

Ottawa River Power Corporation
Exhibit 1
Response to Interrogatories

Administration

1-Staff-1

Ref: Exhibit 1, p. 30 of 73

ORPC noted that it has purchased an online survey to be completed by its customers in the fall of 2015.

Preamble:

The survey was developed in-house through a collaborative effort of, Hearst Power Distribution Company Limited Inc. Hydro Hawkesbury Inc., Hydro 2000 Inc., Cooperative Hydro Embrun and Renfrew Hydro ("the Group"). The Group was also assisted with Tandem Energy Services Inc. in developing the survey. The main purpose of the collaborative effort was to minimize the cost of the survey by the sharing of intellect and resources.

The Group briefly contemplated using 3rd party company to conduct the survey however, the costs, which were estimated at approximately \$20,000 or \$9 per customer, were felt to be unjustifiable by the Group and the utility's Board of Director. Another disadvantage of a 3rd party survey was that the surveys are administered by telephone to 400 random residential customers. The Group felt that all its customer should have equal opportunity to complete the survey, rather than a random sample. Lastly, the duration of the 3rd party survey was estimated at 18 minutes which the utilities felt was too long.

Developing an in-house survey gave the group more control and flexibility surrounding the delivery of the survey. The group approached a select number of customer for their opinion on the method in which they would prefer to be approached by the surveyors (e.g. written survey, online survey or phone survey). The customer's least preferred method was a phone survey. Based on this feedback, 3 of the 6 utilities opted to send the survey as a bill insert and the other 3 utilities opted to post the survey on their website. Ottawa River Power posted the survey on their website.

a) Please provide the current status of the customer engagement survey.

Response:

Ottawa River Power posted the survey for eight weeks in the fall of 2015. Since that time the survey was been removed the website in order not to mix the results with

other regulatory changes such as the removal of the Ontario Clean Energy Benefit, the debt retirement charge and the addition of the OESP. ORPC has reposted the survey as of January 20, 2016.

ORPC is currently exploring new and different ways of reaching out to its customers to seek feedback from them.

ORPC will survey and engage customers as to the cost effectiveness of the utility. Also, ORPC will attempt to understand its customers' preferences or interests with respect to its capital budget.

- b) Please provide the results and explain if and how the survey impacts ORPC investment and operational decisions going forward.

Response:

Despite the survey being in a prominent position on Ottawa River Power's website, the survey was explored by only twenty six people with zero full completions. . ORPC's cost of service application should be based on customer engagement activities that will provide customers with more specific information as to the costs of its proposals.

- c) What is the cost of the survey, and please indicate whether and, if so, where the costs for the customer engagement survey are being recovered in this Application.

Response:

The survey was purchased for \$400 with the costs included in the regulatory costs of outside consulting for the Cost of Service application.

1-Staff-2 Conditions of Service

- a) Please identify any rates and charges that are included in the Applicant's Conditions of Service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered through these rates and charges.

Response:

There are no rates and charges that are included in the Applicant's Conditions of Service that are not contained on the Board approved tariff sheet.

- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2012 to 2014 inclusive, and the revenues forecasted for the 2015 bridge and 2016 test years.

Response:

N/A

- c) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet of approved rates and charges.

Response:

N/A

1-Staff-3 Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial application. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

Response:

A revised RRWF along with all relevant revised models are being filed along with these responses.

1-Staff-4 1-Staff-4 Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

Revised Bill Impacts are being filed along with these responses.

1-Staff-5 Evolution of Customer Engagement

Chapter 2 of the Filing Requirements states, “The RRFE Report contemplates **enhanced** engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.” (Emphasis added)

Please describe the differences between customer engagement conducted in preparation for the current application and any previous customer engagement undertaken by the distributor. Please explain how customer engagement has been enhanced in the preparation of this Application.

Response:

In preparation for this Cost of Service application Ottawa River Power held two community “town hall” meetings in an attempt to engage its customers. This was not done in prior applications.

The first town hall meeting was held in the fall of 2014. ORPC advertised this meeting to discuss the application including its capital plans. An offsite facility was secured and a presentation was prepared. The turnout was dismal with only one customer attending.

The second community meeting took place on November 23, 2016, coordinated by and with the Ontario Energy Board. Presentations were completed by both groups and one individual representing a greater than 50KW customer. Again the turnout was dismal with less than 20 customers attending representing a mere 0.2% of customers.

Ottawa River Power does not believe that this has enhanced the preparation of this application. It can only assume that its customers are satisfied with the customer service, reliability and rates that it provides.

1-Staff-6 Impact of Customer Engagement

Chapter 2 of the Filing Requirements states, “Distributors should specifically discuss in the application how they informed their customers on the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates). The application should discuss any feedback provided by customers and how this feedback shaped the final application”.

What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

Response:

As mentioned in response to 1-Staff-5, the interest to Ottawa River Power’s attempt to engage its customers has been minimal. During the community meeting with the OEB there were less than twenty customers in attendance.

There was some feedback during this meeting about rate impacts. Ottawa River Power is cognizant of this impact to customers and continues to keep this in mind when preparing all applications. A number of comments that evening however, were concerning the price of electricity, the global adjustment, the removal of the Clean Energy Benefit and the inclusion of a charge for the OESP program none of which are under the control of Ottawa River Power.

1.0-VECC-1

Reference: E1/30

- a) Please provide the results of the online survey that was completed in the fall of 2015.

Response:

Despite the survey being in a prominent position on Ottawa River Power's website, the survey was explored by only twenty six people with zero full completions. ORPC is currently exploring new and different ways of reaching out to its customers to seek feedback from them.

1-SEC-1

Attached is a table, in both pdf. and Excel formats, comparing the most recent (2014 RRR, and 2014 benchmarking) results of thirteen Ontario distributors similar to the Applicant, including the Applicant. With respect to these comparison tables:

a. Please identify any distributors on the list that the Applicant feels are not appropriate comparators, and provide reasons for that conclusion. Please identify any distributors that the Applicant feels should be on the list, and are not, and provide reasons for that conclusion.

Distributor	# of Customers	OM&A/ Customer	DX Rev./ Customer	Gross PPE/ Customer	Net PPE/ Customer	Aging Ratio	Benchmarking Results					
							2010	2011	2012	2013	2014	3 Year
COLLUS PowerStream	16,426	\$277.87	\$414.81	\$2,017.70	\$972.76	48.21%	-8.2%	-9.5%	-1.2%	-12.3%	-14.2%	-9.2%
E.L.K. Energy	12,398	\$182.72	\$286.01	\$1,826.64	\$638.76	34.97%	-28.2%	-26.2%	-25.4%	-33.2%	-44.9%	-34.5%
Erie Thames Powerlines	18,265	\$309.42	\$546.28	\$2,672.46	\$1,655.96	61.96%	14.9%	14.4%	3.9%	7.9%	7.0%	6.3%
Grimsby Power	11,038	\$255.05	\$385.82	\$1,926.56	\$1,689.30	87.68%	-23.1%	-18.6%	-9.6%	-16.9%	-17.3%	-14.6%
Innpower	15,790	\$333.71	\$514.35	\$4,945.40	\$2,938.67	59.42%	-7.1%	-6.2%	-2.4%	-2.8%	-2.8%	-2.7%
Lakeland Power	13,264	\$390.02	\$641.47	\$3,244.20	\$1,849.49	57.01%	na	na	-6.4%	-0.9%	-1.9%	-3.1%
Norfolk Power	19,559	\$368.79	\$608.96	\$2,893.41	\$2,850.02	98.50%	-1.8%	-2.6%	6.0%	1.2%	6.5%	4.6%
Orangeville Hydro	11,685	\$275.88	\$448.13	\$3,004.07	\$1,417.06	47.17%	-2.7%	1.6%	0.8%	0.1%	-4.0%	-1.0%
Orillia Power	13,340	\$347.90	\$644.48	\$3,116.24	\$1,615.83	51.85%	-3.5%	-1.9%	-3.7%	-4.7%	-5.3%	-4.6%
Ottawa River Power	10,820	\$266.93	\$394.14	\$2,557.23	\$809.21	31.64%	-2.9%	2.7%	0.0%	4.3%	-6.9%	-0.9%
St. Thomas Energy	16,918	\$243.83	\$423.35	\$3,025.06	\$1,507.99	49.85%	-6.4%	-4.5%	6.8%	-4.6%	-6.3%	0.1%
Wasaga Distribution	12,985	\$219.16	\$312.73	\$1,895.37	\$921.95	48.64%	-46.8%	-46.3%	-37.8%	-41.6%	-41.6%	-40.3%
Woodstock Hydro	15,745	\$260.77	\$540.39	\$3,334.39	\$1,804.54	54.12%	33.5%	32.9%	29.0%	25.9%	23.0%	25.9%
Averages	14,479	\$287.08	\$473.92	\$2,804.52	\$1,590.12	56.23%	-6.9%	-5.4%	-3.1%	-6.0%	-8.4%	-5.7%

