C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R   C O U R T
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

No: 500-11-036133-094

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.,

And

ABITIBI-CONSOLIDATED INC.,

And

BOWATER CANADIAN HOLDINGS INC.,
and the other Petitioners listed on Schedules A, B. and C

Debtors

And

ERNST & YOUNG INC.

Monitor

And

NPOWER COGEN LIMITED

AFFIDAVIT OF PHILLIP PIDDINGTON

I, **PHILLIP PIDDINGTON**, residing and domiciled in Swindon, Wiltshire, U.K., hereby make the following solemn declaration:

1. I am a duly authorized representative of Npower Cogen Limited ("Cogen");

2. I have personal knowledge of the facts below or where I am advised by others, I truly believe same to be true;

3. The declarations in, and the exhibits attached to, this affidavit are in supplement to those in Cogen's notice of motion and Kevin Ansell's supporting affidavit attached thereto (the "Ansell Affidavit"), each dated September 24, 2010 (collectively, the "Cogen Motion Record").

4. All references to defined terms are the same as those previously defined in the Cogen Motion Record.

5. Kevin Ansell, Gary Chapman and I, all of Cogen, have searched our files subsequent to the Ansell Affidavit, and as well have spoken with others at Cogen and found further evidence in support of Cogen's position, as set out in greater detail in the Cogen Motion Record, that Abitibi and BPCL collectively and individually made statements and commitments that led Cogen to believe that its continued supply of energy to BPCL post-Abitibi's filing for CCAA protection would be paid and/or guaranteed in full by Abitibi.

A. <u>Direct Verbal Confirmation From Abitibi of Its Post-Filing Support Commitment</u>

6. I have further reviewed the documents attached to this affidavit and the Cogen Motion Record myself and with other Cogen personnel, and as best I can determine to this point, my conversation with Allan Dea referenced in the Ansell Affidavit contained in the Cogen Motion Record, in fact occurred on about August 12, 2009.

7. As noted therein, and without limiting what is stated therein and which I confirm is correct other than as to the date of the call with Mr. Dea:

   a) I had a telephone discussion with Mr. Dea, Abitibi's then Vice-President - Finance - Operations, in order to get Abitibi's view on where things were headed for BPCL. I initiated the call because I was concerned that the discussions and negotiations regarding the restructuring of the ESC (which had begun in the fall of 2008) were not progressing and that BPCL was again running monthly losses putting continued electricity supply at risk.

   b) Mr. Dea advised me that Abitibi needed Cogen's continued support and that to that end, Abitibi would continue to support BPCL, because whatever the final decision regarding the ESC, Abitibi wanted a managed solution and would continue to support BPCL to that end.

   c) This conversation reflected and was consistent with what Mr. Dea and others at Abitibi had said and represented to Cogen - to wit, Abitibi needed Cogen's continued supply of electricity and steam to BPCL and that Abitibi was committed to supporting BPCL to that end.

B. <u>The Nature of Electricity Supply Forced Cogen to Supply Until it was Able to Terminate the ESC</u>

8. As noted in the Ansell Affidavit, BPCL continued to draw supply throughout the period in dispute. Because of the continued assurances of payment noted above and in the Ansell Affidavit, Cogen could not terminate the ESC under its terms on the basis that BPCL was unable to meet its liabilities as they come due and was contractually obliged to continue supply BPCL.

9. As a result, in effect Cogen was caught in a catch-22 - it could not terminate the ESC, and given the nature of electricity supply, every time BPCL drew down power, Cogen, was compelled to supply. In simple terms, every time, BPCL turned on a light-switch, Cogen had no choice but to supply electricity. And until, as was the case in February 2010, there was a direct statement that BPCL would not pay for electricity, Cogen could not terminate the contract, and cut the electricity supply.

10. Looked at another way, if Abitibi had no intention of paying for the electricity it was drawing down through BPCL, it should not have taken any - for if it had not drawn any power or steam, none would have been delivered and nothing would have been owing under the ESC for electricity and steam delivered.

11. It is also relevant to appreciate, as BPCL and Abitibi both did, that power and steam could not be stored at the Cogen plant supplying BPCL - when generated such power and steam had to be transmitted to BPCL. Hence as long as BPCL was operating, it was entitled to and did draw power and steam, and Cogen had to keep operating the plant to supply it and could not store the power and steam being generated for another use.

12. Given that the electricity usage required BPCL's overt drawing down of electricity and that it's and Abitibi's full knowledge that the ESC would not be terminated based their representations that Cogen would be paid for electricity taken by BPCL, it is, respectfully, unconscionable at this juncture for Abitibi to argue that it should not be liable for the post-filing supply of electricity by Cogen to BPCL that it knowingly and overtly took.

13. Secondly, BPCL and through it Abitibi, would have known that there could be serious health and safety concerns had Cogen simply cut the supply of electricity. The electricity that Cogen provided was fundamental to maintaining the health and safety of the work environment at BPCL. BPCL's mill required the use of electricity to supply the control systems that manage the movement, injection and mixing of large amounts of corrosive and toxic chemicals, where the loss of power could cause a failure of these systems that could force uncontrolled leakage of such harmful chemicals. BPCL also required power for the motors to drive the rollers and belts to carry the paper sheets at very high speeds in the paper machine in addition to the functions of lighting, heating and use of office computers at the mill, where the loss of power would cause paper jams and blockages requiring personnel to further attend to the machines, and a shutdown of all basic functions within the mill. Given BPCL's electricity usage, Cogen could not unilaterally or spontaneously cut the supply of electricity without potentially dangerous and harmful health and safety concerns, unless BPCL was not operating the mill at the time.

14. As BPCL operated its mill right up to the date of its filing for administration, Cogen was caught in the aforementioned catch - 22. It was only after the filing that Cogen was able to negotiate with BPCL's UK administrators an orderly, timed and managed cessation of electricity supply in conjunction with the UK administrators shutdown of the mill.

15. For these reasons, it would be unconscionable for Abitibi to argue it should not be liable for the post-filing supply BPCL took, as it knew or should have known that unless operations at BPCL actually stopped, Cogen could not simply cut off supply.

C. <u>Additional Documents</u>

16. The additional documents that I have been able to locate relate to:

a) Abitibi's and BPCL's representations from as early as the fall of 2008 to as late as the fall of 2009 that if Cogen continued to supply electricity to BPCL while Abitibi and BPCL negotiated in good faith to restructure the ESC, BPCL would continue to operate;

b) Representations from Abitibi and BPCL that Abitibi was committed to guaranteeing BPCL's obligations to Cogen up to the end of November 2009 and thereafter on a rolling monthly basis after November 2009; and

c) Notes written by Cogen personnel in connection with a meeting involving Cogen, BPCL and its UK Administrator shortly after the administrator was appointed on Feb 2, 2010.

