

1 Q. Provide the capacity assistance agreement, the co-generation agreement and any other energy
2 purchase agreements with CBPP.

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5 A. Attached hereto are the following:

- 6 • PUB-NLH-110, Attachment 1: Term Sheet – Capacity Assistance Agreement,
7 November 16, 2023. These terms were approved by the Board of Commissioners of
8 Public Utilities on December 18, 2023 in Order No. P.U. 32(2023); and
- 9 • PUB-NLH-110, Attachment 2: Term Sheet – Power Purchase Agreement – Cogeneration,
10 November 10, 2023.

11 In addition, Newfoundland and Labrador Hydro has a Power Purchase Agreement through
12 June 2027 as directed in Order in Council OC2026-133 as follows:

13 Under the authority of subsections 11(1) and 13(1) of the Hydro Corporation
14 Act, 2024 and subsection 245(2) of the Corporations Act, the Lieutenant-
15 Governor in Council hereby directs the Board of Directors of Newfoundland and
16 Labrador Hydro to extend the current interim Power Purchase Agreement with
17 Kruger Inc. for Corner Brook Pulp and Paper Limited for the supply to
18 Newfoundland and Labrador Hydro of 280,000 MWh of power at a price of \$187
19 per megawatt hour to June 30, 2027, substantially along the lines as on file with
20 the Clerk of the Executive Council.¹

¹ Government of Newfoundland and Labrador, *Order in Council OC2026-133*, June 30, 2026.

Term Sheet

Capacity Assistance Agreement

November 16, 2023



Term Sheet – Capacity Assistance Agreement

Term Sheet – Capacity Assistance Agreement

This Term Sheet contains certain terms and conditions of a potential Capacity Assistance Agreement (“CAA”) between Newfoundland and Labrador Hydro (“Hydro”) and Corner Brook Pulp and Paper (“CBPP”). Such terms and conditions shall be incorporated into a final CAA, which will be drafted between the parties and will be similar in format to the most recent CAA that was in place between Hydro and CBPP dated May 4, 2021.

Contracted Capacity	Rate Structure	Conditions
<u>Winter (Nov 1–Apr 30)</u> Up to 90 MW (or another higher amount as tested and agreed by the parties) in the following increments: • 20 MW • 30 MW • 60 MW • 90 MW • Other if tested and agreed	<u>Fixed</u> \$80 per kW per year for the maximum capacity contracted. $90 \text{ MW} \times \$80 = \$7,200,000$ The fixed fee will be adjusted annually, starting January 1, 2025, according to the percentage change over 12 months in the “All-items” Consumer Price Index for Canada. The minimum adjustment will be 0% and the maximum adjustment will be 2.5%.	• Notification Period: 10 minutes • Interruption Period: 4 hours (minimum) to 6 hours (maximum) • Maximum Number of Curtailments: 2 per day, 30 per year • Total Assistance Period: 180 hours per year • Penalties: Reduced payment by \$250,000 per failure occurrence; after three failures Hydro has the right to terminate the contract. • Expiry: 15 years • Test: Test to be completed in September or October of each year. CBPP and Hydro identify a one-day window for which the test can be completed. Hydro will make a call for capacity during this window for up to four hours. The amount of capacity provided will be the maximum contracted amount of capacity assistance for that winter (or lower amount as agreed to by both parties).
<u>Summer (May 1–Oct 31)</u> • 20 MW • 50 MW	<u>Variable</u> The variable fee will not apply to the first 180 hours/30 calls. An additional 90 hours/30 calls to be made available at \$0.25 per kW per hour.	

Operational Considerations:

- CBPP Operations to participate operational calls with Hydro as required. CBPP must submit a daily Generation Status Report in advance of Hydro's system call.
- CBPP to provide at the end of the year a report on their generation fleet.
- Planned Outages - Units not to be taken down for planned maintenance during winter period without prior approval from Hydro. CBPP to provide an annual maintenance plan to Hydro in February of each year for the upcoming year and provide monthly updates to this annual plan.