Response:

Although ORC is not familiar with the specifics of each applicants listed above, ORPC has no issues with using the list suggested by SEC as comparators if appropriate.

b. With respect to the OEB efficiency assessment:

i. Please explain the declines in efficiency in the 2011 and 2013 results, relative to 2010 and 2014. If the reason for the anomaly is an accounting adjustment, please recalculate the 2011 and 2013 predicted and actual costs without the adjustment.

Response:

As approved in the 2010 Cost of Service application, wages for apprentices and management were adjusted. During 2010 very little vegetation management transpired, and in 2011 it was back to a normal level. Additionally a \$45,000 post employment benefit was recorded.

During 2013 an actuarial report was completed with a \$109,219 adjustment.

As the Benchmarking Spreadsheet model has only been released in July of 2015, Ottawa River Power is unsure of how recalculating the predicted and actual cost of 2011 and 2013 will enhance this Cost of Service Application.

ii. Please explain why four of the other utilities, COLLUS, E.L.K., Grimsby and Wasaga, consistently have substantially better cost performance than the Applicant. If the Applicant has any documents containing data or analysis showing the reason for this relative performance, please provide those documents. Please describe any plans or strategies of the Applicant to bring cost performance more in line with these best in class competitors, or provide reasons why targeting their performance would not be in the best interests of the Applicant's customers.

Response:

Unfortunately, ORPC does not have the resources to review each of the comparators' cost of service application to determine the difference between them and ORPC. That said, the utility can only speculate that differences may be attributed to factors such as; capital investments, number of employees, different service areas and demographics, customer classes. ORPC notes that although the comparator's cost performance may be better than ORPCs, the Total cost by distributor shows that ORPCs decreased the most from 2013 to 2014 and was the second lowest after ELK.

	OM&A Cost		Capital Cost		Total Cost
--	-----------	--	--------------	--	------------

Collus PowerStream Corp.	4,438,351	4,537,518	2.21%		3,693,997	3,880,588	4.93%		8,132,348	8,418,107	3.45%
E.L.K. Energy Inc.	2,251,429	2,191,873	-2.68%		2,351,658	2,363,040	0.48%		4,603,088	4,554,914	-1.05%
Wasaga Distribution Inc.	2,710,685	2,805,827	3.45%		2,510,806	2,683,425	6.65%		5,221,492	5,489,252	5.00%
Ottawa River Power Corporation	3,114,732	2,701,819	-14.22%		2,297,661	2,399,009	4.32%		5,412,394	5,100,828	-5.93%
Grimsby Power Incorporated	2,653,353	2,772,130	4.38%		3,043,922	3,341,434	9.33%		5,697,275	6,113,564	7.05%

iii. Please confirm that, even with a 21% rate increase in 2016 based on forecast increases in cost of service, the Applicant expects to remain below predicted costs in 2016. If confirmed, please provide calculations or other details.

Response:

The utility cannot confirm its cost performance until the PEG report for 2016 is issued.

c. Please confirm that the Applicant's OM&A per customer is 5th best of the comparator distributors, and the Applicant's Distribution Revenue per customer is 4th best of the comparator distributors. Please provide details of any data inconsistencies or other anomalies known to the Applicant that would make these comparisons incorrect.

Response:

Based on the Enhanced_benchmarking_Spreadsheet model (released in July of 2015), ORPC is the 2nd best of the comparator in terms of OM&A and Total Costs after ELK (see table above). The utility is 3rd in terms of cost per customer (after ELK and Wasaga).

Dist Revenues	Collus PowerStream Corp.	E.L.K. Energy Inc.	GRIMSBY POWER INCORPORATED	Ottawa River Power Corporation	Wasaga Distribution Inc.
Residential	4,197,118	2,213,912	2,975,287	2,408,552	2,910,810
General Service < 50 kW	1,056,979	431,737	412,654	691,375	363,519
General Service >= 50 kW	950,632	590,077	513,142	789,463	235,395
	6,204,729	3,235,726	3,901,084	3,889,390	3,509,724

d. Please provide any studies, reports or other materials in the possession of the Applicant explaining the relatively low Aging Ratio, which indicates that the weighted average age of the Applicant's assets may be high relative to other LDCs in the comparator group. If a material reason for this result is past underinvestment in infrastructure causing the Applicant to have a relatively old system, please provide reasons for that history, including the nature of the underinvestment, and the reasons for failure to keep capital investment at appropriate levels. If a material reason for this result is capital contributions, please provide details of the pattern of capital contributions. If a material reason is past accounting policies, please provide details of those policies and how they drove the ratio of Gross to Net PPE

Response:

ORPC's distribution system was meticulously designed and constructed accordingly, from the mid 1970's until the mid 1980's. Essentially all of ORPC's distribution assets were newly installed during this time period. To this day, ORPC owns and operates a very well built, reliable, safe and efficient electrical distribution system. Due to the entire system being rebuilt over a relatively short timeframe and redundancy of the assets, ORPC has had the luxury of operating in a "maintenance mode" for the last few decades. Over the 2015 to 2019 planning horizon, ORPC is transitioning out of its maintenance mode into a capital rebuild mode. The transition is driven by the results of the newly implemented asset management and capital planning processes, which have given ORPC improved oversight and understanding of the state of its distribution system.

1-SEC-2

[Ex. 1/1/1, p. 6] Please provide details with respect to the Roving Energy Manager.

Response:

Ottawa River Power Corporation utilizes the services, with 15 other small LDCs in the CHEC group, of a Roving Energy Manager. The funding for the REM is provided through the IESO as part of the Collaborative Funding program.

When requested by ORPC, the REM works closely with the utility to identify companies which would benefit from energy efficiency measures with the supportive local conservation initiatives. Energy efficiency measures can range anywhere from lighting retrofits to large co-generation projects to HVAC to pumps and motors, etc.

The REM provides technical services to the LDC customers. In addition, as another important element of the service, he prepares and shows a simple, streamlined business case so the customer sees the value of the energy efficiency measures; thus helping with the decision of proceeding with the project. The REM is available to the customers, ensuring they will have the confidence and input required throughout the process.

1-SEC-3

[Ex. 1/1/1, p. 18 and 2/1/4, p.23] Please explain why there are no System Service expenditures in 2011-2013, and substantial expenditures in that category in 2014 and onward.

Response:

The previous management did not use the same interpretation of the definitions and trigger drivers for System Service in classifying the projects. Hence, most of the projects were included with System Renewal.

The trigger driver for the proposed investments in 2014 and onward correlate with triggers for System Service. For example; Almonte MS3 upgrade could be classified System Renewal due to its trigger being age, but the recent condition assessment completed in 2014 did not highlight any deficiencies or concerns. The substation will need to be upgraded due to the existing load and future growth in the area.