17. These documents are attached as:

a) Documents relating to ongoing negotiations to restructure the ESC so that BPCL would and could continue to restructure;

   a. Email chain ending in email dated November 23, 2008 from Andrew Cunningham to Kevin Ansell outlining continuing negotiations as Exhibit "1" ;

   b. Email chain ending in email dated November 23, 2008 from Allan Dea, Vice-President at Abitibi, to Kevin Ansell outlining continuing negotiations as Exhibit "2";

   c. Email dated December 22, 2008, from Andrew Cunningham to me and others attaching a letter dated December 22 from Allan Dea at Abitibi as Exhibit "3";

   d. Email chain ending in email dated March 12, 2009 from Andrew Cunningham to me and others confirming Abitibi's continued interest in negotiating with Cogen as Exhibit "4"

   e. Email chain ending in email from Jon Melkerson from Abitibi to me dated July 17, 2009 relating to negotiations over the ESC as Exhibit "5"; and

b) Documents relating to the continued post-filing supply commitment;

   a. Email dated November 5, 2009 from Kevin Ansell to Thomas Seibel, confirming the rolling month to month commitment from Abitibi as Exhibit "6"; and

   b. Email dated December 4 2009 to June Clark from me confirming the rolling month to month commitment from Abitibi as Exhibit "7".

18. Notes relating to the meeting with the UK Administrator dated February 2, 2010 as Exhibit "8".

19. Correspondence with the UK Administrator which *inter alia* evidences the Health and welfare issue highlighted in the affidavit above, is attached as Exhibit "9."

20. All the facts alleged in the present affidavit are true to my personal knowledge.

AND I HAVE SIGNED:

NAME Rebecca C. Pennington

SOLEMNLY DECLARED before me at
Swindon Wiltshire UK, this 6th day of October 2010

J. Clarke (Joanne Clarke)
~~Solicitor~~ Commissioner for Oaths

PHILLIP C. PIDDINGTON

This is Exhibit "1" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be)

Nowina, Michael

From:	Andrew.Cunningham@cbcf.com
Sent:	Sunday, November 23, 2008 2:01 PM
To:	kevin.ansell@RWEnpower.com
Cc:	Phillip.Piddington@RWEnPower.com; dafydd.Evans@cbcf.com; Mayank.Kanga@cbcf.com; allen.dae@abitibibowater.com
Subject:	RE: Yesterday's Meeting
Attachments:	summary of discussion with npower nov 21 08 a.doc

Kevin

I attach a summary of the parties' stated positions at the end of Thursday's meeting.

We will get you the name of the agent for the bondholders.

We look forward to speaking at 6pm on Tuesday.

Andrew

Andrew Cunningham
Managing Director

Close Brothers

Close Brothers Corporate Finance Limited
10 Crown Place, London, EC2A 4FT
Tel: +44 (0) 20 7655 3127
Fax: +44 (0) 87 0889 5743
Mob: +44 (0) 77 7553 2629
Email: andrew.cunningham@cbcf.com
Web: http://www.cbcf.com

From: kevin.ansell@RWEnpower.com [mailto:kevin.ansell@RWEnpower.com]
Sent: Fri 21/11/2008 16:56
To: Andrew Cunningham
Cc: Phillip.Piddington@RWEnPower.com
Subject: Yesterday's Meeting

Andrew,

I hope you have recovered from our long day yesterday. I have tried to call you but I gather you are busy for the next hour. I'm hoping for an earlier finish today, hence this email rather than wait for your meeting to end in order to speak to you.

I wondered whether you intend/ would be able to circulate a note that captures the key points of our discussion yesterday? Phil and I will be trying to see our exec on Monday as we need to clarify whether we have 'overstretched' our negotiating mandate and it would be good to be able to table a note from yourselves with the key messages from the day.

Also I wonder if Allen has been able to check the name of the agent representing the trustees as we discussed?

Finally, I've undertaken to provide you with a draft of the wording our legal advisers have suggested would be needed to ensure the transactions we are contemplating will be robust to any potential 'set aside' risk in the event of a subsequent insolvency. I'll endeavour to get this to you before our conference call on Tuesday.

I hope you have a good weekend.

Regards,

Kevin

Kevin Ansell

Senior Asset Manager

Cogen Court, Cranmore Boulevard, Shirley, Solihull, B90 4LN.
T: +44 (0)121 506 8072
Fax: +44 (0)121 506 8052
Mobile: +44 (0)7989 494355

Summary of AB/Npower discussion 20/11/08

Npower Current Proposals

Taking account of (a) value of peaking plant, (b) Vauxhall, and (c) AB taking cashflow risk of buying gas directly:

(i) AB pays £31m on termination; or £40m and reduction in costs of £1m pm (for period to termination – if £4m prepayment made); or
(ii) AB pays £21m on signing of agreement amendment/easements etc; or
(iii) AB pays £10m on signing of agreement amendment/eastments etc and £15m on termination

In each case:

- Npower acquires freehold of Cogen at independently agreed value; and

- AB released from Take or Pay provisions for the same sum as freehold value and the granting to Npower of an option to acquire the freehold of Mill at market value.

AB Position:

- termination charge remains too high

- credit risk reduction offered by Npower for early payment (10/31) is insufficient

- on the payment of a termination charge, that charge should be a lower figure (the "Y5") to reflect the elimination of the credit risk at that time

Other material points:

- Npower looking for deal to be done by 31/12/08

- Connective Energy's development costs need to be addressed

- Npower's hedging position has largely unwound - £1.0m-£1.5m remaining

- Npower have some wording that they want in any agreement between AB and its lenders

Next Steps

- Npower to give further consideration to credit risk reductions and discuss at Board on 24/11
- AB to discuss position with Group Executive
- Conference call – 6.00pm Tuesday 25th November

This is Exhibit "2" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be)

Feeney, Renya

From: Allen.Dea@Abitibibowater.com
Sent: Thursday, November 13, 2008 3:25 PM
To: kevin.ansell@RWEnpower.com
Cc: Phillip.Piddington@RWEnPower.com; thor.thorsteinson@Abitibibowater.com
Subject: RE: Bridgewater / Npower Energy Contract

Kevin ,

Regarding EnergyLink , do not hesitate to include Dafydd Evans from Close Brothers as our representative when you communicate with them .

Thanks ,

Allen .

<kevin.ansell@RWEnpower.com>

2008-11-13 14:05

A <Allen.Dea@Abitibibowater.com>
cc <Phillip.Piddington@RWEnPower.com>, <thor.thorsteinson@Abitibibowater.com>
Objet RE: Bridgewater / Npower Energy Contract

Allen,

Thank you for providing the clarification we requested, as you might expect, we do have different view of the 'residual value of the energy contract' however, we will no doubt discuss this at some length next Thursday.

I will arrange for correspondence with EnergyLink to date to be copied to you and will ensure that they understand that communications, output and charges should be clearly shared between all parties. In order to meet the timescale for our meeting next week it has been necessary to initiate this work already and for your information a tele-conference has already taken place between EnergyLink's modellers and our technical people to establish the plants parameters / capabilities. These will, I'm sure, be clear in the assumptions information with the model output.

