

GUARANTEED POWER PURCHASE AGREEMENT

Between

(JSC) _____ (LLC)

And

Commercial Operator of Electric Power System, LLC

_____, 200_

Tbilisi

This **Guaranteed Power Purchase Agreement** (hereinafter the “Agreement”) is made by and between _____ (organizational - legal form) (hereinafter the “Seller”) and Commercial Operator of Electric Power System, LLC (hereinafter the “Purchaser”). In this Agreement the Seller and the Purchaser shall be referred to separately as a “Party” and jointly as the “Parties”.

Whereas, on _____, 200_ the Government of Georgia, _____ and Commercial Operator of Electric Power System, LLC entered into a Memorandum, according to which _____ shall carry out construction and operation of ___ MW hydro power plant in Georgia, as well as attraction of required investments;

Whereas, in accordance with the Georgian legislation the Purchaser has an obligation to execute a respective agreement with the newly-constructed power plant (generation licensee, low-capacity power plant), which generates the power (capacity) subject to complete or partial mandatory purchase under the normative administrative legal act adopted by the Ministry; and

Whereas, the Purchaser is willing to construct, possess and operate the hydro power plant in Georgia;

Now, therefore, the Parties have agreed as follows:

1. Definitions.

The terms listed in this Section shall be defined as provided hereunder. The terms used in this Agreement but not defined in this Section shall be interpreted in accordance with the definitions given in the Law of Georgia on Electricity and Natural Gas, the legal acts adopted by the Ministry of Energy of Georgia and Georgian National Energy and Water Regulatory Commission, as well as in accordance with the Common Practice of Community Facilities.

- (a) Commercial Operation Commencement Date - the day when the hydro power plant is ready for regular, everyday operations, is duly integrated in the power system, the Preconditions under Section 4 are complied with and the Seller is able to generate and deliver to the Purchaser the power pursuant to the terms of this Agreement.
- (b) Preconditions – as defined in Section 4 below.
- (c) Common Practice of Community Facilities - worldwide accepted practices, methods, and actions which support reliability of power generation and supply as a result of reasonable analysis of facts available at the time of decision-making. The Common Practice of Community Facilities with respect to the facility shall include without exceptions taking reasonable measures in order to provide the facility with the following essentials:
 - 1. Necessary equipment, materials, resources and reserves;
 - 2. Appropriately trained and qualified technical personnel capable of operating and managing power plants effectively and professionally and

- reacting adequately in emergency situations in the facility, as well as outside the facility if needed;
3. Planned and extraordinary maintenance and repair works of the plant to ensure its long-term and reliable operation, to be carried out by adequately trained and qualified personnel, with the use of relevant equipment and tools;
 4. Proper monitoring and inspection of the plant to ensure its operation in accordance with the established parameters;
 5. Safe operation regime of the equipment, in terms of safety of both - technical personnel and the community, in accordance with the Environmental legislation and regulations;
 6. Adequate operation of equipment, both - in ordinary circumstances, as well as emergency situations; and
 7. Actions ensuring achievement of desired outcome with minimum expenditures.

The Common Practices of Community Facilities shall not be limited to only one practice, method or action, excluding all others. The Common Practices of Community Facilities are targeted at using accepted practices, methods and actions in the power sector.

- (d) Measurement Means - power meters (current and controlling), current and voltage transformers for accurate measurement of the power generated by the facility.
- (e) Delivery Point - the point where the Purchaser receives the capacity of power transmitted by the Seller in the transmission or distribution network.
- (f) Mandatory Power Purchase Period - the period of three months in the winter of each year, in particular October, November and December (or January, February, March) of each year.
- (g) Network Owner Licensee - the licensee which owns the network to which the facility is connected to in the Delivery Point.
- (h) Ministry - the Ministry of Energy of Georgia or its legal successor.
- (i) GNEWRC - Georgian National Energy and Water Regulatory Commission.
- (j) Market Rules – Power (Capacity) Market Rules, approved by August 30, 2006 Order No.77 of the Minister of Energy.
- (k) Dispatching Licensee - Georgian State Electric System, LLC or its legal successor or any other person authorized under Applicable Legislation to dispatch power.
- (l) Applicable Legislation - normative acts of Georgia, all international agreements and conventions applicable to Georgia, as well as any administrative-legal and individual administrative-legal act which must be mandatory complied with in Georgia due to its legal nature.
- (m) Electric Power Plant – as defined in the Memorandum.