Another example is the electromechanical relays. ORPC plans to install new solid state relays under the System Service due to the trigger being Smart Grid and reclosure functionality and not due to the age of the relays.

1-SEC-4

[Ex. 1/3/1, p. 29] Please provide details on the roles, if any, played by the municipal Shareholders and their councils in

- a) Controlling the rate increases allowed to the Applicant, and
- b) Communicating the outcomes sought by customers and the reasonable costs they are willing to pay to achieve those outcomes.

Response:

- a) The Board of Directors are appointed by their municipality and are responsible to them thus they regularly interact and make reports to them. The four municipalities that own ORPC are proud of the low rates that it has been able to maintain. Each municipality uses the low rates in its Economic Development role when attempting to attract new residents, small businesses and industry. Therefore there is an indirect message sent by the Shareholder's to maintain good customer service and reliability at the lowest rates possible.

The board priorities primarily include;

- Low cost
 - Local economy
 - Safe and reliable distribution System
 - Comply with regulatory
- b) Ottawa River Power is unaware of any outcome sought by customers that have come through its shareholders.

1-SEC-5

[Ex. 1/3/1, p. 29 and 1/9/1, p. 70] Prior to the RRFE, what were the primary methods used by the Applicant to get feedback from its customers, and to learn their preferences? Please advise what changes in customer engagement strategy were implemented as a result of RRFE, the cost of those changes, and the incremental knowledge of customer preferences, concerns, and input that have arisen as a result of those changes. Please provide a list of customer preferences and feedback that the Applicant heard in the customer engagement relating to this Application, and were not previously known to the Applicant.

Response:

Prior to the RRFE the many methods were used to get feedback from customers including:

- two open offices where more than 10% of customers are seen monthly
- operations department employees networking on the streets daily
- personal telephone answering
- member of the Chamber of Commerce and Pembroke and Business Improvement Area
- speaking at Kiwanis Club about the industry
- workshops/town hall meetings to explain smart meters
- workshop for commercial and small businesses to help them manage their electricity usage
- home workshops to help residential customers with energy management.
- participated in a local business's (Kruger International) Day where customers were engaged in conservation and energy management
 - participation in Pembroke Mall displays and events
- participation in local events such as "Light up the Night", the Santa Clause parade, Run for the Cure
- participation in school programs to promote safety and energy conservation
- employee fundraising with donations to local food banks and other charities
- host of the Murray Moore Hydro Museum
- website, Facebook page, and a Twitter account

Post RRFE, Ottawa River Power has held town hall meetings and posted an on-line survey. Neither of these provided ORPC with additional information about its customers' needs or preferences. It is ORPC's understanding that customers require good customer service, reliability and reasonable rates.

1-SEC-6

[Ex. 1/4/1, 2014, p. 5] Please calculate actual achieved ROE on a regulatory basis for each of 2014 and 2015.

Response:

Ottawa River Power presents the actual achieved ROE for 2014 on the next page. Unfortunately the ROE for 2015 will not be available until the year end has been completed and audited.

		2014
Regulatory Net Income Calculation:		
Regulated net income, as per RRR 2.1.7		\$ 360,363
Less:		
Future/deferred taxes		\$ 0
Non rate regulated items		\$ 0
Adjustment to interest expense - for deemed debt		\$ 53,974
Adjusted regulated net income		\$ 306,390
Deemed Equity Calculation:		
Rate Base:		
Cost of power		\$ 20,512,776
Operating expenses		\$ 2,888,222
Total		\$ 23,400,998
Working capital allowance %		15.00%
Total working capital allowance		\$ 3,510,150
Fixed Assets		
Opening balance - regulated fixed assets (NBV)	\$ 8,518,629	
Closing balance - regulated fixed assets (NBV)	\$ 8,755,605	
Average regulated fixed assets	\$ 8,637,117	\$ 8,637,117
Total rate base		\$ 12,147,267
Regulated deemed short-term debt %	4%	\$ 485,891
Regulated deemed long-term debt %	56%	\$ 6,802,469
Regulated deemed equity %	40%	\$ 4,858,907
		\$ 12,147,267
Regulated Rate of Return on Deemed Equity		
Achieved ROE% (Appears on Scorecard)		6.31%
Deemed ROE% from most recent cost of service application	last approved EDR	9.85%
Difference - maximum deadband 3%		-3.54%
Interest adjustment on deemed debt:		
Regulated deemed short-term debt - as above	\$ 485,891	6.67%
Regulated deemed long-term debt - as above	\$ 6,802,469	93.33%
	\$ 7,288,360	100.00%
Approved Short-term debt rate %	2.07%	0.14%
Approved Long-term debt rate %	7.25%	6.77%
Weighted Average debt rate %		6.90%
Regulated deemed debt - as above	\$ 7,288,360	
Weighted average debt rate (%)	6.90%	
Deemed interest	\$ 503,237	
Interest expense as per the OEB trial balance	\$ 439,363	
Difference	\$ 63,874	
Utility tax rate	15.50%	
Tax effect on interest expense	\$ (9,901)	
Interest adjustment on deemed debt:	\$ 53,974	

1-SEC-7

[Ex. 1/4/1, 2014, p. 15] Please provide the most recent financial statements for Ottawa River Energy Solutions Inc.

Response:

Ottawa River Energy Solutions Inc. is an unregulated corporation that is not part of this Cost of Service application. As such the financial statements will not be provided.

1-SEC-8

[Ex. 1/4/1, 2014, p. 17 and 5/1/3, p. 15] Please provide copies of each of the 7.25% promissory notes. If any of the current promissory notes is not the original promissory note issued at the time the indebtedness was first incurred, please provide the original promissory note, and any intervening notes, as well as the current note. Please provide any agreements, resolutions, or other documents, other than the agreement already filed in this proceeding, dealing with the interest rates on each of the notes.

Response:

Copies of the promissory notes were retained by Ottawa River Power's legal counsel. When ORPC contacted them for copies, it was informed that these had been misplaced. Legal counsel is now in the process of re-doing these.

It should be noted that the 7.25% interest rate has been approved in the 2006 and 2010 Cost of Service applications by the Board. This was the prevailing rate when the market opened and the notes were issued.

A copy of the shareholder's original agreement, along with an amendment made in 2014 is presented as part of our response to 1-SEC-10.

1-SEC-9

[Ex. 1/7/1, p. 57] Please describe any challenges the Applicant faces because of the noncontinuous nature of the service area. Please describe the operationally and geographically optimum service area of the Applicant if the Applicant were able to acquire service areas of other distributors that are contiguous to the Applicant's service areas.

Response:

Most challenges created due to the noncontiguous service area relate to the human capital involving social functions, training and team building. Another challenge relates to completing specialized services such as substation assessments in Almonte. We do not require a full time employee in Almonte and cannot be completed by the employee in Pembroke due to the workload required in Pembroke.

We have since consolidated corporate functions and billing in Pembroke as a result of staff retirement in Almonte. Also, we complete our training with Renfrew Hydro, other eastern Ontario LDC's and CHEC members.

Hydro Ottawa provides substation assessments and project delivery for Almonte.

Hydro One customers on our borders in Laurentian Valley in close proximity to Pembroke would appreciate lower cost hydro and quicker response to Outages. Acquire customers for Deep River, Petawawa, and expand the existing service areas for the towns of Mississippi Mills and town of Killaloe.

1-SEC-10

[Ex. 1/8/2, p. 68] Please provide a copy of the Shareholders Agreement, plus any agreements since 2009 amending the shareholders agreement.

Response:

Ottawa River Power has attached the shareholder agreement along with the amendment that took place in 2014.

THIS AGREEMENT made, in duplicate, this 01st day of October, 2000.

