include;

- (i) a period that commences following the first 15 days of the strike and ends not later than 120 days after the strike began,

together with one or both of

- (ii) a period when the Customer is not affected by a strike or other suspension of its operations due to a reason listed in Clause 10.01,

and

- (iii) a period where a strike has continued in excess of 120 days, or where the Customer is affected by any other suspension of its operations due to a reason listed in Clause 10.01,

the Customer's Billing Demand shall be determined by adding

- (iv) the Maximum Demand for the part of the Month described in subparagraph (i) averaged over the whole of the Month,
- (v) the greater of the Maximum Demand for Firm Power and the Amount of Power on Order for the part of the Month described in subparagraph (ii), if any, averaged over the whole of the Month

and

- (vi) the reduced Billing Demand applicable to the period described in subparagraph (iii) averaged over the whole of the Month.

- (5) If there is a total interruption of the supply of Power and Energy by Hydro for a whole Month, the Customer shall not be required to make any payment for that Month.
- (6) If there is a total interruption of Power for part of a Month, the Billing Demand for that Month shall be reduced by a number of kilowatts bearing the same ratio to that Billing Demand as the number of hours during which the interruption occurs bears to the total number of hours in that Month.

- (7) If the reduction of Power is made for a whole Month, then, subject to clause (9) of this Clause 10.02, the reduced Billing Demand for that Month shall be substituted for the Billing Demand for the same Month, when determining the price of Power and Energy for that Month.
- (8) If the reduction of Power is made for part of a Month, then, subject to subclause (9) of this Clause 10.02, there shall, when determining the price of Power and Energy for the Months in which the reduction occurs, be substituted for the Billing Demand for that Month, the number of kilowatts obtained by adding
- (a) the reduced Billing Demand for the part of the month during which the reduction was made, averaged over the whole of that Month;
- to
- (b) the Billing Demand for the part of the Month during which no reduction was made, averaged over the whole of that Month.
- (9) In any case arising under subclause (7) or subclause (8) of this Clause 10.02, where a reduction of Power is made for a whole Month or part thereof and the Maximum Demand for that same period is greater than the reduced Billing Demand for that same period, then, instead of the reduced Billing Demand, the Maximum Demand for such period shall be substituted for the Billing Demand for that period when determining the price of Power and Energy for the Month in which the reduction occurs, but, if in any period during which a reduction occurs, the Maximum Demand is less than the reduced Billing Demand no account shall be taken of that Maximum Demand.
- (10) Where a Billing Demand, a reduced Billing Demand or a Maximum Demand for a part of a Month is to be averaged for the whole of that Month in accordance with subclause (8) of this Clause 10.02, the averaging shall be done by dividing the Billing Demand, the reduced Billing Demand or the Maximum Demand, as the case may be, by the total number of hours in the whole of that Month and multiplying the result by the number of hours to which the Billing Demand, the reduced Billing Demand or the Maximum Demand relates.
- (11) In addition to the reductions in Billing Demand that may be made in accordance with this Article 10, Hydro may, in its sole judgment and discretion, make other Billing Demand adjustments from time to time to

decrease the Customer's bill to reflect unusual or unanticipated conditions or to facilitate the testing of equipment or processes by the Customer.

ARTICLE 11
CONSTRUCTION OR INSTALLATION OF
TRANSMISSION LINES OR APPARATUS

- 11.01 For the consideration aforesaid, the Customer hereby grants to Hydro the right to construct transmission lines and accessory apparatus on locations approved by the Customer on, under or over the property of the Customer for the purpose of serving the Customer and the other customers of Hydro, together with the right of access to the property of the Customer at all times for the construction of such lines and apparatus and for the repair, maintenance and removal thereof, provided that nothing in this clause shall entitle Hydro to construct transmission lines and accessory apparatus on or over the Customer's property if such transmission lines are not directly connected with the Customer's premises or some part thereof.
- 11.02 The Customer shall not erect any building, structure or object on or over any right-of-way referred to in Clause 11.01 without the written approval of Hydro, but subject to that limitation the Customer shall be entitled to make fair and reasonable use of all lands subjected to the said right-of-way.
- 11.03 Any changes that the Customer may request Hydro to make in the location of any lines or apparatus constructed pursuant to Clause 11.01 shall be made by Hydro, but the Customer shall bear the expense of any such changes to the extent that such lines or apparatus supply Power to the Customer.
- 11.04 All transmission lines and apparatus of Hydro furnished and installed by it on the Customer's premises shall remain the property of Hydro, and Hydro shall be entitled to remove such transmission lines and apparatus on the expiry or termination of this Agreement.
- 11.05 For the purpose of using the power service of Hydro, the Customer shall 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 Hydro, and so that the current shall be approximately equal on all three of its phases.
- 11.06 If, at any time, the unbalance in current between any two of its phases is, in the judgment of Hydro, excessive to a degree that the power supply system of Hydro

and/or the electrical equipment of any other customer of Hydro is adversely affected, then it shall be the responsibility of the Customer to take such reasonable remedial measures as may be necessary to reduce the unbalance to an acceptable value.

