

**Agreement for Operation
of the
Automatic Hydroelectric Station (M4)**

By and between

Kennebec Water District

And

Essex Power Services, Inc.

Dated as of December 16 2010

Agreement dated as of December ____, 2010 by and between, the Kennebec Water District ("KWD"), a Maine quasi-municipal corporation with its principal office located at 6 Cool Street, Waterville, Maine 04901 and Essex Power Services, Inc., a Delaware corporation, ("EPSI") with its principal office at 55 Union Street, 4th Floor, Boston, Massachusetts 02108.

WHEREAS_ the Kennebec Water District presently owns, operates and maintains the M4 Hydroelectric Station (M4) (FERC Project 2555 - Automatic) located on Messalonskee Stream in Oakland, Maine;

WHEREAS Messalonskee Stream Hydro LLC ("MSH") owns, operates and maintains the Oakland (M2) and Rice Rips (M3) hydroelectric stations that are located on the Messalonskee Stream immediately upstream of the M4 station and also owns, operates and maintains the Union station (M5) that is located on the Messalonskee Stream immediately downstream of the M4 station;

WHEREAS the maximum generation potential for the MSH and KWD hydroelectric stations is dependent upon synchronized operation of the MSH stations with the KWD station;

WHEREAS it has been shown that synchronized operation is not always achieved between the MSH and KWD stations;

WHEREAS EPSI now provides operating services for the three MSH stations pursuant to a contract between MSH and EPSI and EPSI has the capability to provide certain operating services for the KWD project;

NOW THEREFORE, in consideration of the mutual premises herein contained, the parties agree as follows:

Section 1. Purpose

The purpose of this agreement is to define the terms under which EPSI shall provide certain operating services for the M4 Hydroelectric Station (M4) to synchronize the operation of all the units along the Messalonskee Stream and, therefore, to maximize the generation potential of those units. While MSH will derive benefit from improved generation at its M5 plant, KWD will benefit by eliminating many of the basic time-consuming operational tasks involved with the M4 station.

Section 2. Relationship of the Parties

EPSI will act as an independent contractor to operate the facility. KWD will retain full ownership of the facility, overall control of the M4 operations, responsibility for all facility and facility component maintenance and protection of KWD personnel and retains the right to take all acts reasonably necessary to comply with all applicable FERC regulations and orders.

Section 3. Scope of Services

3.1 EPSI tasks will be limited to the basic operation of the M4 facility. Specific tasks to be undertaken by EPSI staff will be as follows:

3.1.a Startup and shutdown of the M4 Station in accordance with established KWD procedures to include engaging the unit brake upon shutdown.

3.1.b Record basic operational and maintenance data on KWD provided log sheets.

3.1.c Perform minor normal maintenance activities (oil, lube, grease etc.) in accordance with KWD procedures when starting up or shutting down the M4 station. The trash rack raking task normally will be completed by KWD in order to maximize generation at M4, but may be undertaken by EPSI staff (in addition to or in lieu of raking by KWD staff) in order to optimize generation at M5.

3.1.d Adjust the bypass gate as necessary to maintain run of river operation of the M4 station. Prior to any gate adjustment, EPSI will ensure that the operation of the bypass gate will not affect any repair or maintenance project or put other personnel in jeopardy because they were not aware of a system change. EPSI will endeavor to notify KWD of gate adjustments, if feasible, prior to such adjustment, or, if not feasible, as soon as possible thereafter.

3.1.e Report any equipment failures or necessary maintenance tasks promptly to KWD including, but not limited to, trash rack raking, parts replacement or repair, and/or component tests.

3.2 KWD will continue to own and maintain the M4 facility. Specific tasks to be undertaken by KWD staff will be as follows:

3.2.a Complete all necessary regulatory tasks.

3.2.b Complete all administrative tasks.

3.2.c Complete all parts replacement, equipment repairs and component tests for the M4 plant (excluding normal maintenance activities assumed by EPSI personnel pursuant to paragraph 3.1.c above).

3.2.d Rake trash racks in accordance with 3.1.c above.

3.2.e Schedule and complete all capital improvements

3.2.f KWD shall provide and maintain tools and supplies necessary for normal maintenance activities at the M4 station.

3.3 KWD and EPSI agree to work cooperatively to maximize the electrical output of the M4 station. KWD agrees to provide EPSI with written notice of any changes to the operating procedures for the M4 station. KWD will make personnel available as soon as possible following notice from EPSI of required maintenance work and or trash raking.