Schedule
"A"

BETWEEN:

THE CORPORATION OF THE CITY OF PEMBROKE.

hereinafter called "Pembroke"

OF THE FIRST PART

- and -

THE CORPORATION OF THE VILLAGE OF BEACHBURG.

hereinafter called "Beachburg"

OF THE SECOND PART

- and -

THE CORPORATION OF THE TOWN OF MISSISSIPPI MILLS

hereinafter called "Mississippi"

OF THE THIRD PART

-and-

**THE CORPORATION OF THE TOWN OF KILLALOE, HAGARTY &
RICHARDS (formally KILLALOE HYDRO ELECTRIC COMMISSION)**

hereinafter called "Killaloe"

OF THE FOURTH PART

-and-

OTTAWA RIVER POWER CORPORATION,

hereinafter called the "Corporation"

OF THE FIFTH PART

WHEREAS the Corporation was incorporated on the 29th day of April, 1999.

AND WHEREAS the Corporation's Articles of Incorporation provide that the Corporation is authorized to issue an unlimited number of common shares without par value and an unlimited number of special shares without par value.

AND WHEREAS the Corporation was incorporated for the purposes of distribution of electricity in and for the Province of Ontario.

AND WHEREAS Pembroke and Beachburg electric utilities amalgamated for the purposes of distribution of electricity in and for the Province of Ontario.

AND WHEREAS Pembroke and Beachburg received shares for a portion of the net book value of their assets at the time of the issuance of the shares and, also, security and interest with respect to the remaining net book value not allocated in shares.

AND WHEREAS as at the date hereof, Pembroke has been allocated 4,364 shares and Beachburg 147 shares of the Corporation.

AND WHEREAS it is in the interest of the parties hereto to amalgamate with other utilities in the County of Renfrew and in the County of Lanark for the efficient and effective distribution of electricity in the said counties.

AND WHEREAS the parties hereto have agreed with the valuation of their respective assets and have further agreed to the type of security interest with respect to the remaining net book value not allocated in shares and a method of calculating the interest on this debt.

AND WHEREAS the par value for each issued shares is based upon \$ 1.000 per share.

AND WHEREAS it is anticipated that with the amalgamation with Killaloe and Mississippi, that Mississippi will be allocated approximately 839 common shares and Killaloe approximately 179 common shares (subject to adjustments as described in Paragraphs 4.0 and 19.0).

AND WHEREAS the Articles of Incorporation of the Corporation provide for restrictions on the transfer and ownership of shares.

AND WHEREAS the parties hereto agree that there shall be restrictions on the transfer of shares held by the shareholders.

AND WHEREAS the parties further agree that in the event that either of the parties wishes to sell its shares, that the other party or parties shall be entitled to the first right of refusal for same.

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1.0 General

- (a) Pembroke and Beachburg shall amalgamate their electrical distribution operations into the Corporation effective January 1st, 2000.

- (b) Mississippi and Killaloe shall amalgamate their electrical distribution operations into the Corporation effective September 30th, 2000.

- (c) The adjustment date shall be within ninety (90) days of the date of amalgamation, currently slated for September 30th, 2000. As a result, the adjustment date shall be on or before December 31st, 2000.

2.0 Shares holdings of Pembroke, Beachburg, Mississippi and Killaloe

- (a) Pembroke is the owner of 4,364 shares of the Corporation and Beachburg is the owner of 147 shares of the said Corporation.

3.0 Adjustments

- (a) Pembroke and Beachburg shall receive such further shares of the Corporation as provided for pursuant to Paragraph 4.0 (Valuation) to recognize any additional equity in the Corporation.
- (b) Mississippi and Killaloe shall receive shares of the Corporation based upon the December 31st, 1999 value of the assets being transferred into the Corporation and such additional shares pursuant to paragraph 4.0 (Valuation).

4.0 Valuation

- (a) The parties acknowledge and agree that Pembroke and Beachburg, as existing shareholders of the Corporation received shares and security in the Corporation based on the net book value of the assets transferred to the Corporation by each shareholder. The parties further acknowledge and agree that shares and

security to be received by Mississippi and Killaloe shall be determined by virtue of the net book value of the assets each shareholder contributes to the Corporation as at December 31st, 1999, as adjusted in accordance with paragraph 4.0 (h) to September 30th, 2000. One half of the net book value of the assets being transferred to the Corporation respectively by Mississippi and Killaloe shall be valued in shares issued to each of Mississippi and Killaloe respectively, based on \$1,000.00 per share. These values, as of the date of this Agreement and based on December 31st, 1999 values, are as follows:

Mississippi Mills - 839,

Killaloe - 179.

The parties further agree that one half of the net book value of the assets to December 31st, 1999 shall be a debt owed by the Corporation to Mississippi Mills and Killaloe respectively.

(b) It is agreed that with respect to valuation of the amalgamating parties, the valuation of the assets of the parties shall be at net book value which, for the purposes of amalgamation, will be deemed to be fair market value. The parties, however, agree that net book value will only include receivables not greater than sixty (60) days past due billing and other assets will be recorded and accepted in accordance with the policy in the Accounting Procedures Handbook. Article 430.

(c) *It is agreed that, as at the date of amalgamation, capital assets acquired up to that date will be recorded in the books of account of each of the amalgamating*

parties on the same basis as employed prior to December 31st, 1999.

- (d) It is further agreed that each of the amalgamating parties will record depreciation in accordance with Accounting Procedures Handbook, Article 430 to the date of amalgamation.
- (e) It is agreed that in order to recognize the additional equity, additional common shares and debt in the ratio of 50% share equity and 50% debt will be issued to each of the amalgamating parties as at the date of amalgamation. In the event that any of the parties acquired capital assets and issued debt, only the increase in net equity of the utility will be recognized and will be recognized in the books of account through the issuance of additional common shares and debt.
- (f) It is agreed that the additional shares, as required will be issued and additional debt, as required, will be recorded not later than ninety (90) days after the effective date of amalgamation and will be based upon financial statements prepared as at the date of amalgamation. Each of the parties will have an opportunity to inspect the additional assets recognized above and will agree that the additional value will be recognized. In the event that agreement is not possible, then the parties will abide by the arbitration provisions as set out in this agreement.
- (g) It is further agreed and understood that the aforementioned capital assets acquired after December 31, 1999 are not included in the "rate base" and

accordingly there will be no earnings from which dividends nor interest can be paid during the initial three year term.

- (h) It is further agreed that at the date of amalgamation, there will be a financial statement prepared which will record transactions in accordance with the Accounting Procedures Handbook. The Financial Statement will be prepared not later than ninety days (90) after the effective date of amalgamation. Any increase in net equity as a result of operations for the period of January 01, 2000 to the effective date of amalgamation will be recognized by the issuance of additional common shares and the recording of additional debt in the above ratio of 50% common shares and 50% debt of the Corporation. Any decrease in net equity as a result of operations for the period of January 01, 2000 to the effective date of amalgamation will be recognized by a reduction in common shares and a recording of the deduction of net in the above ratio of 50% common shares and 50% debt of the Corporation.

5.0 Restrictions on transfer

- (a) Except as otherwise provided for herein, or specifically consented to in writing by the parties, the parties hereto shall not make any agreement to directly or indirectly sell, assign, transfer, give, devise, bequeath, mortgage, pledge, hypothec, or otherwise dispose of, alienate, or in anyway encumber or create a security interest in or grant any option on any of the shares in the capital of the Corporation they respectively own or may own for any purpose or reason whatsoever. Any attempt to accomplish or effect any or all of the acts

prohibited hereby shall be null and void.

- (b) Without restricting the generality of the foregoing, except with the consent of all of the shareholders, no shareholder shall sell or transfer any of its shares for a period of three years subsequent to this agreement.

6.0 Permitted Transfers

- (a) At any time, and from time to time, any party may hypothecate, mortgage, pledge, charge or otherwise encumber or transfer to a creditor, all but not less than all of its shares as security for any loan or other indebtedness, but only on terms that should such creditor wish to realize all or part of such security, they shall comply with the provisions of Sections 7 and 8 hereof and offer the Shares to the other parties to this agreement.

