

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD
NO. P. U. 15(2011)**

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 "*EPCA*") and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the "*Act*") and regulations thereunder;
5

AND

6
7
8 **IN THE MATTER OF** an application by
9 Newfoundland and Labrador Hydro for the
10 approval of certain rules and regulations
11 pertaining to the supply of electrical power
12 and energy to one of its industrial customers,
13 Corner Brook Pulp and Paper Limited
14 pursuant to Section 71 of the *Act*.
15

16 **WHEREAS** Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and
17 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
18 and is subject to the provisions of the *EPCA*; and
19

20 **WHEREAS** on June 15, 2011 Hydro filed an application (the "Application"), as ordered by the
21 Board in Order No. P.U. 6(2011), requesting approval of a Service Agreement (the "Service
22 Agreement") with Corner Brook Pulp and Paper Limited ("CBPP"); and
23

24 **WHEREAS** on April 17, 2009 the Board issued Order No. P. U. 17(2009) approving on a pilot
25 basis for a two-year period a demand credit rate structure to be applied to Hydro's Service
26 Agreement for CBPP which was intended to provide a price signal that would facilitate more
27 efficient use of that customer's hydraulic generating resources in coordination with its pulp and
28 paper mill operations; and
29

30 **WHEREAS** on March 24, 2011, by Order No. P. U. 6(2011), the Board extended the pilot
31 period for a further three-month period to terminate on July 15, 2011 and ordered Hydro to file
32 an application for the approval of the Service Agreement by June 15, 2011; and
33

34 **WHEREAS** CBPP has consented to and supports Hydro making the Application; and
35

36 **WHEREAS** the Application and related correspondence was copied to Hydro's Island Industrial
37 Customers, Newfoundland Power, and the Consumer Advocate; and

1 **WHEREAS** on June 28, 2011 the Industrial Customers, Newfoundland Power and the
2 Consumer Advocate all provided comments on the Application; and
3

4 **WHEREAS** the Industrial Customers and Newfoundland Power raised concerns about the
5 impact on industrial rates and the operation of the Rate Stabilization Plan of ongoing regulatory
6 and court proceedings and requested Hydro's comment on whether these unresolved matters may
7 have an impact on the approval requested in the Application; and
8

9 **WHEREAS** the Consumer Advocate also raised concerns about ongoing regulatory matters as
10 well as the completeness of Hydro's study of the benefits of CBPP hydro facilities and, as a
11 result, recommended that the pilot study continue with the analysis of secondary sales benefits
12 and the determination of other potential opportunities with CBPP at least until Hydro submits its
13 next general rate application; and
14

15 **WHEREAS** in its reply submission dated July 7, 2011 Hydro addressed the concerns raised and
16 stated that, while it does not agree that the outcome of ongoing regulatory matters would result in
17 further changes to the generation credit concept and contract language proposed in the
18 Application, for greater certainty and regulatory efficiency, Hydro does not oppose the
19 Consumer Advocate's recommendation to extend the pilot until the Board makes its final ruling
20 at the next general rate application; and
21

22 **WHEREAS** the Board has reviewed the Application and comments received and has determined
23 that information regarding the savings to the system, the impact on the distribution of costs, and
24 the impact on the Rate Stabilization Plan should be reviewed in the context of a General Rate
25 Application.
26

27 **IT IS THEREFORE ORDERED THAT:**
28

- 29 1. An extension to the Service Agreement for Corner Brook Pulp and Paper Limited, as set
30 out in Schedule "A" attached, is approved on a pilot basis until a further Order of the
31 Board.
32
- 33 2. Hydro shall include in the filing of its next general rate application, but no later than
34 December 31, 2011, a request for the approval of the demand credit Service Agreement
35 for Corner Brook Pulp and Paper Limited and shall attach a report that will include:
36
 - 37 i. a review of the pilot project from May 2009 to forecast year-end 2013;
 - 38 ii. an analysis of the potential and resulting fuel savings at Holyrood since the
39 beginning of the pilot project to forecast year-end 2013;
 - 40 iii. consideration of potential changes in the efficiency factor at Holyrood over the
41 term of the pilot project to forecast year-end 2013;
 - 42
 - 43