I look forward to our next meeting.

Regards,

Kevin.

Kevin Ansell

Senior Asset Manager

Cogen Court, Cranmore Boulevard, Shirley, Solihull, B90 4LN.
T: +44 (0)121 506 8072
Fax: +44 (0)121 506 8052
Mobile: +44 (0)7989 494355

From: Allen.Dea@Abitibibowater.com [mailto:Allen.Dea@Abitibibowater.com]
Sent: 13 November 2008 16:24
To: Ansell, Kevin
Cc: Piddington, Phillip; thor.thorsteinson@Abitibibowater.com
Subject: Re: Bridgewater / Npower Energy Contract

Kevin,

In response to your email, the value (x) or the "Agreed residual value of energy contract" relates to the termination value on the contract (i.e., the current Transfer Charge) as adjusted for appropriate risk factors. We are happy to discuss further what those risk factors (and their appropriate level) should be and I suggest that we explore this at our meeting next week. However, in the meantime I am keen to ensure that we are working from the same starting point, that is from the Transfer Charge level of £52 million which formed the basis of our previous discussions and not by reference to some higher figure.

In relation to the value of the CHP plant as a peaking facility, we agree to jointly instruct EnergyLink to undertake their study on its use in this capacity and understand that they will give initial feedback on their work by the middle of next week. The basis of EnergyLink's instructions and their work product should be completely transparent between us, and to achieve that I would request that all instructions, working assumptions, draft reports and any other communications to and from EnergyLink should be copied to all parties. I would appreciate it if you could please advise EnergyLink accordingly when confirming instructions for them to proceed.

As agreed with Phillip, we will meet next Thursday in London.

Regards,

Allen Dea
V.P. and Treasurer

<kevin.ansell@RWEnpower.com>

2008-11-07 13:32

A <Allen.Dea@Abitibibowater.com>
cc <Phillip.Piddington@RWEnPower.com>, <thor.thorsteinson@Abitibibowater.com>
Objet Re: Brudgewater / Npower Energy Contract

Allen,

Thank you for your email and letter proposing a revised formula for agreeing the termination value "(Z)". Phil and I have reviewed the letter and would appreciate your clarification on a couple of the items in order that we can evaluate this approach.

You have described value (X) as the "*agreed residual value of energy contract*". We interpret this to mean the Net Present Value of the profit generated by the current contract. Could you confirm this is your definition of the phrase?

Assuming our interpretations are the same, do you have a proposal for how we agree this figure? Obviously the calculation will be sensitive to the respective views taken of forward prices for gas, power and other relevant indecies as well as discount factors etc. Any views you have on this will help us move forward that much more quickly.

Regards,

Kevin Ansell

Senior Asset Manager

Cogen Court, Cranmore Boulevard, Shirley, Solihull, B90 4LN.
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Fax: +44 (0)121 506 8052
Mobile: +44 (0)7989 494355

This is Exhibit "3" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

Commissioner for Taking Affidavits (or as may be)

Feeney, Renya

From:	Andrew.Cunningham@cbcf.com
Sent:	Monday, December 22, 2008 11:40 AM
To:	Phillip.Piddington@RWEnPower.com
Cc:	kevin.ansell@RWEnpower.com; dafydd.Evans@cbcf.com; Mayank.Kanga@cbcf.com; Allen.Dea@Abitibibowater.com
Subject:	AbitibiBowater
Attachments:	Scan 001.pdf

Phil

As discussed, I attach a letter from Allen Dea setting out AbitibiBowater's position with regard to the Energy Supply Contract at Bridgewater. If you have questions or comments, please let me know.

Kind regards.

Andrew

Andrew Cunningham
Managing Director

Close Brothers

Restructuring Adviser of the Year
2005, 2007 & 2008
Acquisitions Monthly Magazine

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Montréal (Québec) H3B 5H2 Canada
Tél. 514 875-2160 abitibibowater.com

abitibi bowater

P C Piddington Esq.
Head of Cogen
Npower Cogen
Cogen Court
Cranmore Boulevard
Shirley
Solihull
B90 4LN

22 December 2008

SUBJECT TO CONTRACT

Dear Phil

Npower Energy Supply Contract

Following our meeting on 3rd December, I have discussed the issues with colleagues and I am now writing to set out our position on the Bridgewater Energy Supply Contract.

We remain keen to reach a solution and in order to facilitate that solution, I am setting out below two alternative options for a framework for a variation to Bridgewater's Energy Supply Contract assuming the Mill ceases to source energy from the CHP plant on or around 30 September 2009. As you know, no formal decision has yet been reached on whether to maintain the operation of the Mill.

As part of the overall agreement, AbitibiBowater is prepared to sell the land and easements required by Npower to operate the CHP plant without hindrance from or access to Bridgewater's operations. The consideration for the land and easements will be in the form of a cash payment to AbitibiBowater and we will work with you to seek an independent valuation of assets purchased by Npower. Subject to approval by AbitibiBowater's lenders, we expect that execution of a variation to the Energy Supply Contract and the sale of land and easements would take place during Q1 2009.

1. Option A – Staged payments

AbitibiBowater is prepared to make three staged payments to Npower and a final payment for the transfer. We are prepared to discuss the basis for the staged payments although any payment in respect of an invoice under the take or pay arrangements in the Energy Supply Contract would be without prejudice to our position which does not admit liability for the take or pay charges. The final payment for the transfer charge would have an additional amount which would equal the cash consideration received from Npower in respect of Bridgewater's land and easements.

abitibi bowater

Balance	Payment date	Amount (£m)
Staged payment 1	On agreement	5.4
Staged payment 2	31/03/09	2.3
Staged payment 3	30/06/09	1.2
Transfer charge	On termination	8 + value of land
Total		16.9 + value of land

2. Option B – One off payment

As an alternative, on agreement of the variation to the Energy Supply Contract, AbitibiBowater would pay Npower a one off payment of £13.3 million plus an additional amount which would equal the consideration received in respect of Bridgewater's land and easements. The transfer charge on a subsequent cessation of the Mill sourcing energy from the CHP plant would be reduced to zero.

3. Contingent options for AbitibiBowater

In the event Bridgewater continues to source energy from the CHP plant beyond 30 September 2009, we would need to reach an agreement with Npower to:

- reduce energy costs for the Bridgewater Mill beyond 30 September 2009; and
- provide an option for Bridgewater to repurchase the land sold to Npower at fair value at the expiry date of the current Energy Supply Contract.

4. Timetable/process

Set out below is an indicative timetable for next steps in the process:

- Finalise framework of agreed Option A or Option B in early January
- Legal documentation of framework from early/mid January
- Details of agreed framework to go to AbitibiBowater's lenders as part of AbitibiBowater's wider discussions in mid/late January
- Agreement signed by 31 March 2009

I believe that this provides a practical way forward and I look forward to hearing from you. The discussion at our meeting and the contents of this letter remain subject to the terms of the confidentiality letter agreed between us.