7.0 Transfer to Wholly-Owned Subsidiary

- (a) A shareholder shall be entitled to transfer all of its shares without consent at any time to an amalgamated corporation or entity of the Corporation, provided that at the time of such transfer, the said amalgamated entity enters into an agreement whereby the amalgamated body becomes bound by and entitled to the benefit of this Agreement.

8.0 Purchase by the Other Shareholders

- (a) If any party hereto shall desire to dispose of all of its shares within ten (10) years of the execution of the agreement, it shall offer to sell its shares to the

other parties hereto at 10% less than the fair market value of the shares at the time of sale. The fair market value of the shares shall be determined by agreement of the parties and if no such agreement can be arrived at, by the Corporation's accountants, and if a disagreement arises in that respect, then by arbitration as set out herein. Each of the other parties shall take all such offered shares in the same proportion as shares already owned and pay the sale price therefor within 30 days after the date the shares were offered for sale. Upon payment of the sale price for the shares so offered, the party offering the shares shall tender the resignation of its nominee as a director of the Corporation.

- (b) The terms of the sale of the shares referred to in Section 8.0 (a) shall be in the same manner and on the same basis as provided for in the procedure set out in Section 9 subject to the valuation pursuant to Section 8.0 (a).

9.0 Right of First Refusal

- (a) If any Shareholder (the "Offeror") shall desire or be obliged by law or otherwise to transfer into the name of some other person or persons or to sell or dispose of its shares after the period of ten (10) years as referred to in paragraph 8 herein or within that period in the event that no Shareholder agrees to purchase the shares as per the provisions of paragraph 8 herein then and in that event, subject to Paragraphs 7 and 8 herein, the other shareholders (the "Offeree") shall have the prior right to purchase the shares to be transferred on the terms and in accordance with the procedure contained in paragraph (b).

(b) The procedure on transfers is as follows:

(i) An Offeror shall give to the secretary of the corporation notice in writing of its desired intention to transfer, sell or otherwise dispose of any shares. The notice (the "Selling Notice") shall set out.

(A) the number of shares;

(B) the price and terms of payment which the Offeror is willing to accept for the Shares; and

(C) if the Offeror has received an offer to purchase the Shares, the name and address of the third party offeror and the terms of payment and price contained in the offer.

(ii) The secretary of the Corporation shall thereupon be deemed to be the agent of the Offeror for the purpose of offering the Shares to the Offerees on the terms of payment and for the price contained in the Selling Notice and the offer by the secretary shall remain open for acceptance as hereinafter provided for a period of thirty days following the making of the offer by the secretary.

(iii) All of the shares of the Offeror shall be offered by the secretary for sale to each Offeree as nearly as may be in proportion to the number of shares held by it as a proportion of all issued shares less any shares held by the Offeror. The offer shall state that any Offeree which desires to purchase shares offered in excess of its proportion shall state in its purchase notice (the "Purchase Notice") how many shares it desires to purchase in excess of its proportion. If, within the period of thirty days hereinbefore mentioned, a Purchase Notice has

not been given by an Offeree to the secretary in respect of the Shares being offered, the Offeree shall be deemed to have refused to purchase the shares being offered.

- (iv) If any Offeree does not claim its proportion of the shares being offered, the unclaimed shares shall be used to satisfy the claims of the Offerees in excess of their respective proportions. If claims in excess are more than sufficient to exhaust unclaimed shares being offered, the unclaimed shares shall be divided pro rata among the Offerees desiring such shares in excess of their proportion in proportion to the number of shares held by them at the date of the offer, provided that no Offeree shall be bound to take any shares in excess of the number it so desires.
- (v) If the shares being offered shall not be capable of being offered to or divided among the Offerees as set forth above without resulting in division into fractions, the same shall be offered or divided among the Offerees as nearly as may be in accordance with the foregoing provisions and the balance shall be offered to or divided among the Offerees or some of them in such manner as may be determined by the Board.
- (vi) If any of the shares being offered shall be accepted by any Offeree pursuant to the provisions of this paragraph (b), the shares being offered shall be sold to the Offeree for the price and for the terms contained in the Selling Notice.
- (vii) In the event that no Offeree comes forward to purchase the shares

offered within the time period as set out in Paragraph 9(b) (iii) herein, and the Offeror, upon marketing the said shares, receives an offer different than the offer set out in the selling notice then, in that event, the Offerees shall have thirty (30) days to purchase the said shares at a discounted price of 10% subject to the same terms and conditions set out in this paragraph.

(viii) If the Purchase Notices have not been given by the Offerees to purchase all of the shares being offered, the Offeror may, within sixty days after the expiration of the thirty-day period hereinbefore mentioned, offer and sell the unpurchased shares to any other person at the price and on the terms and conditions set out in the Selling Notice.

- (c) No right created under paragraph (a) shall be exercised unless the approval in connection therewith under the *Investment Canada Act*, if any, has been obtained.
- (d) The transfer of the shares shall be subject to the condition that the purchaser thereof shall, if not a party hereto, agree to be bound by the terms hereof and become a party hereto in accordance with the provisions of Section 14 and Section 17.
- (e) If shares are being offered under paragraph (b) other than by reason of an obligation of law, the offer may be made only in respect of all (and not less

than all) of the shares owned by the Offeror.

- (f) If a sale, transfer or other disposition is completed in accordance with this section, the Offeror shall upon completion of the purchase be absolved from all liability to or in respect of the corporation under the provisions of this Agreement and the purchaser of the shares offered shall assume all obligations in respect thereof.

10.0 Allocation of Resources

- (a) It is agreed by the parties that the Corporation shall establish and maintain a crew and office in the Town of Mississippi Mills for a minimum period of ten (10) years from the Effective Date. No changes shall be made to the location of the crew or office located in the Town of Mississippi Mills, including its abandonment, without the express approval of the nominee of Mississippi on the board of directors.

11.0 Review of Shareholdings

- (a) It is agreed that the Board of Directors is required to review the respective shareholdings of the parties to this agreement and adjust fairly the respective amounts of shares and equity at the earlier of three (3) years from the date of execution of this agreement or on such earlier date and on the dates that the performance base rates are reviewed in and for the Province of Ontario.
- (b) It is agreed that the review of the shareholdings, referred to in 11.0 (a) herein

shall be brought up on the agenda of the Board of Directors as a mandatory item to be dealt with by the said Board on the occasions as set out in this heretofore referred to paragraph.

12.0 Employees of Mississippi

- (a) It is agreed that Mississippi will provide to the Corporation, at no expense to the Corporation for a period of three (3) months following the execution of this agreement, the assistance of Brian Gallagher and Ray Clement to help and assist with the transfer of the distribution system and all billing services, computer networks, etc. for the Corporation.
- (b) It is agreed that the Corporation will not use the services of the employee on a regular basis, but simply in an 'advisory capacity' when required by the Corporation during this interim period.

13.0 Promissory Note, Interest and Security for Debt

- (a) The parties hereto agree that Pembroke, in exchange for one-half of the net book value of the assets, has, to this date, received a Promissory Note from the Corporation with the amount of the Promissory Note to be in the amount \$ 4,364,000.00. Pembroke will be subject to any adjustment with respect to the Note, as set out in Paragraphs 4.0 (Valuation) and/or Paragraph 19.0 (Obligations of Shareholders) herein.

