Q. **Reference: GRA, Vol. I, page 75 pdf**

Citation:

When Muskrat Falls generation is more than sufficient to meet LIL deliveries to the Island, it can supplement the Labrador load requirement.[33]

Note 33: As reported in Hydro's Supply Cost Variance Deferral Account Monthly Reports, Muskrat Falls and Hydro entered into a PPA for the purchase and sale of Residual Block Energy in February 2022. Under this agreement, Labrador Interconnected, Rural and Industrial customer load, previously serviced with Recapture Energy from Churchill Falls, may now be serviced with energy from the Muskrat Falls Hydroelectric Generating Facility for the purpose of creating incremental Recapture Energy for export. The price paid by Hydro does not change as a result; therefore, customers are kept whole.

a) Please provide a copy of the PPA for the purchase and sale of Residual Block Energy.

b) Under this agreement, does Hydro purchase energy from Muskrat Falls at the price it pays for Recapture Energy from Churchill Falls?

i. If yes, please explain the treatment of the revenues from exported Recapture Energy;

ii. If not, please explain in detail the pricing of all elements of the transactions described in Note 33.

A. a) Please refer to LAB-NLH-010, Attachment 1 for a copy of the Power Purchase Agreement ("PPA") for Labrador Residual Block use between Muskrat Falls Corporation ("Muskrat Falls") and Newfoundland and Labrador Hydro ("Hydro") ("Labrador Residual Block PPA").

b) Under the Labrador Residual Block PPA, Hydro purchases energy from Muskrat Falls at the Monthly Average Sales Price, as defined in the Labrador Residual Block PPA, less the

Newfoundland and Labrador System Operator (“NLSO”) Average Rate, with both amounts adjusted for losses between the Muskrat Falls delivery points and the Labrador–Québec border.

As a result of using Residual Block Energy to serve customers in Labrador, Hydro has Incremental Recapture Energy available for sale to Nalcor Energy Marketing ("Energy Marketing"). Hydro sells this Incremental Recapture Energy to Energy Marketing under the Hydro-Energy Marketing PPA ("NEM-NLH PPA") at the Monthly Average Sales Price. The Monthly Average Sales Price has the same definition under both agreements.

Under the Labrador Residual Block PPA and the NEM-NLH PPA, the Monthly Average Sales Price is calculated as the actual revenues received by Energy Marketing from the sale of Recapture Energy, net of transmission losses and actual net costs, divided by the total Recapture Energy delivered at the Labrador–Québec border.

Accordingly, Hydro records revenue from the sale of Incremental Recapture Energy at the Monthly Average Sales Price and records a power purchase expense for Labrador Residual Block Energy at the Monthly Average Sales Price less the NLSO Average Rate, with both amounts adjusted for losses. The net effect of these transactions is that Hydro retains an amount equal to the NLSO Average Rate multiplied by the volume of Incremental Recapture Energy sold to Energy Marketing. This amount is recorded in the Supply Cost Variance Deferral Account for the benefit of Island Interconnected customers.

The retention of the NLSO Average Rate ensures that Hydro's customers are held whole for the opportunity cost of transmission tariff revenue that Muskrat Falls would otherwise have paid had the Residual Block Energy been exported through Newfoundland and Labrador transmission facilities rather than used to serve customers in Labrador.

Similarly, pricing Labrador Residual Block Energy based on the value of Recapture Energy ensures that Labrador Interconnected customers are not disadvantaged or advantaged by the use of one source of energy over another. Labrador customers are therefore held whole, as if these transactions had not occurred.

MUSKRAT FALLS CORPORATION

and

NEWFOUNDLAND AND LABRADOR HYDRO

POWER PURCHASE AGREEMENT FOR LABRADOR RESIDUAL BLOCK USE

February 13, 2022

POWER PURCHASE AGREEMENT

THIS POWER PURCHASE AGREEMENT is made effective the 13th day of February, 2022 (the "**Effective Date**")

BETWEEN:

> **MUSKRAT FALLS CORPORATION**, a company organized under the laws of Newfoundland and Labrador and having its head office in the City of St. John's, in the Province of Newfoundland and Labrador and a wholly-owned subsidiary of Nalcor ("**Muskrat**")
>
> - and -
>
> **NEWFOUNDLAND AND LABRADOR HYDRO**, a body corporate continued pursuant to the *Hydro Corporation Act*, 2007, being Chapter H-7 of the *Statutes of Newfoundland and Labrador, 2007* ("**NLH**")
>
> (individually, a "**Party**", and collectively, the "**Parties**")

WHEREAS:

A. Pursuant to the Muskrat PPA, subject to Muskrat's obligations to supply the NS Block, any Energy and Capacity available at MF Plant and not delivered to NLH to meet NL Native Load, or deferred at the request of NLH, may be designated by Muskrat to form part of the Residual Block;

B. NLH is responsible for supplying power for domestic, commercial, industrial or other uses in the Province of Newfoundland and Labrador; and

C. Muskrat has agreed to sell and NLH has agreed to purchase, pursuant to the terms of this Agreement, a portion of the Residual Block for sale to NLH's customers in Labrador (the "Labrador Residual Block Sales").

