

**Protocol to the Agreement Between the Government of the
Republic of India and The Royal Government of Bhutan
regarding the Kurichu Hydro-Electric Project**

The Government of the Republic of India and the Royal Government of Bhutan, (hereinafter called the 'Parties');

Bearing in mind the friendly relations subsisting between the two countries and their peoples and working to strengthen the same;

Noting the provisions of the 2004 Protocol to the 1994 Inter-Governmental Agreement between Bhutan and India regarding Kurichu Hydroelectric Project with regard to establishing the rate at which Kurichu power will be sold to India and the 2006 Protocol to the Agreement between the Government of the Republic of India and the Royal Government of Bhutan regarding the Tala Hydroelectric Project;

Have agreed, in pursuance of the said agreement as follows:

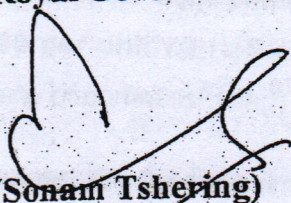
- (1) To merge the tariffs for Kurichu with the prevalent tariffs for Tala hydroelectric project. The effective tariff for Kurichu would be revised to Rs./Nu 1.80/unit with effect from 01 January 2008.
- (2) To ensure predictability of hydropower tariffs, the revision would be in accordance with the principles of 2006 Protocol to the 1996 Intergovernmental Agreement between Bhutan and India regarding Tala Hydroelectric Project. Thereafter, every time the Tala tariff is revised, the Kurichu tariff will also stand automatically revised.
- (3) Through this Protocol, the two governments hereby authorize the designated nodal agencies to enter into a Power Purchase Agreement (PPA) taking into account the contents of this Protocol.
- (4) The sale of surplus power from Kurichu project to India within the scope of the 1994 agreement, this Protocol and subsequent PPA between the designated nodal authorities shall be valid for a period of thirty five years. The two governments may agree to extend the agreement by mutual consent for which a new PPA will be negotiated.

(5) All other provisions of the 18 February, 1994 Inter-Governmental Agreement between the Government of the Republic of India and the Royal Government of Bhutan regarding the Kurichu Hydroelectric Project would remain unchanged.

IN WITNESS WHEREOF, the Parties have caused to be subscribed thereto signatures of their duly authorized representatives.

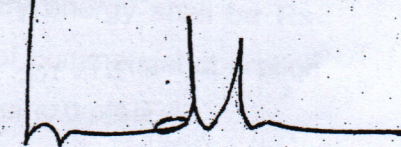
Done at Thimphu on the Fourth Day of April, Two Thousand and Eight in two originals, each in the English language.

On Behalf of the
Royal Government of Bhutan



(Sonam Tshering)
Secretary
Ministry of Economic Affairs

On Behalf of the
Government of Republic of India



(Sudhir Vyas)
Ambassador of India
Embassy of India, Thimphu

SCHEDULE

1.0 PURPOSE:

- 1.1 The purpose of this schedule is to lay down the terms and conditions of this Agreement for the supply of energy by THPA to PTC from Tala Hydroelectric Project in Bhutan.

2.0 TERM:

- 2.1 This schedule except para 3.1 herein on energy tariff is effective from the date of commencement of this agreement for such period as mentioned in the Article - VIII of this agreement.

3.0 ENERGY TARIFF:

- 3.1 The tariff for both primary and secondary energy shall be Rs. 1.80 per unit with effect from the date of commercial operation (Date of commissioning) of Tala Hydroelectric project.
- 3.2 Review of the aforementioned tariffs shall be undertaken between the Govt of India and Royal Govt of Bhutan and the review will be carried out as per frequency and on the basis as outlined below:
- a) With respect to the provision in the Tala agreement of 1996 pertaining to review every three years, it is hereby agreed that in the event the expenditure for Operation & Maintenance (O&M) exceeds 1.5% of the total cost to completion of the project escalated at 4% per annum, the same shall be reviewed and the excess expenditure compensated through suitable adjustment in tariff.

- b) In case of any unforeseen event requiring excessive expenditure not covered by insurance, such unforeseen event would also be considered and provided for, through suitable adjustment.
- c) The tariff arrived at 3.1 above will be increased by 10% every five (5) years (Operation years) till the loan is fully repaid and thereafter @ 5% every five (5) years. However since the loan liquidation will not necessarily fall in multiples of five (5) year period, it will be accordingly prorated to take into account the different increase rates.

A copy of the Protocol to the agreement signed between the Govt of India and Royal Govt of Bhutan regarding Tala Hydroelectric Project on 28th July 2006 is enclosed at Annexure-II.

4.0 TAXES, DUTIES, ETC.

No duty, tax, cess, levy or any other imposition of fee or surcharge, except as per Article - VII of this agreement, shall be charged by THPA on the energy sold to PTC. Similarly PTC shall not deduct any duty surcharge, tax, cess or any levy on the amount billed by THPA to PTC for the energy sold to PTC.