Section 4 KWD INVOLVEMENT IN OPERATIONS

EPSI shall be primarily responsible for M4 project operations.

4.1.a KWD staff will not adjust any system controls or make any changes in the operational status unless EPSI is notified prior to any such adjustments.

4.1.b In the event of an emergency noted by KWD personnel, KWD personnel shall take immediate action to place the M4 station into a condition that minimizes or eliminates danger to personnel or damage to the M4 Station. Following any emergency action taken by KWD personnel, EPSI should be notified as soon as possible.

4.1.c KWD shall notify EPSI staff in advance In the event that the facility has to be shut down or flows bypassed to permit KWD to undertake repairs or maintenance (i.e. raking of the trash racks).

4.1.d If possible, KWD and EPSI shall develop coordinated maintenance and operating schedules for the MSH and M4 stations.

4.1. The on-call KWD supervisor shall be contacted by EPSI if EPSI requires operational or other assistance from KWD.

Section 5 Facility Access and Security

5.1.a KWD will provide keys to EPSI operations staff for entry into the M4 building and the dam walkway. Facility entry and operation shall be limited to authorized EPSI operations staff. Others wanting access to the facility must request prior authorization from the KWD General Manager or District Engineer.

5.1.b EPSI shall maintain and provide to KWD a list of all authorized EPSI operations staff that have been trained by KWD in M4 operations and safety protocol. All new EPSI personnel will be required to complete a KWD orientation process prior to receiving KWD authorization to enter and operate the facility.

5.2 After performing necessary operating services EPSI personnel shall ensure that the M4 building and walkway are locked and secured whenever departing from the KWD premises.

Section 6 Communication Protocol

In order to assure reliable and safe M4 facility operations a two-way communication protocol will be established and maintained between KWD and EPSI.

6.1 KWD shall provide contact information for all the following personnel:

- A. The KWD on-call supervisor. The KWD paging system shall be used for after- hours communications (after 4 PM M-F, weekends, holidays).
- B. The KWD General Manager
- C. The KWD District Engineer

6.2 EPSI shall maintain and provide current contact information for its M4 operations staff.

Section 7 Personnel /Training

Prior to operation of the M4 station by EPSI, all EPSI personnel who will serve as operators of the KWD plant will complete an orientation training session that will include, but not be limited to, a review of; 1) KWD Standard Operating Procedures for M4 operation; 2) KWD record keeping requirements for operational tasks and 3) pertinent KWD safety policy and practices including personal protective equipment (PPE) requirements.

7.1 EPSI agrees to provide personnel whose qualifications shall meet or exceed the qualifications necessary to operate the M4 station and shall have completed the KWD orientation course.

7.2 EPSI shall provide KWD with a list of qualified EPSI staff that shall be maintained by KWD. That list shall be updated by EPSI for any replacement or additional EPSI operators after completion of the KWD orientation training session and prior to new operator access to and operation of the M4 facility.

7.3 In the event that EPSI staff is not available to operate the facility for any reason and or for any period of time, EPSI shall immediately notify the General Manager or District Engineer (during regular business hours) and the KWD On Call Supervisor (in an after-hours situation). KWD will resume responsibility for M4 operations until EPSI can resume its operating responsibility for the M4 facility. EPSI shall not be responsible for any costs incurred by KWD in the operation of the M4 station.

Section 8 Insurance

8.1 Throughout the term of this agreement EPSI shall maintain the following insurance coverage:

- 8.1.1 Statutory Workers Compensation Insurance in accordance with the State of Maine requirements.

8.1.2 General liability insurance that includes products and completed operation coverage in a minimum amount of \$1,000,000. The KWD shall be named as a certificate holder and the policy shall name KWD as an Additional Insured.