2. Term of Validity

(a) Effective Date; Power Purchase Commencement Date; Term of Validity.

The Agreement shall enter into force from the moment of its execution by both Parties (Effective Date), while in relation to the power purchase it shall enter into force in case of satisfaction of the provisions of Section 4 of this Agreement and from the date of registration with the Dispatching Licensee (commencement date of purchase). The Agreement shall remain effective until full recovery by the Seller of any investments made by it for commencement of power plant operations but in any event no more than 10 (ten) years from the Commercial Operation Commencement Date of the plant.

(b) Survival of Terms and Conditions

The obligations to be performed by the Parties, including final payment obligations, shall survive the expiry of the term of this Agreement and remain in full legal force.

4. Agreement, Annexes

This Agreement may be amended from time to time by execution of amendments, modifications, addenda and changes. The annexes referred to in this Agreement shall constitute integral parts of this Agreement.

5. Preconditions (Confirmation of Readiness for Commercial Operation Commencement)

(a) Satisfaction of Preconditions shall be understood as existence of the following circumstances:

- (1) The readiness of the Facility is in conformity with technical terms and the Facility is integrated into the network of the Network Owner Licensee in accordance with the statutory provisions;
- (2) The power (capacity) generated by the Seller is subject to mandatory purchase completely or partially in accordance with the relevant normative administrative-legal act adopted by the Ministry;
- (3) The forecasted power generation by the Facility is reflected in the "Forecast Power (Capacity) Balance" approved by the Ministry of Energy;
- (4) The Seller has presented all documents required under the law to be granted a status of Qualified Enterprise;
- (5) The Seller has been granted a status of Qualified Enterprise.
- (6) This agreement has been registered with the Power Dispatching Licensee.

(b) The Seller shall deliver to the Purchaser written documents evidencing existence of each of the circumstances necessary for satisfaction of the above Preconditions. The Purchaser shall use its best efforts to confirm in writing the fact of satisfaction

of Preconditions within fifteen (15) business days from the date of receipt of the written notification from the Seller. If the Purchaser fails to provide a confirmation on satisfaction of Preconditions or a notification on the failure to satisfy such Preconditions within the established term, starting on the sixteenth (16th) day a confirmation shall be considered delivered.

6. Obligation to Purchase and Sell Generated Power

- (a) Following the Commercial Operations Commencement Date of the power plant and during the entire term of validity of this Agreement, the Seller undertakes to supply the Purchaser with the power capacity at the Delivery Point in accordance with the power supply application submitted pursuant to the terms hereof within the Term of Purchase, and the Purchaser in turn undertakes to purchase the supplied power.
- (b) If the Seller generates and supplies to the Delivery Point more power than requested under the application, submitted and approved in accordance with the paragraphs (c) and (d) of this Section or the capacity exceeding the annual generation capacity of the facility established by the “Forecast Power (Capacity) Balance” approved by the Ministry of Energy, the power surplus shall be sold by the Seller in accordance with the Applicable Legislation – by the standard terms of direct agreement registered with Power Dispatching Licensee, with the contents of the agreement open to all Qualified Enterprises.
- (c) The Purchaser and the Seller agree that within the term of this Agreement they shall coordinate and agree on the power capacity to be sold hereunder with the following frequency, in accordance with the application forms attached to the Agreement as Annexes (No.1 and No.2):
 - (1) Within 15 days from the date of Commercial Operations Commencement Date and thereafter, before 5 August of each subsequent year, the Seller shall inform the Purchaser by means of a respective application about the volume of power to be sold during the Period of Purchase, by months and days. In addition, the power volume reflected in the application shall not exceed the generation capacity under the “Forecast Power (Capacity) Balance” approved by the Ministry of Energy for that year.
 - (2) At least 10 days prior to commencement of each month, the Seller shall inform the Purchaser by means of a respective application about the volume of power to be sold during the next month, by days and hours. If the Seller does not submit such application to the Purchaser, the Purchaser may apply the power capacity indicators for the respective period (month) under the annual application. An amendment made to monthly application should be delivered to the Purchaser at least 3 calendar days before commencement of the affected period.
- (d) The Purchaser should confirm or reject the application (the amendment to the application) submitted by the Seller within 7 calendar days from the date of its receipt. The application may be rejected only in the following cases:

- (1) The Purchaser submits the application in violation of the terms under this Agreement;
 - (2) The Dispatching Licensee refuses to include the stated power capacity in the Power (Capacity) Supply - Consumption Plan.
 - (3) In other cases directly provided by the legislation.
- (e) The Purchaser and the Seller agree that the Seller may sell the power generated in the Guaranteed Purchase Period to other Qualified Enterprises on the basis of a direct agreement registered with the Dispatching Licensee, subject to an advance written consent of the Purchaser.

7. Supply of Power

- (a) The Seller shall supply the power to the Purchaser in the Delivery Point(s) indicated in Annex No.3. Respectively, the liability of the Seller shall be limited to the Delivery Point indicated in the Annex. The generated power constitutes the property of the Seller. The ownership title to the power shall pass to the Purchaser from the moment of its supply to the Delivery Point.
- (b) The Purchaser may use the purchased power to further supply other Qualified Enterprises or to use it for export purposes.

8. Measurement of Power and Terms of Payment

- (a) Act of Power Generation and Supply

The record period shall equal one calendar month. The total volume of power generated and supplied by the Seller to the Delivery Point shall be reflected in the “Act of Delivery and Acceptance of Generated Supplied Power” executed and certified by the Seller, respective Transmission Licensee and Dispatching Licensee in accordance with the terms and conditions of the Power (Capacity) Market Rules. The rules and terms of settlement of any disagreements related to the preparation of the act, its delivery to the Purchaser, as well as any other issues related to the act shall be determined by the Market Rules.

The Seller shall record by any means held and/or managed by Seller the volume of generated, transmitted and consumed (if any) power in accordance with the Market Rules.

- (b) Act of Power Delivery and Acceptance

Based on the delivery and acceptance under the Act of Delivery and Acceptance of Generated Supplied Power indicated in Section (a) above, the Seller shall prepare the “Act of Power Delivery and Acceptance” on the volume of power supplied by the Seller to the Purchaser hereunder, which shall be submitted to the Purchaser for execution within 5 calendar days after completion of the record period. The Purchaser shall execute and confirm the Act within 2 calendar days from the date of its receipt. If the Purchaser fails to execute the Act in the said period, the Act prepared and signed unilaterally by the Seller shall be considered to be mutually executed and shall constitute basis for payment.

(c) Power Tariff; Payment;

- (1) The cost of the power generated by the Seller shall equal no more than _US Cents per 1 KWH. The Seller has the right to sell power for a lower price on the basis of a written notification sent to the Purchaser 5 days prior to the commencement of the record period. Such notification does not require to be confirmed.
- (2) On the basis of the Act of Power Delivery and Acceptance executed with the Purchaser, within 12 calendar days from the date of completion of the record period, the Seller shall present an invoice (a respective payment document) to the Purchaser reflecting the total cost of supplied power.
- (3) After submission of relevant payment documentation by the Seller, the Purchaser shall pay the full price of the purchased power within no later than 28 calendar days from the date of completion of the record period.
- (4) As a general rule, payment shall be made by way of wire transfer, unless the Seller requests in writing payment of the price by any other accepted means of payment.
- (5) In case of partial or complete failure by the Seller to supply power indicated in the statement the Seller shall be subject to a penalty equal to 1% of the unsupplied power.