Please do not hesitate to make contact with myself if you have any questions.

Yours sincerely

Allen Dea

This is Exhibit "4" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be)

Piddington, Phillip

From:	Andrew Cunningham [Andrew.Cunningham@cbcf.com]
Sent:	12 March 2009 15:04
To:	Ansell, Kevin; Piddington, Phillip
Cc:	Clark, June; Dafydd Evans; Mayank Kanga
Subject:	RE: Abitibi Meeting
Follow Up Flag:	Follow up
Flag Status:	Red

Phil, Kevin

Further to my chat with Kevin yesterday, I have heard back from Allen that he now needs to stay in Canada next week as he needs to continue to devote his time to the refinancing. I appreciate that the continued hiatus is sub-optimal but it is unavoidable given Allen's priorities. He remains committed to reaching agreement with Npower on the way forward and I will come back to you as soon as I have some visibility on when he will be over to conclude the discussions from late last year.

Thanks

Andrew

Andrew Cunningham
Managing Director

Close

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Email: andrew.cunningham@cbcf.com
Web: http://www.cbcf.com

From: kevin.ansell@RWEnpower.com [mailto:kevin.ansell@RWEnpower.com]
Sent: 11 March 2009 16:03
To: Andrew Cunningham
Cc: June.Clark@RWEnpower.com
Subject: Abitibi Meeting
Importance: High

Andrew,

Phil mentioned several days ago that you thought Allen Dea might be available to meet in London next week, (17th I think). As always, diaries are under pressure, can you confirm whether or not this is happening please?

This is Exhibit "5" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

Commissioner for Taking Affidavits (or as may be)

Piddington, Phillip

From: Jon.Melkerson@Abitibibowater.com
Sent: 17 July 2009 21:52
To: Piddington, Phillip
Subject: Re: Call

Thanks

From: [Phillip.Piddington@RWEnPower.com]
Sent: 07/17/2009 09:44 PM CET
To: Jon Melkerson
Subject: Re: Call

Jon
Sorry I missed the call
We will confirm our restructure offer with Npower board approval subject to contract to allow BPCL the best chance we can
However we will need a decision from your end quickly
I believe that both our teams are trying to get a solution that is workable in the long term
Sorry to intrude on your holiday time

Phil

----- Original Message -----
From: Jon.Melkerson@Abitibibowater.com <Jon.Melkerson@Abitibibowater.com>
To: Piddington, Phillip
Sent: Fri Jul 17 18:20:28 2009
Subject: Call

Sorry we didnt connect on call this morning so let me summarize what would have been our discussion.

The BW will not survive w/o this new agreement. With the agreement the mills chances improve dramatically. Additionally the agreement allows us to look more serisously at some of the strategic investments we have identified. Time is critical. Major decisions will be made at our July 30th Board meeting and management needs ample time prior to that meeting to make its recommendation and decision. This points to finalizing this agreement in principle no later than a week from today.

I will be on vacation for the following 7 days but will follow up with JF and Barry during this period.

Mr Barry Benson
Bridgewater Paper Company Limited
North Road
Ellesmere Port
South Wirral
Merseyside CH65 1AF

21st July 2009

Dear Sirs

Energy Supply Contract ("ESC") dated 3 August 1998 originally between National Power Plc and Bridgewater Paper Company Limited ("BPCL") and subsequently assigned to Npower Cogen Limited ("Cogen")

We refer to the ESC and to recent discussions between Cogen and BPCL regarding BPCL's request to amend the terms of the ESC. The RWE Npower management has given approval for the following offer to be provided to BPCL. This offer replaces the previous offer dated 3rd July 2009 which is hereby withdrawn.

The offer describes the key elements of the existing ESC charges and principles to be amended and is subject to contract. Unless amended by this offer the terms and provisions of the ESC shall continue to apply for the full term of this offer

1. The Offer

a. The steam charge per tonne of steam supplied shall be £3.50 based on a delivered gas price of 14.07 pence per therm. The steam charge will be adjusted monthly for the actual average delivered price of gas according to the following formula:

$$\text{Steam charge} = £3.50 \times \frac{\text{Delivered Gas Price}}{14.07}$$

b. The electricity charge per MWh of electricity supplied shall be £9.00 based on a delivered gas price of 14.07 pence per therm. The electricity charge will be adjusted monthly for the actual average delivered price of gas according to the following formula:

$$\text{Electricity charge} = £9.00 \times \frac{\text{Delivered Gas Price}}{14.07}$$

c. The standing charge will be £430,000 per calendar month from the commencement date of the revised terms. The standing charge will be adjusted quarterly to PPI (as defined within the ESC) only.

d. A buyout payment (via the take or pay provision of the existing contract) of £4m to be payable in equal monthly instalments over the initial three month period of the revised terms, irrespective of the actual commencement date of the revised terms.

e. Replacement of the ESC clause 9.11 Transfer Charge, 9.12 Default Transfer Charge and 9.13 No-Fault Transfer Charge with a fixed charge of £5m and a final transfer charge of £1m in 2020. For the avoidance of doubt, in the event that the charge under clauses 9.11, 9.12 or 9.13 becomes liable due to an event of default the asset will remain in the ownership of Cogen and will not transfer to BPCL.

f. An earn-out provision such that in any financial year where BPCL post tax profit exceeds the threshold values given in the following table, the value in excess of the threshold is to be shared with Cogen at the percentages shown:-

Anniversary of commencement of revised terms	Year 1	Year 2	Year 3	Year 4 to end of contract term in 2020
Threshold Value	£500,000	£1,000,000	£1,500,0000	£1,500,000
Percentage share to be paid to Cogen	50%	40%	25%	25%

except that where BPCL implements plans for new investment at the paper mill, the earn-out shown for the relevant year will apply up until the end of the year in which a new investor becomes financially involved in the shareholding of BPCL and thereafter the percentage share to Cogen will reduce to zero for the remainder of the contract term. The provisions of this item 1(f) shall be subject to Cogen total earnings being capped at those due to under the current ESC terms.

g. The current un-amended ESC provisions for steam take or pay will be replaced (from commencement of the revised terms) by a steam offtake volume tolerance of 2009 steam volume (normalised for full year) +/- 10% with value recovery mechanism (take or pay or similar) for periods outside tolerance.

h. BPCL electricity offtake volume to be capped at 105% of the 2009 electricity offtake volume (normalised for full year).

i. BPCL pay full import price for electricity imported during periods of gas turbine unavailability subject to a cap of 1000hrs of unavailability per year.

j. BPCL hold Cogen neutral to the carbon costs associated with BPCL steam and electricity supply from the CHP (from commencement of EUETS Phase III onward).

k. BPCL required to pay Cogen for the volume of gas purchased to meet BPCL steam and electricity demand from the CHP by no more than 28 days following purchase of gas by Cogen and BPCL shall be restricted to forward purchase (hedging) of gas for a maximum of one month ahead.

l. Cogen shall be entitled to cease further supply of steam and electricity (without default) in the event that the payment due under point 1(k) becomes overdue by more than 10 calendar days.

m. Land, associated rights of access, wayleaves ,infrastructure (switch gear etc) and consents required for standalone operation of the CHP plant to be sold and/or assigned to Cogen at fair market value (estimated to be no more than £1m) prior to commencement of the revised terms.

n. The amended terms will commence from 1st August 2009 conditional on completion of transfer under item 1(m) and continued full settlement of ongoing energy invoices up to the date of commencement of these terms and shall terminate on 1st August 2020.

o. The existing take or pay liability accrued under the ESC to date will be confirmed as settled / removed on receipt of the payment described in 1(d).

p. Cogen will retain full ownership of the CHP plant including all operational and CHP plant maintenance/asset risk (subject to item 1(i)).