- 1 iv. an analysis of the resulting impact on the activity in the Rate Stabilization Plan to
2 the year-end 2013; and
3
4 v. consideration of the potential and resulting changes in the allocation of costs in
5 the revenue requirement for any test year included in the above time frame.
6
7 3. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 8th day of July, 2011.

Andy Wells
Chairperson & Chief Executive Officer

Darlene Whalen, P. Eng.
Vice-Chairperson

Barbara Thistle
Assistant Board Secretary

Order No. P. U. 15(2011)

Schedule “A”

Newfoundland and Labrador Hydro

Service Agreement

with

Corner Brook Pulp and Paper Limited

- (d) **"Board"** means the Board of Commissioners of Public Utilities for Newfoundland and Labrador;
- (e) **"Capacity Request"** means Hydro's request to the Customer to provide an amount of capacity equal to its Generating Capacity;
- (f) **"Customer's Total 60 Hz Demand"** means the Demand at any particular time determined by adding the amount of the Generation Output, and the amount supplied to the Customer at the Hydro Delivery Points, less the amount received by Newfoundland Power at the Delivery Points to Newfoundland Power;
- (g) **"Delivery Points to Newfoundland Power"** means the 66,000 Volt terminals of the station power transformers at Marble Mountain and Pasadena, both of which are serviced from Deer Lake Power's L1 transmission line or at such other location or locations that Hydro and the Customer mutually agree in writing;
- (h) **"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;
- (i) **"Electricity"** includes Power and Energy;
- (j) **"Energy"** means the amount of electricity delivered in a given period of time and measured in kilowatt hours;
- (k) **"Firm Energy"** means the Energy supplied during a month at the Hydro Delivery Points net of the Energy supplied at the Delivery Points to Newfoundland Power less Interruptible Energy, Generation Outage Energy, Oil-fired Boiler Replacement Energy and Secondary Energy. The Firm Energy exclusive of Frequency Converter Replacement Energy can in no case exceed the Amount of Power on Order for the period multiplied by the hours in that month;
- (l) **"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;
- (m) **"Frequency Converter Replacement Energy"** means the reduced capability of Hydro's 50/60 Hz frequency converter multiplied by the duration, in hours, of the outage or reduction in capability to Hydro's 50/60 Hz frequency converter;

- (n) **"Frequency Converter Replacement Power"** means the Power taken by the Customer in excess of the Amount of Power on Order due to an outage or reduction in capability to Hydro's 50/60 Hz frequency converter to a maximum of 18,000 kW, which is the normal maximum capability of Hydro's 50/60 Hz frequency converter;
- (o) **"Generating Capacity"** means 99,100 kW, being the amount of Power the Customer is able to generate at 60 Hz from its hydraulic generating resources, or to generate at 50 Hz from its hydraulic generating resources and have converted to 60 Hz, but does not include capacity from generating facilities dedicated to the generation of power and energy for sale or transfer to Hydro or to a third party;
- (p) **"Generation Outage"** means an outage or reduction of the Customer's Generating Capacity due to equipment failure, Approved Planned Outages or natural causes beyond the control of the Customer including but not limited to frazil ice and low intake water, but not including an outage to those facilities dedicated to the generation of power and energy for sale to Hydro or to a third party and not including an outage or reduction caused by Hydro's 50/60 Hz frequency converter;
- (q) **"Generation Outage Demand"** means the Power taken by the Customer during a period of Capacity Request which exceeds the Amount of Power on Order and which is required to temporarily replace that Generating Capacity which is rendered unavailable to the Customer due to a Generation Outage;
- (r) **"Generation Outage Energy"** means the Energy associated with Generation Outage Demand;
- (s) **"Generation Output"** means the total amount of 60 Hz Demand supplied by the Customer at any time as measured at the generator terminals of its 60 Hz generators plus the amount of Demand measured at the 60 Hz terminals of the 50Hz – 60Hz frequency converter;
- (t) **"Hydro Delivery Points"** means: (i) Hydro's 66,000 volt bus in its Massey Drive Terminal Station at Corner Brook, (ii) the line side insulators of the Customer's terminal structure near the east end of its Deer Lake Power Plant being the termination point of Hydro's 66,000 volt line, and (iii) the 66,000 volt 60 cycle bus and 50 cycle buses in the No. 1 and No. 2 Substation of the Customer, or at such other location or locations that Hydro and the Customer mutually agree in writing;
- (u) **"Interruptible Demand"** means, that part of the Customer's Total 60 Hz Demand in any 15 minute interval, which exceeds the sum of
- (i) The greater of the Generation Output and the Generation Capacity, and