- 11.07 If, at any time during the term of this Agreement, Hydro desires to improve the continuity of power service to any of its customers, Hydro and the Customer 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 Hydro or the Customer.
- 11.08 The Customer shall not proceed with the construction of or major alterations of its equipment or structures associated with any terminal substation at which Power and Energy is being delivered until Hydro is satisfied that the proposals for such construction or alteration are in accordance with good engineering practice and the laws and regulations of the Province, provided that any examination of the Customer's proposals by Hydro shall not render Hydro responsible in any way for the construction or alteration proposed, even if electrical connection is made by Hydro, whether or not any changes suggested by Hydro shall have been made by the Customer.

ARTICLE 12 RESPONSIBILITY FOR DAMAGES

- 12.01 Beyond the point of delivery, the Customer shall indemnify and hold Hydro harmless with respect to any and all claims that may be made for injuries or damages to persons or property caused in any manner by electric current or by the presence or use on the Customer's premises of electric circuits or apparatus, whether owned by Hydro or by the Customer, unless and to the extent that such injuries or damages are caused by negligence on the part of the employees of Hydro.
- 12.02 Up to the point of delivery, Hydro shall indemnify and hold the Customer harmless with respect to any and all claims that may be made for injuries or damages to persons or property caused in any manner by electric current or by the presence or use on the Customer's premises of electric circuits or apparatus owned by Hydro and resulting from or arising out of the negligence of Hydro's employees or other persons for whom Hydro would in law be liable, unless and to the extent that such injuries or damages are caused by negligence on the part of the employees of the Customer.

- 12.03 If any of the transmission lines or apparatus installed by Hydro on the Customer's premises should be destroyed or damaged by the negligence of the Customer, its servants or agents, the Customer shall reimburse Hydro for the cost of their replacement or repair.

ARTICLE 13
PAYMENT OF ACCOUNTS AND NOTICE OF CLAIMS OF CUSTOMER

- 13.01 Hydro will render its accounts monthly and the Customer shall, within twenty (20) days after the date of rendering any such account, make payment in lawful money of Canada at the office of Hydro in St. John's, Newfoundland, or in such other place in the said Province as Hydro may designate, without deduction for any claim or counterclaim which the Customer may have to claim to have against Hydro arising under this Agreement or otherwise.
- 13.02 All amounts in arrears after the expiration of the period of twenty (20) days referred to in Clause 13.01 shall bear interest at the rate of one and one-half (1-1/2%) percent per Month.
- 13.03 If the Customer is in default for more than thirty (30) days in paying any amount due Hydro under this Agreement, then, without prejudice to its other recourses and without liability therefor, Hydro shall, upon ten (10) days written notice to the Customer of its intention so to do, be entitled to suspend the supply of Power and Energy to the Customer until the said amount is paid, and if the supply is so suspended, the Customer shall not be relieved of its obligations under this Agreement.
- 13.04 The Customer and Hydro will submit to the other in writing every claim or counterclaim which each may have or claim to have against the other arising under this Agreement within sixty days of the day upon which the Customer or Hydro has knowledge of the event giving rise to such a claim.
- 13.05 The Customer and Hydro shall be deemed to have waived all rights for the recovery of any claim or counterclaim that has not been submitted to the other party pursuant to and in accordance with Clause 13.04.

ARTICLE 14
ARBITRATION

- 14.01 If a settlement of any claim made by the Customer in accordance with Clause 13.04 is not agreed to by both parties, the matters in dispute shall be submitted, within three months from the time the claim was submitted, for decision to a board of arbitrators consisting of three members, one to be named by each party

to this Agreement and the third to be named by the two arbitrators so chosen, and the decision of any two members of the board of arbitrators shall be final and binding upon both parties.

- 14.02 The charges of the third member of a board of arbitrators who shall be the chairman of that board, shall be borne by the losing party, and the parties shall bear the costs or charges of their own appointees. Any arbitration hearing commenced under this Article shall be held in St. John's or such other place as the parties mutually agree.
- 14.03 If the two appointees of the parties are unable to agree upon the third arbitrator or chairman, the chairman shall be appointed upon application of either party to the Trial Division of the Supreme Court of Newfoundland and Labrador or a judge of that Division.
- 14.04 The period of delay for appointment by the parties to this Agreement of their respective nominees shall be seven days after notification by the other party to this Agreement of its nominee, and the period for agreement by the two nominees on the chairman shall be ten days.
- 14.05 The provisions of the Arbitration Act, Chapter A - 14 of the Revised Statutes of Newfoundland and Labrador, 1990, as now or hereafter amended shall apply to any arbitration held pursuant to this Article 14.