- (b) The parties hereto further acknowledge and agree that Beachburg, in exchange for one-half of the net book value of its assets, has received a Promissory Note from the Corporation with the amount of the Promissory Note being in the amount of \$ 147,000.00. Beachburg will be subject to any adjustment with respect to the Note, as set out in Paragraphs 4.0 (Valuation) and/or Paragraph 19.0 (Obligations of Shareholders) herein.
- (c) The parties hereto agree that Mississippi Mills, in exchange for one-half of the net book value of its assets, will receive a Promissory Note from the Corporation with the amount of the Promissory Note to be \$ 839,000.00 and any adjustment to the Note, as provided for in Paragraph 4.0 (Valuation) and/or Paragraph 19.0 (Obligations of Shareholders) herein.
- (d) The parties hereto agree that Killaloe, in exchange for one-half of the net book value of its assets will receive a Promissory Note from the Corporation in the amount of \$ 179,000.00 and any adjustment to the Note as provided for in Paragraph 4.0 (Valuation) and/or Paragraph 19.0 (Obligations of Shareholders) herein.
- (e) The parties further agree that the Corporation shall pay interest on the Promissory Notes to Pembroke, Beachburg, Mississippi and Killaloe on their respective Notes in an amount not to exceed the maximum interest rate allowed by the Ontario Energy Board based upon their Handbook or any other regulation, schedule, document to be prepared or enacted by them or any

successors to the said Ontario Energy Board or any other entity with regulatory authority for utilities in the Province of Ontario.

- (f) The parties hereto agree that they may adjust the interest rate on the said Promissory Notes at the times and in the manner as set out by the regulation, and in an amount not to exceed the maximum interest rate allowed by any schedule, statute or otherwise as enacted by the Ontario Energy Board or any successor in the Province of Ontario.
- (g) The parties hereto agree that the interest shall be calculated annually and paid quarterly to Pembroke, Beachburg, Mississippi and Killaloe respectively.
- (h) The parties further agree that the Promissory Note will be for a period of twenty (20) years and shall be due and payable twenty (20) years after market opening, (which is currently slated for the 07th day of November, 2000). As such, the Note will be due and payable at the later of November 07th, 2020, or twenty (20) years after actual market opening.
- (i) The parties further agree that the said Promissory Notes shall be non-interest bearing from the 01st day of January, 2000 to market opening, which is currently slated for the 07th day of November, 2000.
- (j) The parties further hereto agree that in the event that Ottawa River Power Corporation is sold to a non-related entity or otherwise disposed of, the

Promissory Note, principal and any accrued interest shall at the option of the noteholder be payable to Pembroke, Beachburg, Mississippi and Killaloe in their respective amounts at the time of such sale or disposition.

- (k) The parties further agree that, should any interest payments fall due prior to the final completion of all the Transfer By-Laws and necessary documents to effect the transfer of the assets from Pembroke, Beachburg, Mississippi, Killaloe or any other necessary approvals, such as OEB, such interest payments shall be deemed due thirty (30) days after all necessary revisions of this agreement are complete and OEB and all necessary approvals are obtained. Such deferral payments shall not be deemed as default.

14.0 Board of Directors of Corporation

- (a) Appointment and Replacement - The Board of Directors of the Corporation shall consist of at least one director from each Municipality.
- (b) Remuneration - Directors of the corporation shall be remunerated as such for their work and services to the Corporation, and the Corporation shall bear all costs (including costs of transportation and lodging, if any) of the attendance at all meetings of the Board by the director nominated to the board by such shareholder.
- (c) Appointment and Replacement - Except as they may otherwise agree in writing in accordance with the terms hereof, the parties hereto agree that:

- (i) the board of the Corporation will consist of seven (7) directors;
- (ii) all voting rights in respect of the shares shall be exercised for the election and maintenance in office as directors of four (4) nominees of Pembroke, one (1) nominee of Beachburg, one (1) nominee of Mississippi and one nominee of Killaloe;
- (iii) the number of directors from time to time constituting a quorum at the meetings of the Board shall be a majority of the directors, provided that at least two directors nominated by Pembroke be present and at least two other directors nominated by Beachburg, Mississippi and/or Killaloe be present.
- (iv) on the appointment or election of each director, the secretary of the corporation shall make note of the nominator of the director in the records of the corporation and the nominator shall be entitled by direction in writing, from time to time, to remove its nominee or nominees and to nominate his successor or successors who shall promptly be elected a director as contemplated herein;
- (v) resolutions shall be decided by a majority of those voting;
- (vi) subject to the provisions with respect to recorded votes, the chairman of the meeting shall have a second or casting vote;
- (vii) all of the persons from time to time nominated to the Board by A shall be resident Canadians, as such term is defined in the *Business Corporations Act* of Ontario.

15.0 Officers

- (a) Appointment - Until changed by resolution of the Board, the officers of the Corporation shall maintain the following positions:

Office

Chairman of the Board
President
Vice-President
Secretary-Treasurer

- (b) Remuneration - Officers of the Corporation shall be remunerated as such for their work in and services to the Corporation, and the Corporation shall reimburse them for all of their out-of-pocket expenses incurred in performing their duties, including reasonable costs for transportation and lodging, save and except if an employee or independent contractor of the Corporation or as a proxy to a shareholder, is an officer of the Corporation, in which case out of pocket expenses only shall be reimbursed by the Corporation to the shareholder on behalf of which such officer is acting.

16.0 Restrictions on management of the Corporation

- (a) Unanimous approval - Except with the written consent of each of the parties to this agreement, no action will be taken by the directors and/or officers on behalf of the Corporation or with respect to any of the following:
- (i) changing the provisions in the by-laws of the Corporation;
 - (ii) the sale of all or substantially all of the properties and assets of the

corporation;

(iii) issuance of any new shares of the Corporation, except for the purposes of allowing the entry of member shareholders of other municipal electrical utilities;

(iv) the dissolution or winding up of the Corporation.

(b) Special approval - except with the written consent of the parties to this Agreement that are the holders of 80% of the aggregate number of shares outstanding at such time, no action will be taken by the directors and/or officers on behalf of the Corporation or with respect to any of the following:

(i) the declaration or payment of any dividend, distribution or bonus to employees;

(ii) the acquisition or disposition by the Corporation of interests in other enterprises;

(iii) the purchase, sale, mortgage or lease by the Corporation of any real property;

(iv) any purchase, commitment, lease or expenditure which, if completed, would raise the aggregate of capital expenditures of the Corporation in any fiscal year to more than \$3 million adjusted by inflation in each year; with the base year for inflation calculation purposes being the year 2000.

(v) the employment of any person at an aggregate (including benefits) annual remuneration of more than or equal to \$100,000.00 per year or an increase in the remuneration of any employee to a total in

excess of that amount, with the base year for inflation calculation purposes being the year 2000.

- (vi) the lending of money by the Corporation in any year in excess of \$100,000.00, except to an affiliate corporation.
- (vii) any commitment by the corporation which raises the aggregate of the outstanding obligations of the corporation for material or supplies (excluding the cost of power and labour) at any one time in a fiscal year to more than \$1.5 million adjusted by inflation, with the base year for inflation calculation purposes being the year 2000.
- (viii) the authorization or execution by the Corporation of any contract, the performance of which by the Corporation will require more than three (3) years and calls for a contractual amount in excess of \$200,000.00 with the exception of the Hydro Pontiac Operating Agreement and with the exception of any contract with any power suppliers, with the base year for inflation calculation purposes being the year 2000.
- (ix) the guarantee by the corporation of the debts of any other person in any amount;
- (x) the approval of the audited Financial Statements of the Corporation;
- (xi) the amendment of the signing authority relating to the corporation's bank accounts;
- (xii) any action or transaction not in the ordinary course of the business of the Corporation; or
- (xiii) the issuance of new shares of the Corporation for the purposes of

allowing the entry of member shareholders of other municipal electrical utilities.

17.0 Voting Powers

- (a) The parties hereto shall at all times use their voting powers (whether expressed by way of vote or written consent) in accordance with the provisions of this Agreement and for the purposes of effectuating the same and for the purposes of ensuring that the directors of the Corporation shall exercise their powers as members of the Board consistently with the provisions of this Agreement and for the purposes of effecting the same. The Board shall see to it that the officers and employees of the Corporation carry out all duties which they are required to perform under the provisions of this Agreement.

