

Summary of Agreement on Energy between the governments of Québec (QC) and New Brunswick (NB)

Assets of NB Power (NBP) acquired by Hydro-Québec (HQ)

- The following generation assets:
 - The 7 hydroelectric generating facilities (895 MW);
 - The 2 diesel peaking units on the main grid (499 MW);
 - The Point Lepreau nuclear power plant (635 MW), once the refurbishment completed, expected on or about January 1, 2011.
- Firm transmission rights associated with the acquired generation assets, including 670 MW of transmission rights with New England.

The supply of electricity to NBP by HQ

- HQ will act as a wholesaler for NBP:
 - Under a long term power contract, HQ will provide to NBP 14 TWh of electricity per year. For the first five years, that supply will be provided at a price of 7.35¢ per kWh, after which the price will be adjusted according to the NB Consumer Price Index (CPI).
- NB will administer this heritage supply in the following manner:
 - Two energy pools will be created: one of 4.5 TWh for industrial customers and one of 9.5 TWh for residential, commercial and wholesale customers;
 - Industrial rates will be set immediately after the closing at a level that will result in rate reductions averaging 23% for large industrial customers using more than 5,000 kW per month and averaging 15% for large industrial customers using between 750 kW and 5,000 kW per month;
 - On the first, second, third and fourth anniversaries of the closing date, industrial rates will be adjusted in accordance with increases, if any, of HQ's L and M rates;
 - Residential, commercial and wholesale rates will be frozen for five years at the levels currently in effect in NB;
 - All NB electricity needs beyond these heritage pools will be met through calls for tenders at market conditions approved by the New Brunswick Energy and Utilities Board.

Employees

- At the time of closing, HQ will offer employment to the employees of the NBP facilities purchased, and will respect existing collective agreements.
- Employees transferring to HQ will continue to receive pensions provided by NB's public sector pension plan, and HQ will reimburse NB for the cost of those benefits accrued following the closing.

Consideration

- HQ will make two payments totalling \$3.2 billion; the first (\$1.8 billion) on or about March 31, 2010, and the second (\$1.4 billion) at the time of closing of the Point Lepreau transaction, expected on or about January 1, 2011.

Assets not acquired by HQ

- NBP will retain the ownership of the transmission and distribution assets and the NBP head office, or "Holdco".
- NBP will retain ownership of the following assets and operate them for the benefit of HQ under the framework of tolling agreements*:
 - Belledune generating facility (coal, 458 MW);
 - Coleson Cove generating facility (oil, 978 MW);
 - » HQ has the option to request the shut down of these two facilities with one year's notice and to pay NBP the equivalent of 12 months of fixed costs of the facilities.

* *Tolling agreement: An agreement by which a party agrees to acquire the fuel for the operation of a generating facility owned by another party, thereby acquiring the exclusive rights to determine and purchase the related energy production. Such an agreement usually includes provisions to cover fixed operating costs.*

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Assets not acquired by HQ (continued)

- NBP will retain the following assets, which are deemed surplus facilities:
 - Grand Lake generating facility (coal);
 - Dalhousie generating facility (oil);
 - Courtenay Bay generating facility (oil).
- NBP to retain the Grand Manan autonomous facility located on the island of the same name.

Closing of the transaction

- Schedule.
 - On or about March 31, 2010;
 - Expected on or about January 1, 2011 for Point Lepreau.
- Closing conditions for the Point Lepreau transaction:
 - Full completion of the refurbishment project now under way;
 - The restart of the facility following successful testing;
 - The issuance of the necessary permits and authorizations prior to the restart and acquisition of the facility.