(ii) The Amount of Power on Order,

and which may be interrupted, in whole or in part, at the discretion of Hydro, is supplied in accordance with Clause 4.01, and, for greater certainty, Interruptible Demand does not include any Demand associated with Oil-Fired Boiler Replacement Power, Frequency Converter Replacement Power or Secondary Energy;

- (v) **"Interruptible Energy"** means the Energy associated with Interruptible Demand;
- (w) **"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;
- (x) **"Month"** means a calendar month;
- (y) **"Non-Firm Energy"** means Energy associated with Interruptible Demand, Generation Outage Demand, Oil-Fired Boiler Replacement Power and Supplemental Energy;
- (z) **"Oil-Fired Boiler Replacement Power"** means the Power taken by the Customer during a period of a Capacity Request which exceeds the amount of Power on Order up to 15,000 kW, being the amount of Power the Customer requires from Hydro for use in its electric boiler to produce process steam, a load that the Customer is normally able to displace by using its No. 7 oil-fired steam boiler;
- (aa) **"Power"** means the amount of electrical power delivered at any time and measured in kilowatts;
- (bb) **"Province"** means the the Province of Newfoundland and Labrador;
- (cc) **"Rate Schedules"** means the schedules of rates that are approved by the Board for the sale and purchase of Power and Energy;
- (dd) **"Secondary Energy"** means that Energy Hydro is willing to sell, according to Clause 5.06, at a rate approved by the Board and which would be surplus to its needs and, if not sold, would likely result in spillage at one or more of Hydro's hydraulic generating stations;

- (ee) **"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;
- (ff) **"Specifically Assigned Plant"** means that equipment and those facilities which are owned by Hydro and used to serve the Customer only;
- (gg) **"Supplemental Energy"** means all energy taken in a Month in excess of Firm Energy, Generation Outage Energy, Interruptible Energy, Oil-Fired Boiler Replacement Energy and energy supplied to the electric boiler for Secondary Energy.
- 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. Aside from times when Hydro has made a Capacity Request, Hydro agrees to make reasonable efforts to make available Supplemental Energy, which the Customer may use to facilitate its efficient generation of Energy, subject always to Hydro's capability to deliver it which Hydro shall determine in its sole discretion.
- 2.02 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 75,000 kilowatts.
- 2.03 Hydro will supply all future Power requirements requested by the Customer additional to the 75,000 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 increases its Generating Capacity 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.