18.0 Additional Parties

- (a) Every issue and transfer of shares shall be subject to the condition that each subscribed or transferee, as the case may be, shall, if not a party hereto, agree to be bound by the terms hereof and become a party hereto by executing an agreement to be bound hereby. Any agreement to be bound hereby and any other agreement in favour of the parties hereto shall be effectively delivered to each party hereto by delivering to the secretary of the Corporation a signed copy thereof and the secretary shall thereupon forward a photocopy of such copy to each party hereto.

19.0 Obligations of Shareholders

(a) Each of the shareholders to this agreement referred to herein shall be responsible for costs incurred to effect the Corporation and the work performed with respect to the corporation which costs shall include:

- (i) the costs of incorporation;
- (ii) the drafting of the necessary by-laws for the Corporation;
- (iii) the Shareholder's Agreement;
- (iv) the Transfer By-law;
- (v) the costs of accountants incurred for the Corporation.

(b) The parties hereto agree that any shareholder may pay for these expenses, either in cash or by a reduction in its issued shares valued at net book value, reduced by its proportionate cost in the Corporation. This cost may be adjusted as new municipalities become shareholders in the Corporation.

20.0 Objects of the Corporation

(a) The parties hereto agree that the shareholders, the officers and directors and parties hereto agree that the Corporation is incorporated to distribute power and that the parties and all the shareholders and directors and officers hereto are obligated to comply with all the provisions, terms and obligations as set out in the corporation documents and restrictions in their objects and must carry out the objects of the Corporation which requires such distribution on supply of power. It is agreed by all parties that all service areas covered by the municipalities who are shareholders of the Corporation shall be treated similarly and with equality.

(b) In the event that any disagreement arises between the parties hereto with reference to this agreement, or any matters arising hereunder, and upon which the parties cannot agree then every such disagreement shall be referred to arbitration pursuant to provisions of the Arbitrations Act, R.S.O. 1990, Chapter A.24 and in accordance with the provisions of the following:

- (i) The reference to arbitration shall be to three (3) arbitrators, one of whom shall be chosen by each party to the disagreement and the third by the two so chosen and the third arbitrator so chosen shall be the chairman; provided, however, that if the parties are able to agree upon a single arbitrator, the reference to arbitration shall be to that single arbitrator.
- (ii) The award may be made by the majority of the arbitrators.
- (iii) If the arbitrators have allowed their time or extended time for making an award, as provided in the Arbitrations Act, to expire without making an award or if the Chairman shall have delivered to the parties to the arbitration a notice in writing stating that the arbitrators cannot agree, any party to the arbitration may apply to the Superior Court of Justice or to a judge thereof to appoint an umpire who shall have the like power to act in the reference and to make an award as if he had been duly appointed by all the parties to the submission and by the consent of all the parties who originally appointed the arbitrators thereto.
- (iv) If an umpire is appointed pursuant to the foregoing, such umpire shall

make his award within one month after the original or extended time appointed for making the award of the arbitrators has expired on or before any later date to which the parties to the reference by a writing signed by them may from time to time enlarge the time for making the award, or if such parties have not agreed, then within such time as the Court or judge appointing such arbitrator may deem proper.

- (v) There shall be no appeal from the award of the arbitrator or arbitrators in accordance with the provisions of the Arbitrations Act.

21.0 Amendment of Agreement

- (a) This agreement may be amended or altered in any of its provisions and such changes shall become effective when reduced to writing and signed by the parties hereto.

22.0 Termination of Agreement

- (a) This agreement shall terminate on the occurrence of any of the following:
 - i) written agreement of the parties hereto;
 - ii) bankruptcy, receivership or dissolution of the Corporation.

23.0 Binding on Heirs and Others

- (a) This agreement shall be binding not only on the parties hereto, but also upon their heirs, executors, administrations or assigns and the parties hereto or any amalgamated corporations that may be amalgamated in the future in the Province of Ontario with the corporations referred to herein, agree for

themselves, their heirs, executors, administrators or assigns to execute any instruments which may be necessary or proper to carry out the purpose and intent of this agreement.

24.0 Notices

- (a) All notices, demands, requests, consents and approvals which may or are required to be given or made pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally or mailed by prepaid and registered mail, in the case of:

Corporation of the City of Pembroke, 1 Pembroke Street East, Box 277,
Pembroke, Ontario, K8A 6X3.

Corporation of the Village of Beachburg, Beachburg, Ontario, K0J 1C0.

Corporation of the Town of Mississippi Mills, 28 Mill Street, P.O. Box 179,
Almonte, Ontario, K0A 1A0.

Corporation of the Township of Killaloe, Hagarty and Richards (formally
Killaloe Hydro Electric Commission), 1 John Street, Box 39, Killaloe, Ontario.
K8J 2A0.

Ottawa River Power Corporation, PO Box 1087, Pembroke, Ontario
K8A 6Y6.

or to such other addresses as the parties may from time to time advise the other parties hereto by notice in writing. The date of receipt of any such notice, demand or request shall be deemed to be the date of delivery of such notice, demand or request if served personally, or if mailed as aforesaid, the third day of business following the date of such mailing.

- 25.0** The invalidity of any provision of this Agreement or any covenant herein contained on the part of any party shall not affect the validity of any provision

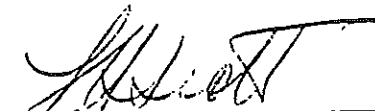
or covenant hereof or herein contained.

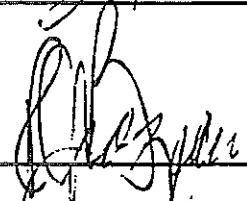
26.0 This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

27.0 Time shall be of the essence of this Agreement.

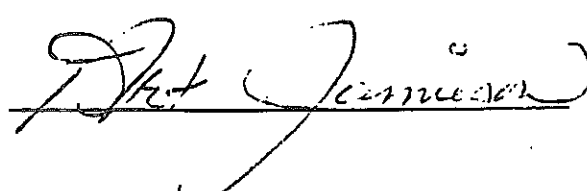
IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals on the date first above written.

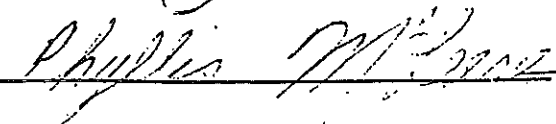
SIGNED, SEALED AND DELIVERED) THE CORPORATION OF THE CITY
in the presence of) OF PEMBROKE

)
)
) 
) _____

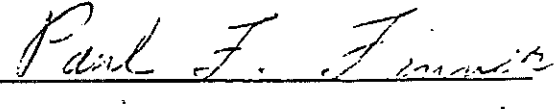
)
)
) 
) _____

) THE CORPORATION OF THE
) VILLAGE OF BEACHBURG

)
)
) 
) _____

)
) 
) _____

) THE CORPORATION OF THE TOWN
) OF MISSISSIPPI MILLS

) 
) _____

)
) 
) _____

)
)
) THE CORPORATION OF THE
) TOWNSHIP OF KILLALOE, HAGARTY
) AND RICHARDS (formerly KILLALOE
) HYDRO ELECTRIC COMMISSION
)
)

) Isabel O'Reilly
)

) John O'Sullivan
)

) OTTAWA RIVER POWER
) CORPORATION,
)

) John O'Sullivan
)
) President

John O'Sullivan

John O'Sullivan

READ AND APPROVED BY
, 2000.

ON THE 2nd DAY OF

November

Phyllis M. Zales

Dr. Jamieson

THE CORPORATION OF THE
VILLAGE OF BEACHBURG

READ AND APPROVED BY
, 2000.