9. Operation of the Facility and Reliability Standards.

- (a) The Seller shall at all times use its best efforts to operate, maintain and refurbish the power plant in accordance with the best Community Facility practices. The Seller shall always use its best efforts to operate the power plant in accordance with the dispatch instructions.
- (b) The Seller shall maintain the power plant and measuring means in compliance with the technical conditions and requirements set forth in the Applicable Legislation. The Seller shall act in compliance with the Georgian Legislation, including, but not limited to, environmental laws, legal acts of state agencies and local authorities currently in force or entering into force during the term of this Agreement.

10. Event of Default; Termination of Agreement;

(a) Event of Default

The following events shall be considered to be events of default hereunder:

- (1) Failure to timely pay any amounts due hereunder (except when the payment size is disputed in accordance with the terms hereof) within 14 days from the date of receipt of a notification requesting payment of the funds.
- (2) Material breach by any Party of its obligations under this Agreement and disregard of a notification which:

- (a) specifies the fact of material breach;
 - (b) requires the Party to cure the breach within specified time, which shall not be less than 15 calendar days.
- (3) Any other facts of default;
 - (4) Declaration of one of the Parties insolvent or bankrupt by judicial bodies (voluntarily or any other way) in accordance with any applicable law, and as a result appointment of an administrator or similar officer.
 - (5) Initiation of insolvency proceedings against one of the Parties by any legal entity.

(b) Result of Default and Termination of Agreement

- (1) In case of default the non-breaching Party may terminate this Agreement by serving the breaching Party a notification, which shall enter into force on the 30th day from the date of notification.
- (2) This Agreement shall be terminated automatically in case of invalidation of registration of the Seller for participation in wholesale electricity trade.

11. Termination of the Agreement due to Incompliance with the Legislation.

Immediately following the Commercial Operations Commencement Date of the power plant, the Parties undertake to negotiate in order to bring this Agreement in conformity with the Applicable Legislation. If the amendments to be introduced to the Agreement (a) materially change (burden) the rights and obligations of one or both Parties or (b) do not meet the basic interests of one or both of the Parties in performance of this Agreement, which served as the basis for execution of this Agreement and respectively, the Parties fail to agree on the amendments to the Agreement, it shall be terminated upon expiry of thirty (30) days from the date one of the parties serves the other Party a respective notification.

Termination of this Agreement in accordance with this Article releases the Parties from all contractual liabilities.

12. Control over Performance of the Agreement and Notifications

(a) Notification

Any notification, inquiry or any other information which must be sent by a Party to this Agreement shall be submitted to the other Party in accordance with the provisions of this Section. All notifications, inquiries or any other information shall be presented or prepared in writing and shall be delivered in person, sent by fax or pre-paid courier, registered or other reliable postal service to the addresses given below given or any other address indicated in the notification:

Seller: Address
 Recipient:
 Phone number:
 Fax:

Purchaser: Address: Tbilisi,
Recipient: Bidzina Chkhonia
Phone number:(995 32) 311 470,(995 32) 311 471
Fax: (995 32) 311 749

Notifications delivered in person, sent by telegram or fax shall be considered received on the day they are sent or transmitted. Notifications sent by courier mail shall be considered received three business days after they are sent or on the date they are actually received by the other party, whichever is the earliest.

13. Dispute Resolution

All disputes and disagreements shall be settled through negotiations with participation of the representatives of the Parties or of the Parties themselves, aimed at reaching a consensus. In case of failure by the Parties to reach an agreement, the dispute shall be resolved in the Courts of Georgia in accordance with the Georgian legislation.