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 Clause 2.05 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 the greater of:
 - (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,
 - (iii) the Amount of Power on Order plus the maximum excess Demand taken up to that time in that calendar year determined by the application of paragraphs (b) and (c) of this Clause 3.02,
 - (b) During periods when Hydro has not issued a Capacity Request the excess Demand is the amount of Interruptible Demand supplied by Hydro in excess of the maximum allowable Interruptible Demand;
 - (c) During periods in which Hydro has issued a Capacity Request the excess Demand is the amount of Demand supplied by Hydro in excess of the Amount of Power on Order, the maximum allowable Interruptible Demand, and as applicable, for each 15-minute demand interval during that period the maximum available Generation Outage Demand, the maximum Frequency Converter Replacement Power, and the electric boiler Demand for Oil-Fired Boiler Replacement Power.
- 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, its applicable Demand charges, and its Energy charges. Its Energy charges shall comprise its Firm Energy, Frequency Converter Replacement Energy, Interruptible Energy, Generation Outage Energy, Oil-fired Boiler Replacement Energy, Secondary Energy and Supplemental Energy taken in that Month.

- 3.05 Supplemental Energy shall be charged at the Non-Firm Energy Rate for the Month.
- 3.06 Frequency Converter Replacement Energy shall be charged at Firm Energy rates for the Month but without a demand charge.

ARTICLE 4
INTERRUPTIBLE POWER

- 4.01 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 4.01(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 4.01(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 5
GENERATION OUTAGE POWER
AND SECONDARY ENERGY

- 5.01 In the event that the Customer experiences or requires a Generation Outage, in addition to its Power on Order and any applicable Interruptible Power it may be taking, it may take an amount of Generation Outage Demand and Energy at Non-Firm Rates. The availability of Generation Outage Demand shall be subject to Hydro's capability to deliver it, which Hydro shall determine at its sole discretion. The Generation Outage Demand taken in any instance shall not exceed the amount of generating capacity rendered unavailable because of the Generation Outage. If Hydro is willing and able to provide the Customer with Generation Outage Demand and Energy, 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 Generation Outage 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 Generation Outage Demand will be made available. While requesting or taking Generation Outage Demand and Energy, the Customer shall notify Hydro of all circumstances and particulars as to the outage as soon as practicable and shall keep Hydro informed as those circumstances and particulars change. The Customer shall not make undue requests for Generation Outage Demand and Energy and it shall restore normal operating conditions as soon as reasonably possible.
 - (b) If serving the Generation Outage 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 Generation Outage 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 Generation Outage Demand is disrupted by Hydro or is curtailed by the Customer as a decision to reject the more expensive Energy provided from the standby or emergency energy source, the Billing Demand for the Generation Outage for that day shall be reduced in proportion to the

number of hours in that day for which the more expensive energy was rejected.

- (d) For billing purposes, a daily Generation Outage Demand shall be determined for each day which shall be calculated as the Maximum Demand taken during each day when Generation Outage Demand was taken, less the Billing Demand for Firm Power and less the Frequency Converter Replacement Power and Oil Fired Boiler Replacement Power taken during that fifteen minute interval and the maximum Interruptible Demand for that Month. The Generation Outage Demand billed shall be the amount calculated by totalling the daily Generation Outage Demands for the Month and dividing that total by the number of days in the Month.

Oil-Fired Boiler Replacement Power

5.02 In the event that the Customer experiences or requires an outage to its No. 7 oil-fired boiler, in addition to its Power on Order and any applicable Interruptible Power it may be taking, it may take an amount of Oil-Fired Replacement Power at Non-Firm Rates. The availability of Oil-Fired Boiler Replacement Power shall be subject to Hydro's capability to deliver it, which Hydro shall determine at its sole discretion. The Oil-Fired Boiler Replacement Power taken in any instance shall not exceed the amount of demand taken on the electric boiler needed to replace the amount of steam unavailable because of the No. 7 oil-fired boiler outage.

If Hydro is willing and able to provide the Customer with Oil-Fired Replacement Power, then the following shall apply:

- (a) Subject to operational limitations, the Customer shall first maximize the amount of steam produced from all of its other oil-fired boilers during outages to the No. 7 oil-fired boiler so as to minimize the amount of demand taken on the electric boiler.
- (b) 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 Oil-Fired Boiler Replacement Power 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 Oil-Fired Boiler Replacement Power will be made available. While requesting or taking Oil-Fired Boiler Replacement Power, the Customer shall notify Hydro of all circumstances and particulars as to the outage as soon as practicable and shall keep Hydro informed as those circumstances and particulars change. The Customer shall not make undue requests for Oil-Fired Boiler Replacement Power and it shall restore normal operating conditions as soon as reasonably possible.