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.01 In this Agreement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

(a) "Affiliate" has the meaning set forth in the Muskrat PPA;

(b) "Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions mean or refer to this Agreement as same may be amended or supplemented from time to time in writing between the parties hereto;

(c) "Base Block Energy" has the meaning set forth in the Muskrat PPA;

(d) "Capacity" has the meaning set forth in the Muskrat PPA;

(e) "CFLCo" means Churchill Falls (Labrador) Corporation Limited;

(f) "Effective Date" has the meaning ascribed thereto in the preamble of this Agreement;

(g) "Energy" has the meaning set forth in the Muskrat PPA;

(h) "Force Majeure" has the meaning set forth in the Muskrat PPA;

(i) "Incremental Recapture Exports" means the amount of Recapture Energy that would not have been available for export but for Energy from MF Plant being used to serve customers of NLH in Labrador and shall be deemed equal to the amount of non-Recapture energy scheduled by NLH for use in Labrador adjusted for losses to the NL-QC border;

(j) "Labrador Residual Block Sales" has the meaning set forth in the preamble of this Agreement;

(k) "MF Plant" has the meaning set forth in the Muskrat PPA;

(l) "Muskrat Delivery Points" has the meaning set forth in the Muskrat PPA;

(m) "Muskrat PPA" means the power purchase agreement dated November 29, 2013, as amended from time to time, between Muskrat and NLH relating to the purchase and sale of Energy, Capacity and related products from the MF Plant;

(n) "Monthly Average Sales Price" means all actual revenues received by NEM for Recapture Energy, net of all transmission losses and Actual Net Costs, all divided by the total Recapture Energy delivered to the NL-QC border, in that calendar month. Actual Net Costs include tariff charges and any other transmission provider or system operator fees, costs incurred or revenue received in relation to remedies sought as a result of curtailments, energy replacement costs due to cuts, curtailments or imbalances, and any other costs incurred or revenue received by NEM in selling the Recapture Energy to markets outside the province of Newfoundland and Labrador;

(o) "NL Native Load" has the meaning set forth in the Muskrat PPA;

(p) "NL Transmission System" has the meaning set forth in the Muskrat PPA;

(q) "NLSO Average Rate" means the combined total of the most recently approved Newfoundland and Labrador System Operator rates, per MW of reserved capacity per hour, for off-peak hourly delivery of:

(i) Point-To-Point Transmission Service;

(ii) Scheduling, System Control and Dispatch Service; and

(iii) Reactive Supply and Voltage Control from Generation or Other Sources Service;

(r) "NS Block" has the meaning set forth in the Muskrat PPA;

(s) "NEM" means Nalcor Energy Marketing;

(t) "Recapture Energy" means up to 300,000 kW at a 90% load factor as detailed in an agreement between CFLCo and NLH dated March 9, 1998, as amended from time to time;

(u) "Residual Block" has the meaning set forth in the Muskrat PPA;

(v) "Term" has the meaning ascribed thereto in Clause 2.01 of this Agreement; and

(w) "Twinco Block" means up to 225,000 kW at 100% load factor at the 230 kV busbar located at the CFLCo switchyard in Churchill Falls as detailed in an agreement between CFLCo and NLH dated December 5, 2014, as amended from time to time.

1.02 All references to dollar amounts and all references to any other money amounts herein are, unless specifically otherwise provided, expressed in terms of coin or currency of Canada which at the time of payment or determination shall be legal tender in Canada for the payment of public and private debts.

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

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

1.05 Wherever in this Agreement a number of days is prescribed for any purpose, the days shall be reckoned inclusively of the first and exclusively of the last.

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

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

1.08 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. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original.

ARTICLE 2
TERM OF AGREEMENT

2.01 Unless otherwise agreed to in writing by the parties, this Agreement shall become effective on the Effective Date and terminate concurrent with the termination of the Muskrat PPA (the "**Term**"). Either Party may terminate this Agreement upon providing the other with five (5) business days prior written notice of such termination.

ARTICLE 3
AMOUNTS AND DELIVERY POINTS

3.01 Muskrat shall deliver to NLH and NLH shall take delivery from Muskrat, at the Muskrat Delivery Points, the Labrador Residual Block Sales.