Term Sheet – Capacity Assistance Agreement

Link to Cogeneration:

In the event of a call for capacity assistance, CBPP will continue to provide all committed firm energy from the Cogeneration Power Purchase Agreement (“Cogen PPA”) in addition to any amount of capacity assistance requested.

Penalties and Frazil Ice:

Subject to the exceptions listed below, in the event that Hydro makes a Capacity Assistance Request and CBPP fails to provide the amount of capacity requested or for the time and duration requested, there will be a penalty of \$250,000. If there are three penalties applied during the annual period November 1 through to October 31 of the following year, Hydro has the right to terminate the contract.

Reporting Penalties:

- CBPP must submit a daily Generation Status Report in advance of Hydro's system call. Failure to provide **three** Generation Status Reports between the period of November 1 to October 31 each year will result in a penalty as long as Hydro provided written notice to CBPP each time a Generation Status Report was not received. Hydro will use reasonable discretion in providing official notice if Generation Status Reports are not received under extenuating circumstances.
- CBPP to provide notice in change of fleet status as soon as practical if it changes from the morning Hydro system call. There will be no penalty for unplanned or forced outages if advance notice is provided to Hydro. If Hydro was not aware of the unplanned or forced outage and makes a Capacity Assistance Request for an amount of capacity that CBPP cannot provide then it will result in a penalty. If units become unavailable for an extended period of time (longer than 7 days) then the capacity assistance fee will be adjusted for that period for the lower number of MW available for those days.
- A failure by CBPP to provide less than the total amount of capacity assistance requested plus the amount of Firm Capacity Committed as defined in the Cogen PPA will result in a penalty.
- CBPP shall notify Hydro's Energy Control Centre when it is experiencing an Ice Condition Event that may impact its ability to fulfill its obligation under this agreement. CBPP shall also notify Hydro's Energy Control Centre when the Ice Condition Event has cleared. CBPP is not obligated to provide capacity assistance during an Ice Condition Event. If Hydro makes a Capacity Assistance Request and CBPP has not notified Hydro then there will be a penalty. CBPP shall use all reasonable efforts to remedy the Ice Condition Event as quickly as possible and shall resume compliance with its obligations hereunder as soon as reasonably possible upon termination of the Ice Condition Event.

Miscellaneous:

- During summer or winter, if CBPP can provide more capacity than the maximum contracted amount or for longer than six hours and Hydro would like to purchase the capacity then there will be a variable payment for this extra capacity at \$0.20 per kW per hour.
- Extended Duration Capacity Assistance as contemplated in the prior Second Amended and Restated CAA will remain in the new agreement, the variable payment for Extended Duration Capacity Assistance will be at \$0.20 per kW per hour.

Term Sheet – Capacity Assistance Agreement

Invoicing and Payment:

- CBPP shall render its accounts quarterly, at the end of January, April, July and October, and Hydro will, within twenty (20) days after the date of receiving such account, make payment in lawful money of Canada at the appointed office of CBPP or by means of direct deposit into a Canadian bank account of CBPP. Any amounts in arrears or overdue to CBPP after expiration of such twenty (20) days shall bear interest, before and after judgment, at the prime rate of the Bank of Montreal plus 2% annually until such balance is paid. The prime rate of the Bank of Montreal is the annual rate so established and announced by such bank at its head office in Canada as an annual rate of interest for demand loans payable in Canadian dollars in Canada.

Capacity:

- Hydro will only make a Capacity Assistance Request to address the capacity requirements of the system and not to address energy needs. Hydro will provide CBPP a copy of the capacity assistance report filed annually with the Board and will meet (if requested) with CBPP to review the contents of the report and discuss areas of operational improvements.
- Hydro will utilize the CAA with CBPP to maintain sufficient online reserves to maintain the reliability of the Island Interconnected System. Hydro shall not request that a Capacity Assistance Period start until Hydro has placed in service all its own available hydroelectric generation sources, requested Newfoundland Power Inc. to maximize their hydraulic generation, requested other independent power producers to maximize generation and recalled eligible non-firm power sales to external markets that can serve Island demand. Hydro shall have the sole and absolute discretion to decide the starting and loading of its thermal generating fleet.