This offer is valid for 14 days from the date of this letter. We hope that you will find the above offer to be of interest and look forward to your response in due course.

Yours faithfully,

P C Piddington

Npower Cogen Limited

This is Exhibit "6" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be)

Piddington, Phillip

From:	Ansell, Kevin
Sent:	05 November 2009 12:58
To:	Seibel, Thomas
Cc:	Piddington, Phillip; Russell, David; Humphreys, Neil; Wey, Mike
Subject:	BPCL

Thomas,

One of my team has spoken to the Bridgewater FD this week. He has confirmed that Abitibi has provided the BPCL directors with a further letter of support (valid to end of November). The view shared was that this letter would be renewed each month for the next few months at least.

Regards,

Kevin.

This is Exhibit "7" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be)

Piddington, Phillip

From: Piddington, Phillip
Sent: 04 December 2009 16:02
To: Clark, June
Subject: Power point slide

June,
Please can you draft this up as a PowerPoint slide on Monday and circulate to Kevin Ansell and Ian Russell for comment copy me.

Thanks

Phil

Update on Bridgewater Paper

- Financial position has deteriorated now expected to make a loss of £10m in 2009 with weaker paper prices into 2010
- Abitibi has applied to separate the invoicing and collection of payments from European customers buying paper exported from north American assets
- Abitibi has reduce the period of cover to support BPCL from three months to a rolling one months cover
- BPCL still expect a restructure but our expectation is that Abitibi will announce closure of BPCL in Q1 2010
- We have legal documentation drawn up to issue at short notice in the event that they announce closure or default
- Cogen O&M have a contingency plan to respond at short notice if required
- Cogen has an agreed communications plan with Corporate Communication to implement if needed
- Current short term net credit exposure has reduced £xm which is on the risk register
- Our plan remains to try and secure the unit as a STOR facility in the event of closure.

This is Exhibit "8" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

Commissioner for Taking Affidavits (or as may be)

Meeting with BPCL Barry Benson.
E+Y Kevin Haywood.
Herbert Smith Simon Chadney
Herbert Smith Ellika Benn.
E+Y Roy Bailey. (phone-in) Administrator

① Order for administration sealed at 10.20am
today 2nd Feb 2010.

Prior to Christmas involvement of E+Y (Roy Bailey)
re BPCL.

E+Y instructed to conduct review BPCL since July 2009
Is aware of restructure discussions that were ongoing.
ACI court protection oversight with support provided.

BPCL Pre-meeting
Lease does not terminate until after transfer charge.
Can continue until
If we terminate we can operate
Transfer charge.

BPCL could frustrate the argument.

20 days notice confirmed.

CVA we can challenge in court.

Long term view of Abitibi.

Meeting with BPCL Barry Benson.
E+Y Kevin Haywood.
Herbert Smith Simon Chadney
Herbert Smith Ellika Benn.
E+Y Roy Bailey (phone-in) Administrator

Order for administration sealed at 10.20am
today 2nd Feb 2010.

Prior to Christmas involvement of E+Y (Roy Bailey)
re BPCL.

E+Y instructed to conduct review BPCL since July 2009
Is aware of restructure discussions that were ongoing.
ACI court protection oversight with support provided.

Npower contract is the key stakeholder but also need to achieve agreement with employees on working practice & terms & conditions. Ongoing only due to ACI support for losses

ACI could not fund restructuring funds without achieving support from the courts?

Bondholders is a consortium of changing bondholders and could not achieve agreement.

The Mill is an outlying mill in the portfolio of ACI

In late January board advised no more support but meeting with secured lenders yielded not support for funding any restructure.

Principle relationship with Bondholders with ACI

BPCL had requested ACI initiate discussions.

Bond holder structure makes it difficult to respond.

Not clear if Bondholders approached.

Rixtons went over the letter to BPCL seeking ongoing support.

2nd termination via non payment this week.

E&Y response

Commercial discussions

E&Y has considered an exit but this only works if there is a restructuring.

Can not pay for historical liability or current electricity supply. Conditions of HOT would need to be improved upon. [ ]. Other stakeholders will be asked to help to support stakeholders.

redundancies on site are likely to be needed on site.
In return for an exit ~~and the land~~ the land
would need to be transferred.
Bondholders are appointing legal advisors and this
should help us provide a route to securing the land.

Paper prices decreased and now having to pay full
price for waste paper from sister company.
Rem from ACT is in the form of a short term
loan. In order to support closing down the business &
exit.

Bond facility is 45£Mb. Likely to end up with
much smaller one plus dividend & closer.
Bondholders unlikely to get any money back.

A restructured business may be attractive to ACT,
Coming out of administration who might be the owner?
Power / Management / Trade buyers. (Shotton? /
Aylesford) Self help.

Few weeks?? / months.

2009 was @ minus £13 m
2010 @ £18m

When in a position but a few weeks.
→ This week is there key support to stabilise business.
→ If not no further work but to close down.
→ E+Y seeking a safe harbour position.
[3 - 4 weeks]

(Eight week exit plan if closure). Would then need
secured lenders' consent.

Willing to provide open book on cashflows early next week.

~~Transfer the [illegible]~~

Arrears not chance of payment. No commitment of supply without [illegible] on [illegible].

HSE reasons notice of shutdown 70% 12 hours notice

Respond quickly to the letter and we need a view of Npower position in the next 24 hours. Not racking up a liability without hope of being able to settle.

Kevin Haywood → in first instance (07785 5591)

Employees (small staff) redundant. Fall on the state support.

Ongoing supply of [illegible] electricity offices.

This is Exhibit "9" referred to in the Affidavit of Phillip Piddington, sworn before me this 6th day of October, 2010.

