ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O 1998, c. 15 (Schedule B);

AND IN THE MATTER OF an application by Natural Resource Gas Limited for the relief necessary to transfer its natural gas distribution system to EPCOR Natural Gas Limited Partnership.

APPLICATION

1. Introduction

The Applicant is Natural Resource Gas Limited ("NRG"), an Ontario corporation with its head office in Aylmer, Ontario. NRG carries on the business of selling and distributing natural gas in southwestern Ontario.

EPCOR Natural Gas Limited Partnership ("EPCOR") is an Ontario limited partnership and is a wholly owned indirect subsidiary of EPCOR Utilities Inc. ("EUI"). The general partner of EPCOR is EPCOR Ontario Utilities Inc. and the sole limited partner is EPCOR Power Development Corporation, which are both subsidiaries of EUI. EPCOR was formed pursuant to a limited partnership agreement which provides that EPCOR Ontario Utilities Inc., as general partner, will control and have the full and exclusive power, authority and responsibility for the management and day-to-day operations of EPCOR. In accordance with the limited partnership agreement, EPCOR Power Development Corporation, as limited partner, has an economic interest in the partnership but will not control or otherwise play a role in the day-to-day operations and management of EPCOR.

On November 7, 2016, NRG and EPCOR entered into an Asset Purchase Agreement whereby NRG agreed to sell and EPCOR agreed to purchase NRG's natural gas

distribution system in its entirety for $21 million, excluding taxes and subject to certain adjustments.

2. Requested Relief

To effect the Asset Purchase Agreement, NRG requests that the Board grant the following relief:

- Grant leave under section 43 of the *Ontario Energy Board Act, 1998* ("OEB Act") allowing NRG to transfer its natural gas distribution system in its entirety to EPCOR;
- Issue orders under section 18 of the OEB Act granting leave to NRG to transfer to EPCOR the relevant regulatory agreements, certificates and orders for NRG's distribution system, including all existing franchise agreements, Certificates of Public Convenience and Necessity, and rate orders/schedules (detailed in **Exhibit 1, Tab 1, Schedule 5** of this Application); and,
- Grant such further and other relief as NRG may request or the Board may consider appropriate.

In a November 16, 2016 letter to the Board, NRG requested that the Board suspend its consideration of NRG's 2017-2021 Gas Distribution Rate Application (EB-2016-0236) until the present Application has been adjudicated. In the interim, NRG proposes to continue applying its Board-approved interim rates currently in effect. If the present Application is approved, EPCOR will assume responsibility for the EB-2016-0236 application and will file an amended application within six to nine months of the closing of the Asset Purchase Agreement (the "Closing"). The amended EB-2016-0236 application will provide evidence to support the revenue requirement reflective of EPCOR's ownership of the gas distribution system. EPCOR will request that the Board maintain the existing interim rates until the amended application has been disposed of, and a new rate order issued.

The one exception to the above request regarding NRG's EB-2016-0236 application concerned NRG's request for a deferral account to record the impacts of the recently established provincial (and any subsequent federal) regulatory regime related to greenhouse gas emission requirements. NRG requested that the Board continue to consider this aspect of NRG's EB-2016-0236 application and approve NRG's requested deferral account notwithstanding that the remainder of the EB-2016-0236 application has been put in abeyance. On November 24, 2016, the Board approved this deferral account on an interim basis effective January 1, 2017.

NRG requests that the Board process this Application by way of a written hearing and further requests that it be dealt with on an expedited basis. The duration of the regulatory review process for this Application will directly impact the duration of the EB-2016-0236 proceeding, which in turn will extend the amount of time that the utility owner charges interim rates. NRG submits that it is in the interests of all parties (including NRG's customers) for these issues to be resolved expeditiously, so that Closing can be achieved and new rates established as quickly as possible.

3. Grounds for Relief

Section 2 of the OEB Act sets out the Board's objectives in relation to natural gas when carrying out its responsibilities and, among other objectives, provides that the Board must: (a) protect the interests of consumers with respect to prices and the reliability and quality of gas service; and (b) facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.