ARTICLE 15 MODIFICATION OR TERMINATION OF AGREEMENT

- 15.01 Except, where otherwise specifically provided in this Agreement and only to the extent so provided, 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.
- 15.02 At any time during the currency of this Agreement, the Customer may terminate it by giving to Hydro two years previous notice in writing of its intention so to do.
- 15.03 Any amendment, change or modification of this Agreement shall be binding upon the parties hereto or either of them only if such amendment, change or modification is in writing and is executed by each of the parties to this Agreement

by its duly authorized officers or agents and in accordance with its regulations or by-laws.

- 15.04 Subject to Article 10, if the Customer voluntarily or forcibly abandons its operations, commits an act of bankruptcy or liquidates its assets, then, there shall, forthwith, become due and payable to Hydro by the Customer, as stipulated and liquidated damages without burden or proof thereof, a lump sum equal to:
- (a) 0.85 of its then current Billing Demand for Firm Power, at the Firm Power Demand charge, multiplied by 24
plus
 - (b) any remaining amounts payable pursuant to Article 3 of the Interconnection Contribution Agreement.

ARTICLE 16 SUCCESSORS AND ASSIGNS

- 16.01 This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns, but it shall not be assignable by the Customer without the written consent of Hydro.

ARTICLE 17 GOVERNING LAW AND FORUM

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

ARTICLE 18 ADDRESS FOR SERVICE

- 18.01 Subject to Clauses 18.02 and 18.03, 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, except for notices or requests pertaining to Interruptible Demand or Secondary Energy, shall be given, made or served in writing and shall be deemed to be properly given, made or served if personally

delivered, or sent by prepaid telegram or facsimile transmission, or mailed by prepaid registered post, addressed, if service is to be made

(a) on Hydro, to

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

(b) on the Customer, to

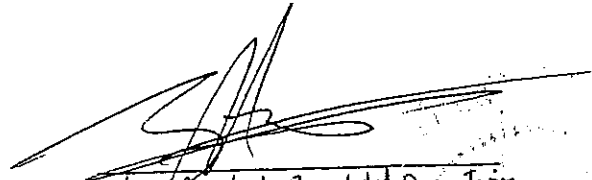
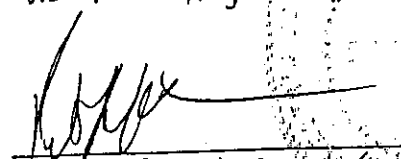
Aur Resources Inc.
Suite 2501
1 Adelaide Street E
Toronto, Ontario
Canada, M5C 2V9
Attn: Corporate Secretary
FAX: (416)367-0427

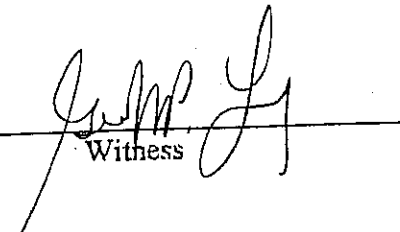
- 18.02 Any notice, request or other instrument given, made or served as provided in Clause 18.01 shall be deemed to have been received by the party hereto to which it is addressed, if personally served on the date of delivery, or if mailed three days after the time of its being so mailed, or if sent by prepaid telegram or facsimile transmission, one day after the date of sending.
- 18.03 Except for notices for Interruptible Demand or Secondary Energy, 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. Notices or requests pertaining to Interruptible Demand or Secondary Energy may be given and received by and to the appropriate nominees of the respective parties by voice or electronic communication provided that it is confirmed in writing and transmitted or delivered by facsimile, courier or mail as soon as practicable.
- 18.04 Either of the parties hereto may change the address to which a notice, request or other instrument may be sent to it by giving to the other party to this Agreement

notice of such change, and thereafter, every notice, request or other instrument shall be delivered or mailed in the manner prescribed in Clause 18.01 to such party at the new address.

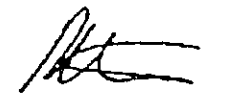

IN WITNESS WHEREOF Newfoundland and Labrador Hydro and the Customer has each executed this Agreement by causing it to be executed in accordance with its by-laws or regulations and by its duly authorized officers or agents, the day and year first above written.

THE CORPORATE SEAL of Newfoundland and Labrador Hydro was hereunder affixed in the presence of:


Vice President, Regulated Operations

Assistant Corporate Secretary


Witness

DULY EXECUTED by Aur Resources Inc. in accordance with its Regulations or By-Laws in the presence of:

S. Arzoo
Witness