J. Clarke

Commissioner for Taking Affidavits (or as may be) npower cogen

The Administrators
Bridgewater Paper Company Limited
North Road
Ellesmere Port
South Wirral
Merseyside CH65 1AF

2nd Febuary 2010

Dear Sirs

Energy Supply Contract ("ESC") dated 3 August 1998 originally between National Power Plc and Bridgewater Paper Company Limited ("BPCL") and subsequently assigned to Npower Cogen Limited ("Cogen")

We refer to the ESC and to your appointment to BPCL.

Cogen supplies electricity and steam to BPCL pursuant to the ESC. Clause 17.3(b) gives Cogen the right to terminate the ESC upon the appointment of an administrator to BPCL, or upon BPCL no longer being able to pay its debts. Clause 17.3(a) also gives Cogen the right to terminate if BPCL fails to pay sums due and the default is not remedied within 20 business days.

Cogen's right to terminate the ESC pursuant to clause 17.3(b) falls away if the administrator provides Cogen with a guarantee of BPCL's future performance of the ESC "in such form and amount as [Cogen] may reasonably require."

Cogen's right to terminate pursuant to clause 17.3(a) is not affected by the provision of such a guarantee. This means that Cogen will be entitled to terminate the ESC if the administrator does not also pay charges incurred prior to the administrator's appointment.

Please let us know by return whether you will want BPCL to continue receiving supplies of electricity and steam following your appointment as administrators.

If you will want ongoing supplies, we will require a guarantee signed on the day of your appointment as administrators in the following terms:

"1. On [*date*], we [*names of administrators*] were appointed administrators of Bridgewater Paper Company Limited ("BPCL"). In consideration of your agreement to continue making supplies under the Energy Supply Contract ("ESC") dated 3 August 1998, we agree to procure that BPCL will:

(a) within 5 days of our appointment pay all arrears of sums due under the ESC; and

(b) perform all of its obligations under the ESC including, without limitation, the payment of:

(i) Standing Charges,

(ii) Electricity Charges, and

(iii) Steam Charges,

(in each case as defined in the ESC) whether they arise in relation to periods before the date of our appointment or after.

2. We will treat all such payment obligations as expenses of the administration pursuant to paragraph 99(4) of Schedule B1 to the Insolvency Act 1986. These payment obligations shall be met in full in accordance with the ESC and we will not assert any right of set-off, lien or counter claim in respect of them.

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Wiltshire SN5 6PB

Registered in England and Wales no. 2624987

RWE Group

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3. Should we fail to procure the payment of any sum due to Cogen on its due date (or, in the case of arrears, within 5 days of our appointment), we agree that Cogen will have an immediate right to stop making supplies of steam and electricity under the ESC and/or to terminate the ESC by giving notice pursuant to clause 17.3(b).

4. The only exceptions to the provisions set out above are any Transfer Charge, Default Transfer Charge, or No Fault Transfer Charge for which BPCL is or becomes liable (in each case as defined in the ESC) ("Transfer Charges"). Transfer Charges shall not be paid as expenses of the administration but shall continue to subsist as unsecured obligations and shall be treated accordingly.

5. By giving one month's written notice to Cogen, we can terminate this guarantee in relation to future supplies. Such a termination will not affect the liability under this guarantee in respect of supplies made before termination, regardless of when the associated charges fall due for payment. Upon such termination, Cogen shall be entitled to stop making supplies of steam and electricity under the ESC and/or to terminate the ESC by giving notice pursuant to clause 17.3(b)."

Unless we receive a guarantee in these terms by 5 pm on the date of your appointment, we will assume that you are not prepared to provide a guarantee in a form reasonably required by us and we will be entitled to stop making supplies of steam and electricity under the ESC and/or to terminate the ESC.

Yours faithfully,

Npower Cogen Limited

P.C PIDDINGTON

HEAD OF COGEN ASSET MANAGEMENT

Ernst & Young LLP
1 More London Place
London SE1 2AF

Tel: 020 7951 2000
Fax: 020 7951 1345
www.ey.com/uk

RECEIVED 04 FEB 2010

Npower Cogen Limited
Cogen Court
Cranmore Boulevard
Shirley
Solihull B90 4LN

2 February 2010

Ref: ML7E/KH/RB/WG

Direct line: 020 7951 4023
Direct fax: 020 7951 3468
Email: khaywood1@uk.ey.com

For the attention of P C Piddington Esq

Dear Sirs

Bridgewater Paper Company Limited (in Administration) ("BPCL")

Energy Supply Contract ("ESC") dated 3 August 1998 originally between National Power Plc and Bridgewater Paper Company Limited and subsequently assigned to NPower Cogen Limited ("Cogen")

We refer to your letter of 2 February 2010 and to our meeting earlier today. We are writing to confirm the Joint Administrators' position on the matters raised in your letter and during the meeting.

As discussed during the meeting:

(a) Neither BPCL nor its Joint Administrators are in a position to pay any amounts due to Cogen for the period up to the commencement of BPCL's administration;

(b) We have requested that you agree to carry on supplying steam and electricity to BPCL during its administration on the following terms:

(1) that, notwithstanding any term of the ESC, there be no charge for such supplies;

(2) accordingly, and for the avoidance of doubt, no amount shall be payable to Cogen as an expense of BPCL's administration in accordance with paragraph 99(4) of Schedule B1 to the Insolvency Act 1986 or otherwise.

For the avoidance of doubt, any steam or electricity supplied by Cogen to BPCL on and from the date of the commencement of BPCL's administration shall be treated by BPCL and its Joint Administrators as being made free of charge and shall treat Cogen (by virtue of its continuing to make such supplies) as having accepted the terms referred to in paragraphs (1) and (2) above;

(c) BPCL's Joint Administrators are continuing to evaluate whether BPCL's business can be restructured as a going concern and, if Cogen agrees to continue supplies on the terms outlined in paragraph (b) above, expect to continue an open dialogue with Cogen as to the possibility of Cogen's potential participation in any restructured business going forward;

INVESTOR IN PEOPLE

(d) We would be grateful if you could confirm the terms on which Cogen or any of its affiliates (as the case may be) would supply electricity to BPCL for ongoing electricity supply should a decision need to be taken at any time to close BPCL's manufacturing operations;

(e) If at any time Cogen decide to stop supplies of electricity and/or steam to BPCL please provide us and BPCL with at least 72 hours notice before stopping such supplies, to enable us to manage health and safety, environmental and other risks associated with a shut down; and

(f) If it becomes apparent to BPCL's Joint Administrators at any time that it is not possible or cost effective to restructure the business of BPCL, the Joint Administrators will need to take such steps as are available to them to minimise expenditure and realise BPCL's assets for the benefit of creditors.

This letter is without prejudice to the ability of the Joint Administrators of BPCL to exercise any of their statutory or other powers at any time.

As discussed, the channel of communications is very much open and we would welcome any propositions that you may have. Please do not hesitate to contact us if you have any queries. In the first instance please contact Kevin Haywood on 07785 355901.

All of BPCL's and the Joint Administrators' legal rights are reserved.