ON THE 2nd DAY OF November

Paul F. Fenner

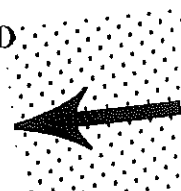
THE CORPORATION OF THE TOWN OF
MISSISSIPPI MILLS

READ AND APPROVED BY
November, 2000.

ON THE 2nd DAY OF

M. Chhe solicitor on behalf of
THE CORPORATION OF THE

TOWNSHIP OF KILLALOE, HAGARTY AND
RICHARDS (formerly KILLALOE HYDRO
ELECTRIC COMMISSION)



READ AND APPROVED BY
, 2000.

ON THE 2nd DAY OF November

[Signature]

OTTAWA RIVER POWER CORPORATION

READ AND APPROVED BY
, 2000.

ON THE 2nd DAY OF

November 2000

[Signature]

OTTAWA RIVER ENERGY
SOLUTIONS INC.,

THIS AGREEMENT made this day of November, 2014.

BETWEEN:

THE CORPORATION OF THE CITY OF PEMBROKE
Hereinafter called "Pembroke" **OF THE FIRST PART**

AND:

**THE CORPORATION OF THE TOWNSHIP OF
WHITEWATER REGION**
Hereinafter called “Whitewater”

OF THE SECOND PART

AND:

THE CORPORATION OF THE TOWN OF
MISSISSIPPI MILLS
 Hereinafter called “Mississippi” **OF THE THIRD PART**

AND:

**THE CORPORATION OF THE TOWNSHIP OF
KILLALOE, HAGARTY & RICHARDS**
Hereinafter called "Killaloe" OF THE FOURTH PART

AND:

OTTAWA RIVER POWER CORPORATION
Hereinafter called 'the Corporation" OF THE FIFTH PART

WHEREAS a Shareholder Agreement was entered into between Pembroke, Mississippi, Killaloe, the Corporation and Beachburg in or about October, 2000 for the purposes of setting out certain terms and conditions and rights of the shareholders with respect to the Corporation and placing restrictions on the activities thereto and providing for the distribution of dividends, etc. (a copy of the said Shareholder Agreement is attached hereto as Schedule "A" and is hereinafter referred to as the "initial Shareholder Agreement");

AND WHEREAS at the time of the initial Shareholder Agreement and the incorporation of the Corporation, Beachburg was a distinct municipality. Subsequent to that date, Beachburg and other municipalities were amalgamated together to form the entity known as the Township of Whitewater Region;

AND WHEREAS pursuant to the provisions of the initial Shareholder Agreement and specifically paragraph 11 thereof, the parties were to review their respective shareholdings as set out in that paragraph;

AND WHEREAS at the time of the initial Shareholder Agreement, all the accounting had not been completed with respect to the determination of the final allocation of the shares for the respective parties, Pembroke, Whitewater (formerly Beachburg), Mississippi and Killaloe and as such, the parties wish to confirm the respective shareholdings of each of the parties herein;

AND WHEREAS the parties hereto also wish to replace paragraph 11 of the initial Shareholder Agreement to provide for new classes of special shares and to provide the dividends are payable only on the special shares in the amounts approved by the Directors of the Corporation;

AND WHEREAS the parties hereto wish to provide for dividends payable only on the Special shares in the amounts approved by the directors of the Corporation.

NOW THEREFORE in consideration of the mutual covenants and agreements hereinafter contained herein, and on the consent and signature of all parties hereto, the parties agree as follows:

1. It is agreed and acknowledged that the parties hereto are the owners of the number of Common shares set out as follows:

Pembroke	-	4,364 Common shares
Mississippi	-	888 Common shares
Killaloe	-	169 Common shares
Whitewater (formerly Beachburg)	-	147 Common shares.

In all respects any reference to the shareholdings of Pembroke, Whitewater, Mississippi, Killaloe, Beachburg as set out in the initial Shareholder Agreement is amended to reflect the common shareholdings as set out herein.

2. The parties hereto agree to delete paragraph 11.0 from the initial Shareholder Agreement and in its place and stead insert the following provision:

"11.0 New Classes of Shares and Dividend Distribution"

- 11.1 a) The parties have agreed to an amendment of the articles of incorporation of the Corporation to provide for new Special shares, namely, Class A, B, C and D Special shares. The articles of amendment were certified as amended on the 17th day of October, 2014 and are attached hereto as "Schedule B" to this agreement.

- b) The parties hereto further agree that the shareholdings of the Special shares shall be as follows:
- | | | |
|-------------|---|------------------------------|
| Pembroke | - | 4,364 Class A Special shares |
| Mississippi | - | 888 Class B Special shares |
| Killaloe | - | 169 Class C Special shares |
| Whitewater | - | 147 Class D Special shares. |
- c) The parties hereto agree that effective for the taxation year ended December 31st, 2014 dividends shall be paid only on the Special shares and not on the Common shares.
- d) The holders of the Common shares and Special shares agree that any dividends effective with the taxation year ending December 31st, 2014 and any subsequent years will be distributed based upon the percentage that that shareholder's distribution revenue is of the total distribution revenue for the immediately preceding fiscal year of the Corporation as reported in the Corporation's annual audited financial statements. Distribution revenue is defined as the amount is defined by the Ontario Energy Board and the Accounting Procedures Handbook.
- e) Notwithstanding the calculations under paragraph 11.1 d), no shareholder is to be allocated less than 2.64% of any dividend as declared pursuant to that paragraph and in the event it is necessary to readjust the dividend to ensure that a shareholder reaches 2.64% then in that event the other shareholder's dividends will be reduced proportionately.
- f) In addition to the dividend as declared by a percentage of distribution revenue, a holder of the Special shares shall be entitled to additional dividend income based upon the provisions of paragraph 11.2 herein. For clarity, in the event that a special shareholder's distribution revenue is 75.0% that shareholder is entitled to the 75.0% dividend calculation as per paragraph 11.1. If that shareholder's other revenue, other than distribution revenue, meets the qualifications of paragraph 11.2 then they will be entitled to an additional amount for dividend based upon the other revenue.

11.2 Other revenue which is defined to be a new profitable source of revenue net of accumulated losses (as determined in accordance with the Corporation's accounting principles) directly attributable to one of the four shareholders as reported in the annual audited financial statements be treated as follows:

- a) If this other revenue is less than the lesser of 50.0% or \$10,000 of the most recent dividend paid to a shareholder, there will be no impact on the calculation used to determine dividend distribution;

- b) If this other revenue net of accumulated losses is greater than the lesser of 50.0% or \$10,000 of the most recent dividend paid to a shareholder, unless directly attributable to one of the four shareholders as at the end of the taxation year i.e., December 31st, in any year, it will be allocated in accordance with paragraph 11.1;
- c) If this other revenue, net of accumulated losses, is from one of the four shareholders designated service area (where designated service area is defined as that in existence at December 31st, 2014) and is greater than the lesser of 50.0% or \$10,000 of the most recent dividend paid to a shareholder in accordance with paragraph 11.1 hereof, the amount will be allocated to that shareholder's dividend;
- d) The amount of \$10,000 as referred to in paragraphs 11.2 a), b) & c) will be adjusted annually as of December 31 in each year based on the Ontario Consumer Price Index (CPI) with the base year being 2014.
- e) It is agreed that no dividends will be paid in accordance with paragraph 11.2 a), b) & c) hereof until the other revenue stream earns a net income after taxes after deducting any accumulated losses.

3. This Agreement may be executed in several counterparts, each of which so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument. This Agreement may be transmitted by facsimile or other electronic transmission and the reproduction of signatures will be deemed to be original and legally binding.

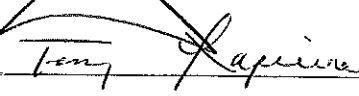
IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals on the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of

)
)
)
)
)
)
)
)
)
)

THE CORPORATION OF THE CITY
OF PEMBROKE

Per: 

Per: 

I/We have the authority to bind the Corporation.