8.1.3 EPSI shall provide KWD with certificates of required insurance.

8.2 Throughout the term of this agreement KWD shall maintain the following insurance coverage:

8.2.1 Statutory Workers Compensation Insurance in accordance with the State of Maine requirements.

8.2.2 General liability insurance in a minimum amount of \$1,000,000. EPSI shall be named as an Additional Insured.

8.2.3 KWD shall provide EPSI with certificates of required insurance.

Section 9 Indemnification

It is the intent of the parties to this Agreement that all liabilities, losses and damages arising from claims of third parties shall be covered by insurance. Nonetheless, the parties hereto agree that any loss, liability or damages (including personal injury to and death of third persons and damage to property) of any kind whatsoever arising out of or connected with Services performed hereunder, or arising out of the condition of the Facility, will be borne as follows:

9.1 EPSI shall indemnify and save KWD harmless from and against all liabilities, claims, damages, judgments, losses and expenses including reasonable attorneys' fees and disbursements which may be sustained by KWD by reason of injury (including death) to persons or damage to tangible property during the performance of Services and resulting from negligence or misconduct of EPSI, its directors, officers, employees, agents or subcontractors. In determining negligence or misconduct of EPSI with respect to this Section 9.1, due consideration shall be given to EPSI's good faith compliance with KWD's Standard Operating Procedures.

9.2 KWD shall indemnify and save EPSI harmless from and against all liabilities, claims, damages, judgments, losses and expenses including reasonable attorneys' fees and disbursements which may be sustained by EPSI by reason of injury (including death) to persons or damage to tangible property during the performance of Services and resulting from negligence or misconduct of KWD, its directors, officers, employees, agents or subcontractors.

9.3 In cases where KWD and EPSI or their employees, agents, contractors or EPSI subcontractors or any combination thereof are both negligent, or in cases of misconduct by both KWD and EPSI, or in cases of any combination of negligence or misconduct by KWD and EPSI, KWD and EPSI will be liable to third parties for any such liability, claim damage, judgment or loss in proportion to their respective negligence or misconduct as determined by the court imposing liability, provided that EPSI's liability under this paragraph, except in circumstances where EPSI has been found liable by reason of its misconduct or fraud.

9.4 KWD shall, within ten business days after it receives notice of any claim, action, damages or liability against which it will expect to be indemnified pursuant to this Article, notify EPSI of such claims, actions, damages or liabilities. Thereafter, EPSI may at its own expense, upon notice to KWD, defend or participate in the defense of such action or claim or any negotiation for settlement of such action or claim, provided that unless EPSI proceeds promptly and in good faith to pay or defend such action nor claim, then KWD shall have the right (but not the

obligation), in good faith, upon ten days' notice to EPSI, to pay, settle, compromise or proceed to defend any such action or claim without the further participation by EPSI. EPSI will immediately pay (or reimburse KWD, as the case may be), to the extent provided in this Article, any payments, settlements, compromises, judgments, costs or expenses (including , without limitation, reasonable attorneys' fees and disbursements) made or incurred by KWD in or resulting from the pursuit by KWD of such right. If any judgment is rendered against KWD in any such action defended by EPSI or from which KWD is otherwise entitled to indemnification under this Article, or any lien attaches to the assets of KWD in connection therewith, EPSI immediately upon such entry of attachment shall pay the judgment in full or discharge any such lien unless, at its expense and direction, appeal shall be taken under which the execution of the judgment or satisfaction of the lien is stayed. If and when a final and unappealable judgment is rendered against KWD in any such action, EPSI shall forthwith pay such judgment or discharge such lien prior to the time that KWD would be legally held to do so.

9.5 EPSI shall, within ten business days after it receives notice of any claim, action, damages or liability against which it will expect to be indemnified pursuant to this Article, notify KWD of such claims, actions, damages or liabilities. Thereafter KWD and EPSI shall proceed as in the preceding paragraph except that "KWD" shall be replaced by "EPSI" and "EPSI" by "KWD" in every place where they therein appear.

9.6 Nothing in this Section is intended to waive or diminish KWD's rights to assert defenses, otherwise available to it, under the Maine Tort Claim Act.

Section 10 Several Obligations

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be interpreted to create an association, trust, partnership, or joint venture between KWD and EPSI or impose a trust or limited partnership duty, obligation or liability on or with regard to either party. Each party shall be individually and severally responsible for its performance under this Agreement. Except as explicitly provided herein, neither party hereto shall have the right to bind the other without its express written consent.

Section 11 Payment

EPSI will perform the basic duties described in this agreement at no charge to KWD. EPSI shall be compensated for performing its duties under this agreement by the increased production at the M5 station on Messalonskee Stream owned by EPSI's affiliate, Messalonskee Stream Hydro, that result from synchronized operation of the MSH units and the KWD unit.