- (c) If serving the Oil-Fired Boiler Replacement Power 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 Oil-Fired Boiler Replacement Power 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.
 - (d) Notwithstanding anything contrary herein, if service of the Customer's Electric Boiler is disrupted by Hydro or is curtailed by the Customer as a decision to reject the more expensive Energy provided from the standby or emergency energy source, the Billing Demand associated with the Oil-Fired Boiler Replacement Power for that day shall be reduced in proportion to the number of hours in that day for which the more expensive energy was rejected.
 - (e) For billing purposes, a daily Demand for the Oil-Fired Boiler Replacement Power shall be determined for each day which shall be calculated as the Maximum Demand taken during each day when Oil-Fired Boiler Replacement Power was taken, less the Billing Demand for Firm Power, the Generation Outage Demand and the Frequency Converter Replacement Power for that fifteen-minute interval and, the maximum Interruptible Demand for that Month. The Oil-Fired Boiler Replacement Demand billed, if applicable, shall be the amount calculated by totalling the daily Oil-Fired Boiler Replacement Demands for the Month and dividing that total by the number of days in the Month.
- 5.03 Generation Outage Energy and Oil-Fired Boiler Replacement Energy, and the associated Power, shall be charged at the Non Firm Energy Rate applicable during the period of the Capacity Request and Hydro shall notify the Customer of the applicable Non Firm Energy Rate at the time of the Capacity Request and shall give notice of any change in the rate which occurs during the Capacity Request period.
- 5.04 If the Customer is experiencing an unplanned Generation Outage or an unplanned outage to No. 7 oil-fired boiler during a Capacity Request period, then Hydro will supply the applicable Demand and Energy subject to Hydro's capability to deliver it which Hydro shall determine at its sole discretion. Hydro shall make reasonable efforts to supply such Demand and Energy.
- 5.05 The Customer shall by the end of each November verify its ability to provide the Generating Capacity by operating its generation so that the 60 Hz Generation Output and the Demand at the 60 Hz terminals of the frequency converter, simultaneously, equal or exceed the Generating Capacity for a period of one continuous hour. If the Generating Capacity is not verified the Customer's

Amount of Power on Order for the following calendar year shall increase by the amount of the shortfall.

- 5.06 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 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 normal frequencies of fifty (50) and sixty (60) cycles and at a voltage of approximately 66,000 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 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. Also, appropriate adjustments will be made to recognize the Power and Energy delivered to Newfoundland Power at Marble Mountain and Pasadena from the Customer's generation and transmission systems.
- 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 9.04, 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,
- a) 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, and
 - b) the expression Maximum Demand means
 - i. during periods where there is no Capacity Request, the Customer's Total 60 Hz Demand less the Generation Capacity, and which in no instance can be less than zero.
 - ii. during a period for which a Capacity Request is in effect, the power delivered at the Hydro Delivery Points less power received by Newfoundland Power at the Delivery Points to Newfoundland Power.
- (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 (5) 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 mill 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 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 therefore, 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 rate, multiplied by 24;
- plus

- (b) the remaining net book value of Specifically Assigned Plant, less its salvage value.

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, Generation Outages 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 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

Mill Manager
Corner Brook Pulp and Paper Limited
P.O. Box 2001
Corner Brook, Newfoundland
A2H 6J4

- 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, Generation Outage 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, Generation Outages 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:

Witness

DULY EXECUTED by
Corner Brook Pulp and Paper Limited
in accordance with its Regulations
or By-Laws in the presence of:

Witness