Early Termination:

- In the event that CBPP has decided or is required to implement material and substantial changes in their operation, such that the continuation of the CAA would not be practicable, then CBPP shall have the unilateral right to terminate the CAA upon nine months prior notice to Hydro.
- In the event that there are material and substantial changes in Hydro's operations such that continuation of the CAA is not required then Hydro shall have the unilateral right to terminate the CAA upon nine months prior notice to CBPP.

Term Sheet

Power Purchase Agreement – Cogeneration

November 10, 2023



Term Sheet Power Purchase Agreement – Cogeneration

Summer Period:
April-November Price per kWh ¹

Hydro's published Non-Firm Rate as
approved by the PUB

Winter Period:
December-March Price per kWh²

Firm Energy Price: \$0.14

¹ During the Summer Period, the price will be published monthly by Hydro (shortly after the 21st day of each month OR as per Hydro's most current Schedule of Rates & Regulations).

² The \$0.14 rate for winter includes energy and capacity payment.

Winter Firm Energy

- During the Winter Period (December 1 through to March 31), CBPP shall deliver an amount of Co-Gen Demand of no less than 2,000 kW less than the amount of Firm Capacity Committed. If during any Co-Gen Demand period in the billing month, the Co-Gen Demand is less than the Firm Capacity Committed less 2,000 kW, there will be a penalty of \$250,000 per occurrence. Hydro has the right to cease paying firm energy prices after three penalties in a winter period.
- The maximum amount of firm energy that Hydro will purchase during each month in Winter Period (December 1 - March 31) will be the Firm Energy Committed x the hours in the month ("Maximum Winter Energy")
 - "Demand" means the amount of Power averaged over each consecutive period of sixty minutes duration, commencing on the hour and ending each sixty 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;
 - "Firm Capacity Committed" means the amount of Power contracted to be received by Hydro from the Customer in accordance with Article <Ref TBD>;
 - "Co-Gen Demand" means the Demand, received by Hydro from the Customer, at any particular time determined by adding the amount supplied to the Customer at the Delivery Points Hydro, less the amount received by Newfoundland Power at the Delivery Points Newfoundland Power;

Winter Non-Firm Energy

- During the Winter Period, Hydro will accept all energy from CBPP up to the nameplate capacity of the Cogen unit (15 MW).
- Hydro will pay the Non-Firm Rate for Energy in excess of the Maximum Winter Energy.

Term Sheet – Power Purchase Agreement – Cogeneration

Summer Non-Firm Energy

- During the Summer Period, Hydro will accept all energy from CBPP up to the nameplate capacity of the Cogen unit as non-firm energy and will pay the non firm rate.

Source

- CBPP may supply energy, up to the nameplate capacity of the Cogen unit, from an alternate source at its discretion (subject to CAA conditions).

Term

- The term of the agreement will be 10 years.
- After January 1 2026, on May 1 of each year, CBPP or Hydro may provide notice to the other party that they wish to cancel or amend the contract.

Payments/Invoicing

- CBPP shall prepare and deliver to Hydro an invoice for the Firm Energy within twenty days of the end of the Transaction Period or any extensions thereto and, Hydro with, within twenty days of receiving such invoice make payment in lawful money of Canada by means of direct deposit into a Canadian bank account of CBPP.

Early Termination:

- In the event that CBPP has decided or is required to implement material and substantial changes in their operation, such that the continuation of the PPA would not be practicable, then CBPP shall have the unilateral right to terminate the PPA upon 9 months prior notice to Hydro.
- In the event that there are material and substantial changes in Hydro's operations such that continuation of the PPA is not required then Hydro shall have the unilateral right to terminate the PPA upon 9 months prior notice to CBPP.

Miscellaneous

- Capitalized Terms not defined here shall have the same meaning as in the Power Service Agreement between Hydro and CBPP.