Section 12 Contract Term

This agreement shall be for a period of one year unless cancelled in accordance with the provisions of Section 13 below. Unless cancelled by either party, the agreement shall be renewed annually for an additional one year. For 30 days prior to each annual renewal, both parties may introduce new terms or address issues not originally addressed during the initial term of this agreement.

Section 13 Cancellation

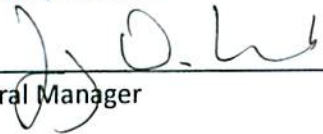
Either party may cancel this operations agreement at any time for any reason upon five days prior written notice. Sections 8 and 9 shall survive termination of this Agreement regarding any acts or omissions occurring prior to termination.

Kennebec Water District

Essex Power Services Inc.

By: Jeffrey LaCasse

By: Richard A. Norman



General Manager



Vice President

MESALONSKEE STREAM HYDRO, LLC

AMENDMENT NO. 1 TO OPERATING AGREEMENT OF LIMITED LIABILITY COMPANY

THIS AMENDMENT NO. 1 TO OPERATING AGREEMENT OF LIMITED LIABILITY COMPANY ("Amendment No. 1") amends the Operating Agreement of Limited Liability Company of Messalonskee Stream Hydro, LLC (the "LLC"), dated as of October 23, 2002, as amended (the "Operating Agreement").

WHEREAS, the LLC is a Maryland limited liability company in which Concord Hydro Associates ("CHA") is the sole member; and

WHEREAS, the parties hereto desire to amend the Operating Agreement to effect the admission of HCE-Dodge Falls as a member;

NOW, THEREFORE, the undersigned hereby agree to amend the Operating Agreement as follows:

1. Attachment A to the Operating Agreement is hereby stricken in its entirety and in complete substitution thereof is hereby inserted the attached Attachment A.

2. Section 5.1 of the Operating Agreement is hereby amended by deleting the words "solely by the Owner. The Owner is expressly authorized to bind the Company" and replacing them with the word "the Operating Member".

3. Section I of the Operating Agreement is hereby amended by adding the definition the following definition: "Operating Member" means the member or members elected by all Members to manage the Company".

4. Section I of the Operating Agreement is hereby amended by deleting Section (viii) of the definition of Owner.

5. Section 2.4 of the Operating Agreement is hereby amended to reflect the principal office of the Company as Suite 200, 170 Jennifer Road, Annapolis, MD 21401.

6. Section 2.5 of the Operating Agreement is hereby amended to reflect the name and address of the Company's resident agent in the State of Maryland as John Simcox, Suite 200, 170 Jennifer Road, Annapolis, MD 21401.

7. Section 3.1 of the Operating Agreement is hereby amended by deleting the letter "B" after the word Exhibit and replacing it with the letter A.

8. Upon the execution of this Amendment No. 1 by all the parties hereto, all references in the Operating Agreement to "this Agreement," the expression "hereunder" and words of similar purport shall mean the Operating Agreement as amended by this Amendment No. 1.

9. The Operating Agreement, as modified by the foregoing provisions, shall remain in all respects in full force and effect.

10. This Amendment No.1 may be executed in counterparts and all so executed shall constitute one agreement binding on all the parties notwithstanding that all the parties are not signatories to the original or the same counterpart.


11. This Amendment No. 1 shall be construed in accordance with and governed by the laws and decisions of the State of Maryland.

IN WITNESS WHEREOF the parties have executed and delivered this Amendment No. 1
this 1st day of October, 2011.

OPERATING MEMBER:

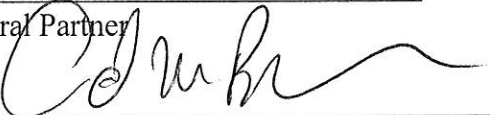
CONCORD HYDRO ASSOCIATES

By: ESSEX HYDRO ASSOCIATES, L.L.C.
A General Partner

By: 
President

OXFORD PENACOOK INVESTMENTS, INC.

A General Partner

By: 
President

OPERATING AGREEMENT

OF

MESSALONSKEE STRAM HYDRO, LLC

ATTACHMENT A

LIST OF MEMBERS, OWNERSHIP INTERESTS, AND CONTRIBUTED CAPITAL

MEMBER	OWNERSHIP INTEREST (%)	CONTRIBUTED CAPITAL
Concord Hydro Associates	99.50	\$9,800,750
HCE-Dodge Falls, Inc.	0.50	\$49,250