In deciding whether or not to grant leave in relation to an application under section 43 of the OEB Act, the Board applies a "no harm" test (first established with respect to electricity distribution transactions in the Board's combined proceeding, RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257). The "no harm" test considers whether the proposed transaction will have an adverse effect on the attainment of the statutory objectives in section 2 of the OEB Act noted above.

The written pre-filed evidence demonstrates that the "no harm" test is met as NRG's customers will not be negatively affected by, and may in fact realize a modest benefit from, the proposed transaction. Based on EPCOR's underlying cost structure, the costs to serve NRG's customers post-transaction are not expected to be higher than they otherwise would have been with NRG. EUI and its subsidiaries have extensive experience as both owner and/or operator in various utility businesses in three Canadian provinces and three U.S. states that provide essential public services. EPCOR is proposing to retain NRG's general manager and all non-executive and operations personnel, which, together with EUI's experience in the utility business, will ensure that the reliability and quality of service provided to NRG's customers is maintained and may in fact be enhanced. EPCOR, as a wholly owned indirect subsidiary of EUI, has the financial capacity to fund capital projects necessary to ensure system reliability and service quality, again ensuring that NRG's customers are not adversely affected by this transaction. Finally, EUI and its subsidiaries also have extensive and successful regulatory experience, including experience operating within a performance based rates regime, having operated energy and water-utilities in Alberta, British Columbia, Arizona and New Mexico, which will likely be of benefit to the Board, as well as NRG's ratepayers and franchisors.

This Application is supported by written evidence. The written pre-filed evidence may be amended from time to time, prior to the Board's final decision on this Application.

4. Applicant's Contact Information

The Applicant requests that a copy of all documents filed with the Board in this proceeding be served on the Applicant and the Applicant's counsel, as well as EPCOR and its counsel, as follows:

Brian Lippold
General Manager
Natural Resource Gas Limited
39 Beech Street East
Aylmer, ON N5H 3J6

Bruce Brandell
Director, Commercial Services
EPCOR Utilities Inc.
2000 – 10423 101 Street NW
Edmonton, AB T5H 0E8

Telephone: (519) 773-5321
Facsimile: (519) 773-5335
Email: Brian@nrgas.on.ca

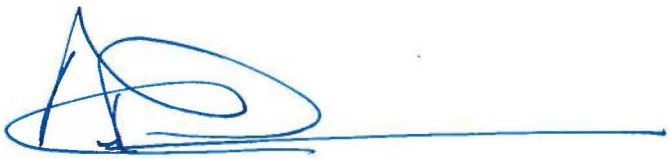
Telephone: (780) 412-3720
Facsimile: (780) 441-7118
Email: bbrandell@epcor.com

Sander Duncanson
Osler, Hoskin & Harcourt LLP
Counsel to NRG
450 – 1 Street S.W.
Calgary, AB T2P 5H1
Phone: (403) 260-7078
Facsimile: (403) 260-7024
Email: sduncanson@osler.com

Britt Tan
Legal Counsel
EPCOR Utilities Inc.
2000 – 10423 101 Street NW
Edmonton, AB T5H 0E8
Phone: (780) 412-3998
Facsimile: (780) 412-3460
Email: btan@epcor.com

DATED at Calgary, Alberta, this 30th day of November, 2016.

NATURAL RESOURCE GAS LIMITED



By its counsel, Osler, Hoskin & Harcourt LLP
Per: Sander M. Duncanson

Natural Resource Gas Limited

A corporation incorporated under the laws of Ontario

OFFICER'S CERTIFICATE

TO: THE ONTARIO ENERGY BOARD

The undersigned, Anthony H. Graat, being the President of Natural Resource Gas Limited, in my capacity as an officer of that corporation and without personal liability, hereby certifies that the evidence in this Application is accurate, consistent and complete to the best of my knowledge.

DATED this 28th of November, 2016.

NATURAL RESOURCE GAS LIMITED

Per: _____

Name: Anthony H. Graat

Title: President

EPCOR Natural Gas Limited Partnership

An Ontario limited partnership

OFFICER'S CERTIFICATE

TO: THE ONTARIO ENERGY BOARD

The undersigned, Stephen Stanley, being the Senior Vice President, Commercial Services of EPCOR Ontario Utilities Inc., the general partner of EPCOR Natural Gas Limited Partnership, in my capacity as an officer of that corporation and without personal liability, hereby certifies that the evidence in this Application is accurate, consistent and complete to the best of my knowledge.