3.02 At all times during the Term of this Agreement, the Labrador Residual Block Sales shall equal the lesser of:

(a) The amount of Energy necessary to supply NLH customers in Labrador beyond that supplied by the Twinco Block;

(b) the amount of Residual Block available to be used in Labrador, at the sole discretion of Muskrat; and

(c) the amount of Energy scheduled for delivery by NLH.

3.03 The Parties agree that Muskrat shall not be responsible for any transmission losses incurred on the NL Transmission System.

ARTICLE 4
PRICE

4.01 Muskrat shall sell to NLH, and NLH shall purchase from Muskrat, the Labrador Residual Block Sales determined in accordance with Article 3 during the Term of this Agreement. NLH shall pay to Muskrat for all Labrador Residual Block Sales delivered at the Muskrat Delivery Points:

(a) from the Effective Date until April 1, 2022, the Monthly Average Sales Price, and;

(b) from April 1, 2022 until the end of the Term, the Monthly Average Sales Price reduced by the NLSO Average Rate, all multiplied by the ratio of Incremental Recapture Exports to the Labrador Residual Block Sales, to adjust for losses between the Muskrat Delivery Points and the NL-QC border.

4.02 Commencing on the Effective Date, payment for the Labrador Residual Block Sales delivered to NLH shall be payable monthly by NLH to Muskrat in accordance with Article 9.

4.03 NLH agrees that the payment received by Muskrat under this Agreement satisfies Muskrat's obligations to NLH under s. 4.5(a) of the Muskrat PPA.

ARTICLE 5
LIABILITY FOR SERVICE

5.01 The obligation of Muskrat to supply the Labrador Residual Block Sales is expressly subject to all accidents or causes that may occur at any time and affect the generation or transmission of Labrador Residual Block Sales, and in any such event, but subject to Clause 5.02, Muskrat shall have the right in its discretion to reduce or, if necessary, to interrupt the supply of Labrador Residual Block Sales.

5.02 Muskrat shall cause all usual precautions to be taken in order to guard against interruptions or diminutions in the supply of Labrador Residual Block Sales to NLH other than to deliver Base Block Energy to NLH or to deliver the NS Block and shall cause all such interruptions or diminutions that occur to be terminated with all possible dispatch, and if interruptions or diminutions are necessary or unavoidable for repair, testing, overhauling or inspection of equipment or for improving or adding to its equipment, Muskrat shall give NLH reasonable notice of any anticipated interruption or diminution of any amount of the Labrador Residual Block Sales so that inconvenience and loss to NLH may be minimized.

5.03 Save and except that if such interruption or diminution is due to the willful misconduct of Muskrat, NLH agrees that it will not make any claim against Muskrat or hold Muskrat liable for any loss or damage arising from any interruption or diminution in the supply of the Labrador Residual Block Sales.

5.04 If the operations of Muskrat in Labrador are suspended or curtailed by reason of Force Majeure, Muskrat shall use due diligence to remove the cause of such suspension or curtailment and to resume operations at the earliest reasonable date. Nothing in this Clause 5.04 shall obligate Muskrat to settle a strike or other labour trouble.

5.05 If the operations of NLH in Labrador are suspended or curtailed by reason of Force Majeure, NLH shall use due diligence to remove the cause of such suspension or curtailment and to resume normal operations at the earliest possible date. Nothing in this Clause 5.05 shall obligate NLH to settle a strike or other labour trouble.

5.06 Notwithstanding any other provision contained herein, neither Party to this Agreement shall:

(a) be responsible to the other for injury, damages or losses arising from loss of business, loss of profits, or any other losses as a result of interruption of the other's operations, or any other consequential losses, directly or indirectly arising out of the activities, occupancy, use or operation of the other's premises; or

(b) look to or pursue the directors, officers or employees of the other for satisfaction of any claim or cause of action arising under this agreement, including any liability, damages, expenses or losses of any nature.

5.07 In no event shall the liability of Muskrat for any cause exceed the sum of $500,000.00 for any single occurrence.

5.08 Notwithstanding any other provision contained herein, either Party may at any time discontinue or reduce the supply or taking of Labrador Residual Block Sales for the purpose of safeguarding human life or protecting its facilities from damage but only to the extent necessary for such purpose.

ARTICLE 6
RESPONSIBILITY FOR DAMAGES

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

6.02 NLH shall assume all obligations, risks and responsibilities and shall forever indemnify and save Muskrat harmless from and against any and all claims that may be made by third persons for injuries or damages to persons or property caused in any manner by electric current on or induced from the transmission circuits of NLH on NLH's side of the Muskrat Delivery Points or by the presence or use of NLH's equipment, unless such injuries or damages are caused by the negligence of Muskrat or any of its employees.