Yours faithfully

pp Roy Bailey
for and on behalf of the Joint Administrators of Bridgewater Paper Company Limited, as agent and without personal liability

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cogen

Ernst & Young LLP
1 More London Place
London SE1 2AF

For the attention of Mr Kevin Haywood

Your ref
Our ref PCP/jc
Name Phil Piddington
Phone 0121 506 8041
Fax 0121 506 8050
E-Mail phillip.piddington@rwenpower.com

4 February 2010

Dear Sirs,

Bridgewater Paper Company limited (in Administration) ("BPCL")

Energy Supply Contract ("ESC") dated 3 August 1998 originally between National Power Plc and Bridgewater Paper Company Limited and subsequently assigned to Npower Cogen Limited ("Cogen")

We refer to your letter dated 2nd February and our discussions earlier today.

1 With reference to paragraph (a) of your letter we reserve our right to seek full settlement of any amounts due to Cogen from BPCL up to the commencement of the administration.

2 With reference to paragraph (b) of your letter we consider it unreasonable for the administrators to assume that Cogen will now provide steam and electricity supplies to the BPCL mill at no charge. Unless and until the ESC is terminated, BPCL's obligation is to pay for the steam and electricity that it takes at the prices determined by the ESC. Continued supply by Cogen does not, therefore, signify acceptance by Cogen of any other terms save as expressly set out below.

3 We recognise that you require several days from commencement of the administration process to evaluate the potential for a restructure of the BPCL business as a going concern. To assist you with this we can offer to continue supplies for a period of 5 days commencing 6pm today at a rate of £39/MWh for electricity and £12/tonne of steam, payable as an expense of the administration pursuant to paragraph 99(4) of the Schedule B1 to the Insolvency Act 1986. The normal standing charge payable under the ESC will be waived for this period as will other associated 'fixed' charges (e.g. REC charges, business rates). Based on the estimated consumption supplied by Barry Benson this will result in a total charge of circa £38,500 per 24hr period. All charges are subject to VAT at the prevailing rate.

4 You should note that this is an interim price only, and should not be taken as an indication of charges available for a potential restructure.

5 With reference to paragraph (d) of your letter, we will revert in due course with a proposal for the ongoing supply of electricity only should the BPCL operations permanently cease.

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6 Unless we receive your confirmation in writing by 10 am tomorrow that you will accept the short term discounted rates and terms set out at paragraph 3 above, Cogen will take steps to terminate the ESC.

7 We note your request for 72 hours notice of our intention to cease supply. As a gesture of goodwill, if we do not receive the confirmation referred to above by 10 am tomorrow Cogen will nevertheless continue to supply electricity and steam for 72 hours from the sending of this letter. We would be making such supplies effectively for the benefit of BPCL, the administrators and the secured creditors. We will take your acceptance of the supplies as your agreement to pay for them as an expense of the administration on the terms set out at paragraph 3 above. Should you prefer supplies to terminate earlier, please do let us know.

8 For the avoidance of doubt the 72 hours will expire at 6 pm GMT on Sunday 7th February.

9 Cogen reserves all of its rights under the ESC. The offers set out in this letter, and any continued supplies by Cogen, are without prejudice to Cogen's rights under the ESC including but not limited to its right to terminate the ESC and claim payment of sums due to it under the ESC.

Yours faithfully,

P C Piddington

Npower Cogen Limited

ERNST & YOUNG

Ernst & Young LLP
1 More London Place
London SE1 2AF
Tel: 020 7951 2000
Fax: 020 7951 1345
www.ey.com/uk

5 February 2010
CR/KH/29

Npower Cogen Limited
Cogen Court
Cranmore Boulevard
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Solihull
B90 4LN

khaywood@uk.ey.com

Direct Line: +44 (0) 20 795 14023

Dear Sirs

Re: Bridgewater Paper Company Limited (in Administration) ("BPCL")

Energy Supply Contract ("ESC") dated 3 August 1998 originally between National Power Plc and Bridgewater Paper Company Limited and subsequently assigned to NPower Cogen Limited ("Cogen")

We refer to your letter of 4 February 2010 and to our telephone conference yesterday afternoon

As noted in our letter yesterday evening, we are grateful for the speed with which you have considered and outlined your position:

Using the numbering in your letter of 4 February 2010:

1 We note your reservation of unsecured claims for amounts due under the ESC as at the date of commencement of BPCL's administration and for which we assume you will submit claims in due course.

2 Noted We refer to our previous correspondence in which we have made it clear that any amounts due in respect of any supplies since the date of BPCL's administration are not an administration expense.

3. Noted Having reviewed the projected short term cashflows for BPCL, continuing production based on the charging rates outlined in your letter would result in such production operating at a loss and accordingly your offer to continue supply for 5 days on the terms set out in paragraph 3 of your letter is declined. Please note our response to paragraph 7 of your letter below in relation to the provision of supplies for the next 72 hours.

4. Noted.

5. Noted. We look forward to receiving your proposals for the ongoing supply of electricity to BPCL at npower's retail market prices for the purposes of heating, lighting, office power and mill power (for the purpose of mill operations other than production).

ERNST & YOUNG

6. Noted

7. Noted We confirm our acceptance of your offer to continue supplies of electricity and steam from 10 am today on the basis that BPCL will pay for such supplies for the period from 10am today, Friday 5 February 2010 at the prices outlined in paragraph 3 of your letter of 4 February 2010 and that such payment shall constitute an expense of BPCL's administration. As noted in previous correspondence, this position is without prejudice to the fact that any amounts due in respect of supplies for the period from the commencement of the administration of BPCL until 10am on Friday 5 February 2010 shall not constitute an expense of BPCL's administration.

8. Given that supplies would cease at 6pm on a Sunday, we request that supplies be maintained until at least the following working day when BPCL (and we assume Cogen) will be better placed to ensure that all health and safety and other risks can be better managed. Kevin Haywood will contact Phil Piddington to agree what the extended time of termination should be.

9. Noted.

All of BPCL's and the Joint Administrators' legal rights are reserved.

Please contact Kevin Haywood on 07785 355901 to discuss arrangements for contacting staff of BPCL and Cogen in relation to the proposed termination of supplies.

Yours faithfully

pp Roy Bailey
for and on behalf of the Joint Administrators of Bridgewater Paper Company Limited, as agent and without personal liability

The Institute of Chartered Accountants in England and Wales authorises A R Bloom and T A Jack to act as Insolvency Practitioners in the UK under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants authorises R Bailey to act as an Insolvency Practitioner in the UK under section 390(2)(a) of the Insolvency Act 1986

The affairs, business and property of Bridgewater Paper Company Limited (the "Company") are being managed by the Joint Administrators, R Bailey, T A Jack and AR Bloom who act as agents of the Company only and without personal liability.

npower
cogen

Bridgewater Paper Company Limited (in administration)
North Road
Ellesmere Port
South Wirral
Cheshire
CH65 1AF

Your ref
Our ref PCP/jc
Name Phillip Piddington
Phone 0121 506 8041
Fax 0121 506 8050
E-Mail phillip.piddington@rwenpower.com

Fax: 0151 357 6266

FAO: Mr B Benson

Ernst & Young LLP
1 More London Place
London SE1 2AF

Fax: 020 7951 3468

FAO: Kevin Haywood (for the Administrators of BPCL)

8 February 2010

Dear Sirs

Energy Supply Contract dated 3 August 1998 ("the ESC")

Following your appointment on 2 February, we wrote to you explaining the terms on which we would be prepared to continue supplying electricity and steam to BPCL. Those terms were, as might be expected, that you would pay both for continued supplies and for arrears. Absent your agreement to those terms, we are expressly entitled under the terms of the ESC to terminate supplies.