14. Force Majeure

- (a) For the purposes of this Agreement the term “Force Majeure” and the “Force Majeure Event” shall mean with respect to any Party an event or a circumstance which the given Party can not reasonably control, which can not be avoided, suspended or cured in spite of the efforts of the given Party, and as a result of which the Party is unable to perform its obligations hereunder. Force Majeure Events shall include, but not be limited to:
- War, armed hostilities, blockade or embargo;
 - Uprising, revolution, rebellion, military and authoritative authority or civil unrest, terrorist or other acts committed by state enemies;
 - Lightning, fire, explosion, storm, wind, flood, earthquake and other natural calamities.
- (b) None of the Parties shall be required to perform the obligations hereunder and shall not be considered in breach of its obligations if such obligations can not be performed due to Force Majeure Events, provided that the insufficiency of funds by one of the Parties shall not considered as a Force Majeure Event, shall not relieve the Party from performance of payment obligations hereunder and shall not excuse the failure to perform the payment obligation.
- (c) The Parties shall not be liable for full or partial failure to perform their obligations for the duration of the events described in Section 14. (a). In such case the term of performance of respective obligations shall be extended by the duration of the Force Majeure Events.
- (d) In case of existence of a Force Majeure Event, a Party which is directed affected by such Event shall notify the other Party in writing of its occurrence within 5 business days, describing the respective facts and data, expected outcome and duration. Subsequently, within reasonable time, such Party shall present to the other Party a proper document evidencing the occurrence of the Force Majeure

Event in accordance with the Law of Georgia on the Georgian Chamber of Commerce and Industry.

15. Governing Law and its Observance

(a) Governing Law and Observance of Regulations

This Agreement is governed by the laws of Georgia. Each Party shall at all times act within the frames of the Georgian Legislation and in accordance with its requirements.

(b) Collision of Norms

In case of any inconsistency between the provisions of this Agreement and the Applicable Legislation, the laws of Georgia shall prevail.

16. Assignment

None of the Parties may assign or transfer its rights and obligation hereunder (fully or partially) without the advance written consent of the other Party.

17. Miscellaneous Provisions

(a) Confidentiality

The Parties possess and duly process certain information, know-how, technologies and methods related to the Facility (collectively the "Information"). Such Information is considered as confidential and property of the Parties.

(b) Waiver

Failure by any Party to demand strict observance or performance of any provisions of this Agreement or to exercise any rights hereunder shall not be considered as a waiver by such Party of its rights and respective provisions and shall not affect their effectiveness.

(c) Survival of Obligations

Annulment, expiry or termination of this Agreement shall not release the Parties from the obligations which by their nature, should have remained in force after such annulment, expiry or termination, including, but not limited to the warranties, legal remedies or obligation to compensate damages.

(d) Invalidation of Certain Provisions of the Agreement

If any of the terms, articles or provisions of this Agreement or its Annex or application thereof has been declared as illegal, invalid and void by the Court of relevant jurisdiction, the rest of the terms, articles and provisions of this Agreement and application thereof shall remain in effect, provided that they maintain the essence of the initial terms, articles, provisions and agreement of the Parties and the Agreement could be concluded without such invalid term, article or provision.

(e) Interpretation

Unless provided otherwise by the context of this Agreement, any reference to the Agreement or any part thereof shall be understood as a reference to all of its amendments and addenda. All references in this Agreement to days shall be understood as references to calendar days, unless the text expressly refers to “business days”.

(f) Inseparability of the Agreement; Amendments

The terms and conditions of this Agreement, together with the annexes and other documents referred to in the Agreement shall be considered integral parts of the Agreement. This Agreement may be amended, modified or supplemented only in writing and in case of execution by the authorized representatives of all Parties to the Agreement. The amendment shall enter into force if it complies with all the requirements of the Georgian Legislation and all required consents for such amendment have been obtained.

(g) Collective Liability

If one of the Parties of this Agreement consists of two or more individuals or legal entities or combination thereof, such individuals or legal entities shall bear liability collectively.

(h) Counterparts of the Agreement

This Agreement is made in Georgian Language in 5 (five) original counterparts of equal legal force, out of which 2 originals shall be transferred to each of the Parties and the last original shall be submitted to the Power Dispatching Licensee for registration.

(JSC) “_____” LLC

LLC “Commercial Operator of
Electric Power System

General Director

B. Chkhonia
General Director