DATED this 28th of November, 2016.

EPCOR ONTARIO UTILITIES INC.

Per: 

Name: Stephen Stanley

Title: Senior Vice President, Commercial Services

PARTIES TO THE TRANSACTION

1. NRG

NRG is an Ontario corporation with its head office in Aylmer, Ontario. All voting shares of NRG are privately held by a family trust, The Wilsher Trust. **Attachment 1** to this Application sets out NRG's corporate structure.

NRG carries on the business of selling and distributing natural gas to over 8,000 residential, commercial and industrial customers in southwestern Ontario. NRG's service territory stretches from south of Highway 401 to the shores of Lake Erie, from Port Bruce to Clear Creek. **Attachment 9** to this Application is a map of NRG's gas distribution system.

2. EPCOR

EPCOR is an Ontario limited partnership. On the successful approval of the transfer of NRG's assets to EPCOR, the assets to be purchased from NRG will be held in this entity and EPCOR will carry on and continue the business of NRG. The two corporate partners of EPCOR are EPCOR Power Development Corporation (the sole limited partner) and EPCOR Ontario Utilities Inc. (the general partner). Both of these corporate partners are subsidiaries of EUI. As discussed earlier in this application, the general partner will control and have the full and exclusive power, authority and responsibility for the management and day-to-day operations of EPCOR. **Attachment 2** to this Application sets out EPCOR's corporate structure.

EUI is a corporation incorporated under the laws of the Province of Alberta and wholly owned by the City of Edmonton, with its head office located in Edmonton, Alberta. Through wholly-owned subsidiaries, it builds, owns and operates electric transmission and distribution systems, water and wastewater treatment facilities and infrastructure, and provides related energy services in several jurisdictions in Canada and the United States.

EUI's electricity distribution and transmission businesses own and operate high voltage substations and transmission lines situated within and around Edmonton, and form part of the Alberta Interconnected Electric System ("AIES") power grid. Through these facilities, EUI's businesses provide transmission services to the Alberta Electric System Operator ("AESO"), the independent not-for-profit entity that is charged with ensuring the efficient operation and expansion of the Alberta transmission grid. EUI's businesses own and operate 72 kV, 138 kV, 240 kV and 500 kV lines and cables, as well as 30 transmission substations, and operate approximately 257 circuit kilometers of aerial transmission lines and underground transmission cables. EUI's businesses also own and operate aerial and underground distribution lines and related facilities for the distribution of power to customers within the City of Edmonton, including five distribution substations, 286 distribution feeders, approximately 5,540 circuit kilometers of primary distribution lines, and advanced metering infrastructure (i.e., "Smart Meters"). In 2015, EUI's electricity business distributed approximately 13% of Alberta's provincial energy consumption to approximately 343,000 residential and 36,000 commercial and industrial customer sites in Edmonton.

EUI's water business provides water purification, water distribution, wastewater treatment and related management services within the City of Edmonton and over 80 other communities in Western Canada and the Southwestern United States (Arizona, New Mexico and Texas), and provides similar services to industrial customers in Western Canada. In conjunction with some of these services, EUI also provides water and wastewater plant financing and construction services to municipal and industrial customers in Western Canada. Within the City of Edmonton, EUI's system includes approximately 3,900 km of distribution and transmission mains, 19,800 hydrants, 62,000 valves and 12 reservoir sites. In Edmonton and surrounding areas, EUI's businesses service a population of over 800,000 and deliver bulk water to over 65 communities and counties. EUI's businesses own one and operate 33 water or wastewater treatment/distribution facilities outside Edmonton in Alberta, British Columbia and Saskatchewan. In addition, EUI's businesses provide water purification and distribution

and wastewater collection and treatment services in the Southwestern United States where they have over 200,000 customer connections within 22 communities and seven counties. EUI has also recently purchased a pipeline entering into the business of transporting water to the water scarce region of the State of Texas.