6.03 Neither Party to this Agreement shall make any claim upon the other by reason of one Party's circuit and system being damaged or rendered inoperative for any period as a result of an occurrence on the circuits and system of the other party.

ARTICLE 7
DISPUTE RESOLUTION

7.01 Any dispute between the Parties as to the interpretation, application or administration of this Agreement or any failure to agree where agreement between the Parties is called for shall be settled in accordance with the provisions of this Article 7.

7.02 The claimant shall give written notice of a dispute to the other Party no later than 15 days after a Party becomes aware of an event giving rise to a dispute, setting forth the particulars of the dispute, the probable extent and value of the occurrence giving rise to the dispute and the relevant provisions of this Agreement. The other Party will reply to such notice no later than 15 days after receipt or deemed receipt thereof, setting out in such reply its position, the grounds for such position and the relevant provisions of this Agreement.

7.03 No act by either Party will be construed as a renunciation or waiver of any of its rights or recourse in relation to the dispute, provided such Party has given the notice required pursuant to Clause 7.02.

7.04 If the dispute cannot be settled by negotiation between the Parties, then each Party is entitled to exercise all rights and seek all remedies otherwise available to it at law or in equity in connection with the dispute.

7.05 Notwithstanding any termination of this Agreement in accordance with Article 2, recourse to the dispute resolution procedures in this Article 7 shall be available to the parties for 30 days after termination of this Agreement.

ARTICLE 8
MODIFICATION OF AGREEMENT

8.01 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.

8.02 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.

ARTICLE 9
PAYMENT OF ACCOUNTS

9.01 Muskrat shall prepare and deliver to NLH an invoice for any previous calendar month setting out the payments to be made by NLH under this Agreement in respect of such month. NLH will make payment for such invoice prior to accounts payable close for the month in which invoice was delivered.

ARTICLE 10
SUCCESSORS AND ASSIGNS

10.01 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 either Party without written consent of the other Party.

ARTICLE 11
APPLICABLE LAW AND FORUM

11.01 This Agreement shall be governed by and construed in accordance with the laws of Newfoundland and Labrador and the federal laws of Canada applicable therein. Each Party irrevocably consents and submits to the exclusive jurisdiction of the courts of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

ARTICLE 12
ADDRESS FOR SERVICE

12.01 Subject to Clauses 12.02 and 12.03, any notice, request or other instrument which is required or permitted to be given, made or served under this Agreement by either of the Parties hereto shall be given, made or served in writing and shall be served personally, sent by fax, email or mailed by prepaid registered post, addressed, if service is to be made

(a) on Muskrat, to:
Muskrat Falls Corporation
Hydro Place
500 Columbus Drive
P.O. Box 12500
St. John's, NL A1B 3T5
Email: NalcorGeneralCounsel@nalcorenergy.com
Fax: (709) 737-1782

ATTENTION: Vice President, Chief Legal Officer & Corporate Secretary

(b) on NLH, to
Newfoundland and Labrador Hydro
Hydro Place
500 Columbus Drive
P.O. Box 12400
St. John's, NL A1B 4K7
Fax: (709) 737-1782
Email: NalcorGeneralCounsel@nalcorenergy.com

ATTENTION: Vice President, Chief Legal Officer & Corporate Secretary

12.02 Any notice, request or other instrument made pursuant to Clause 12.01 shall be deemed to have been received by the Party hereto to which it is addressed: if personally served, on the date of delivery; if mailed, three business days after the time of its being so mailed; if sent by electronic mail, as of the time of confirmed return receipt by the actual intended recipient; or if by fax, on the day following the date of delivery.

12.03 Either of the Parties hereto may change the address, email or fax number to which a notice, request or other instrument may be served personally, mailed, emailed or faxed to it by giving to the other Party to this Agreement notice of such change, and, thereafter, every notice, request or other instrument shall be served personally, mailed, emailed or faxed on or to such Party at the new address, email or fax number.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

MUSKRAT FALLS CORPORATION

By: ______________________________

Name: Gilbert Bennett
Title: VP, Power Development

By: ______________________________

Name: Lisa Hutchens
Title: VP, Chief Financial Officer

NEWFOUNDLAND AND LABRADOR HYDRO

By: ______________________________

Name: Michael Ladha, QC
Title: VP, Chief Legal Officer + Corporate Secretary

By: ______________________________

Name: Walter Parsons
Title: VP Transmission Interconnections + Business Development