At our meeting on the same day, you explained that you did not have sufficient funds to pay either for arrears or for ongoing supplies. We raised the prospect of continuing with supplies but at the much lower rates provisionally agreed in the September 2009 draft Heads of Terms. You responded that those prices were not low enough and you said that you would need a substantial further reduction. As we explained, even half of the further reduction requested by you would have resulted in Cogen failing to cover its costs.

With regard to the prospects for the business, you said:

(a) that you did not see any realistic prospect of being able to sell BPCL's business to a third party buyer;

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(b) that BPCL's Canadian parent company, Abitibi-Consolidated Inc, was willing to provide £2 million of administration funding but only for the purpose of winding down the business; and

(c) that, as a consequence, the only hope for continuing the business was for an "exit solution" that would involve Cogen funding the business in exchange for some kind of partial ownership of it.

In view of this, you asked that Cogen continue supplying electricity and steam for an indeterminate period, free of charge. Any payment would be in the form of the "exit solution", if any. Unfortunately, as we have said, Cogen does not wish to fund or take ownership of the BPCL business.

You followed the meeting with a letter in which you said you would treat any supplies of electricity and steam following your appointment as having been made free of charge. This was plainly not something that we had agreed or that you had the ability to enforce on us. Supplies on this basis would effectively be for the benefit of BPCL's secured creditors. In the circumstances, it was entirely unreasonable for the Administrators to assert that the supplies were made free of charge.

We responded on 4 February with a letter offering to make supplies for an interim 5 day period at very much reduced rates in order to give you time to evaluate the potential for a restructure of the BPCL business as a going concern. Even if you did not accept that offer, we would supply at those rates for 72 hours in order to give you time to wind down the plant in an orderly fashion.

You responded on 5 February to say that, even at those interim rates, BPCL would be operating at a loss. You declined the offer of supplies for a further 5 days. Instead, you offered to pay from 10 am on Friday 5 February at the interim rates for a short period while production was wound down. You asked that supplies on this basis continue until Monday.

We are happy to supply on that basis until today, Monday 8 February. We have been and remain keen to keep communications open to ensure that we can cooperate for our mutual benefit.

Nevertheless, in light of your refusal to pay for supplies at commercial rates and the negligible prospect of a third party buyer purchasing the business, we feel we have no option but to terminate the ESC. With great regret, we enclose a Notice of Termination. As stated in the Notice, supplies will continue for the agreed period in order to permit an orderly wind down of the plant.

Yours faithfully

Npower Cogen Limited
P.C. Piddington
Head of Asset Management

npower
cogen

Bridgewater Paper Company Limited (in administration)
North Road
Ellesmere Port
South Wirral
Cheshire
CH65 1AF

Fax: 0151 357 6266

FAO: Mr B Benson

Ernst & Young LLP
1 More London Place
London SE1 2AF

Fax: 020 7951 3468

FAO: Kevin Haywood (for the Administrators of BPCL)

Your ref
Our ref PCP/jc
Name Phillip Piddington
Phone 0121 506 8041
Fax 0121 506 8050
E-Mail phillip.piddington@rwenpower.com

8th February 2010

Dear Sirs

Energy Supply Contract dated 3 August 1998 ("the ESC")

Termination notice

We refer to our recent correspondence with Mr Haywood of Ernst & Young and to the Administrators' refusal to pay for supplies of steam and electricity pursuant to the ESC.

This letter is notice pursuant to clause 17.3 of the ESC that the ESC is terminated with immediate effect. The grounds for termination are as follows.

1. BPCL has not paid Cogen's December invoice in full. On 4 January 2010, Cogen sent notice of that failure to pay pursuant to clause 17.3(a) of the ESC. BPCL has not paid the outstanding sums within 20 Business Days. Accordingly, Cogen is entitled to terminate pursuant to clause 17.3(a) of the ESC.

2. On 2 February 2010, BPCL entered administration. On the same day, the Administrators sent Cogen a letter stating that BPCL would not pay for future supplies of electricity and steam. Accordingly, Cogen is entitled to terminate pursuant to clause 17.3(b)(iv) of the ESC.

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Registered in England and Wales no. 2624987

npower cogen

3. BPCL is insolvent and is unable to pay its debts as they fall due. This was recorded as unanimously agreed by the directors of BPCL at paragraph 6.6 of the board minutes dated 21 January 2010. The Administrators confirmed that BPCL cannot pay its debts in their letter dated 2 February 2010. Accordingly, Cogen is entitled to terminate pursuant to clause 17.3(b)(vi) of the ESC.

As a result of the termination, the Transfer Charge is now due and payable pursuant to clauses 17.4 and 9.11 of the ESC. We will notify you in due course of the sum due for the Transfer Charge and of the other sums due under the terms of the ESC.Without prejudice to this termination notice, Cogen will continue to supply electricity and steam to BPCL until 2pm today 8th February on the terms described in our letter dated 4 February 2010. The supplies will be on the same terms as the ESC save as set out in that letter:

> "at a rate of £39/MWh for electricity and £12/tonne of steam, payable as an expense of the administration pursuant to paragraph 99(4) of the Schedule B1 to the Insolvency Act 1986. The normal standing charge payable under the ESC will be waived for this period as will other associated 'fixed' charges (e.g. REC charges, business rates). Based on the estimated consumption supplied by Barry Benson this will result in a total charge of circa £38,500 per 24hr period. All charges are subject to VAT at the prevailing rate."

Yours faithfully

Npower Cogen Limited
P.C. Piddington
Head of Asset Management

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

No. 500-11-036133-094

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBI BOWATER INC. ***et al***
Debtors
and
ERNST & YOUNG INC.
Monitor
and
NPOWER COGEN LIMITED
Petitioner

BS0350 n/dos.: 041053-1170

SUPPLEMENTAL AFFDIAVIT OF PHILLIP PIDDINGTON SWORN OCTOBER 6, 2010

Chris Besant Tel.: 416.865.2318
Fax: 416.863.6275

BAKER & McKENZIE LLP
Barristers and Solicitors
BCE Place, P.O. Box 874
181 Bay Street, Suite 2100
Toronto, ON M5J 2T3

Attorneys for Npower Cogen Limited