EUI's energy services business procures electricity for its Regulated Rate Option and default supply customers in Alberta and provides customer care and billing services to its customers, and certain customer care and billing services to affiliates and third parties. The energy services business also sells electricity and natural gas to Alberta consumers under competitive contracts through its Encor brand. EUI provides billing and customer care services to approximately 640,000 energy and natural gas customer sites and 265,000 water customer sites in Alberta.

In its various business units (electricity distribution and transmission; water; and energy services), EUI's customers number in the hundreds of thousands and enjoy service quality and reliability well in excess of regulatory requirements and industry standards. EUI has been recognized for more than a decade as one of Alberta's and Canada's best employers and corporate citizens, and intends to bring its expertise and reputation for quality to the Ontario market. Details of EUI's corporate profile, major operations and corporate finances are provided in EUI's June 2016 Investor Presentation, a copy of which is attached as **Attachment 10**.

EUI demonstrates its commitment to providing a safe, healthy workplace through its health and safety policy and programs which focus on leading indicators such as near miss reporting, workplace inspections and audits to assist employees in identifying hazards. A number of EUI's businesses or facilities have been recognized for their safety standards. In 2015, EUI's electricity distribution and transmission businesses had a Lost Time Injury Frequency ("LTIF") of 0.13 which is well below the average of 0.24 reported by the Canadian Electricity Association for electricity businesses of a similar size. As well, in 2015 EUI overall had a LTIF of 0.12 with EUI's Canadian water business at zero Lost Time Incidents. EUI and its predecessors, through their

subsidiaries, have provided reliable utility service for over 120 years, consistently meeting and exceeding service quality and safety metrics in the areas served.

EUI has extensive experience integrating utility businesses as a result of its expansion over the years. This experience will be applied to review the processes and technology of NRG in the context of EUI to efficiently and effectively integrate NRG's business into EUI and to ensure the provision of ongoing ancillary services and executive oversight.

DESCRIPTION OF THE TRANSACTION

On November 7, 2016, NRG and EPCOR entered into an Asset Purchase Agreement, a copy of which is attached as **Attachment 5** to this Application. Under the terms of the Asset Purchase Agreement, NRG has agreed to sell and EPCOR has agreed to purchase NRG's natural gas distribution system in its entirety for $21 million, exclusive of taxes, subject to the adjustments provided for in the Asset Purchase Agreement.

The Asset Purchase Agreement contemplates that the proposed transaction will close on the last day of the month following the month in which the final closing condition is satisfied or waived (which includes receipt of all approvals sought in this Application). EPCOR and NRG expect Closing will occur early in 2017, subject to Board approval.

The Asset Purchase Agreement will transfer to EPCOR (at Closing) all of the property and assets needed to operate the gas distribution system currently owned and operated by NRG. Some key provisions of the Asset Purchase Agreement include:

- EPCOR will make offers of employment to the general manager and all non-executive and operations personnel, on terms substantially similar in aggregate as their existing terms of employment;

- Upon execution of the Agreement, EPCOR and NRG agreed to jointly approach all municipalities and customers, suppliers and other persons related to NRG's distribution system for the purposes of advising such parties of the transactions contemplated by the Agreement, including without limitation, advising the municipalities of the assignment of the Franchise Agreements by NRG to EPCOR;

- NRG will use best efforts to renew its franchise agreement with the municipality of Oxford County by the time of Closing; and,

- Since Ayerswood Development Corp. (a related company to NRG) has historically provided services to NRG necessary to complete its various

regulatory filings, including preparing and filing rate case applications, NRG must require Ayerswood to negotiate a regulatory transition services agreement in good faith with EPCOR which must be executed by the time of Closing. This provision ensures that EPCOR will have access to the historical information and support needed to prepare and file the amended EB-2016-0236 rate application within six to nine months of Closing.

EPCOR will fund the purchase from a combination of its partner's equity and a long-term note payable to its parent company, EUI, at a market interest rate appropriate for EPCOR's credit worthiness. EUI will fund EPCOR's partner's equity and long-term note from any combination of cash on hand, selling a portion of its remaining interest in Capital Power Corporation, issuing long-term debt notes in the Canadian public market under its $1 billion short-form base shelf prospectus, drawing on its $350 million syndicated bank credit facility or issuing commercial paper.

POTENTIAL IMPACTS TO NRG'S CUSTOMERS

1. PRICE IMPACTS

On August 9, 2016, NRG filed is 2017-2021 Gas Distribution Rate Application (EB-2016-0236) with the Board. Given that the underlying cost structures for NRG and EPCOR may be different (including, for example, aspects of operating, maintenance and administration ["OM&A"] costs, and costs of long-term debt), NRG requested on November 16, 2016 that the Board suspend its consideration of the EB-2016-0236 application (with the exception of NRG's requested deferral account to address climate change regulatory regimes, which must be in place prior to January 1, 2017) until the present Application has been adjudicated. EPCOR agrees with this request.

In the interim, NRG proposes to continue applying its interim Board-approved rates currently in effect. If this Application is approved, EPCOR will assume responsibility for the EB-2016-0236 application and will file an amended application within six to nine months of the Closing of the Asset Purchase Agreement. The amended EB-2016-0236 application will provide evidence to support the revenue requirement reflective of EPCOR's ownership of the system.

Based on EPCOR's underlying cost structure, the costs to serve NRG's customers post-transaction are not expected to be higher than they otherwise would have been with NRG. Most of the forecast test year revenue requirement in NRG's EB-2016-0236 application consists of non-discretionary costs (return on equity, salaries of transferred employees, depreciation, etc.) that will not change as a result of the proposed transaction. Just over $1 million of NRG's forecast test year revenue requirement consists of more discretionary regulatory, legal, consulting and management fees. At this time, EPCOR considers these discretionary costs to be reasonable but expects that there may be opportunities to reduce these costs in the future.

Post-transaction, EPCOR hopes to achieve synergies among the gas distribution business operated by NRG today and EUI's other utility businesses. EUI has extensive experience running utility businesses that provide essential public services. Over the

medium- to long-term, with expansion of its business in Ontario, EPCOR expects to realize modest efficiencies in OM&A costs for NRG's gas distribution system, such as costs related to administration and support functions, information systems and technology, and insurance. In addition, it is expected that EPCOR's cost of debt borrowed from its parent company at market rates reflective of EPCOR's credit worthiness should be lower relative to NRG's cost of debt. These opportunities to reduce underlying cost structures would not otherwise arise but for the transaction. As a result, the transaction promotes economic efficiencies and cost effectiveness which will benefit the customers of NRG.

Further, EPCOR will not seek to increase its future revenue requirements recovered from customers in order to recover transaction costs associated with this transaction.

Based on the above, NRG's existing customers will not experience price increases as a result of the proposed transaction and may in fact enjoy modest price decreases over the long-term compared to what rates otherwise would be with NRG.

2. RELIABILITY AND QUALITY OF SERVICE

The adequacy, reliability and quality of NRG's gas distribution service will not be impacted by this transaction. EPCOR's parent company has extensive experience running utility businesses that provide essential public services, and its businesses have consistently met or exceeded service quality metrics in the areas they serve. By way of example, in 2015, the System Average Interruption Duration Index ("SAIDI") for EUI's electricity distribution and transmission businesses (EPCOR Distribution & Transmission Inc., or "EDTI") was 0.91 hours – well below the Alberta Utilities Commission's ("AUC") maximum allowed SAIDI of 1.15 hours. EDTI also had 2015 Customer Satisfaction Index ("CSI") scores of 87.5% (customer initiated contact), well above the AUC benchmark of 75.0% and an overall customer satisfaction rating of 93%. In 2015, EUI's water business repaired water main breaks within 24 hours 97.4% of the time, exceeding its target of 93.7%. Although these services do not currently include

natural gas distribution, EPCOR is proposing to maintain NRG's general manager and all non-executive and operations personnel with local knowledge of NRG's operations post-transaction to ensure continuity of service for NRG's existing customers.

EUI has previously implemented demand side management programs for its water business within the City of Edmonton, and EPCOR intends to utilize this expertise and examine opportunities to bring conservation and efficiency programs to NRG's gas distribution business.

In addition, EPCOR will be bound by all current and future regulatory requirements of the Board (e.g., reporting obligations, gas distribution access, affiliate relations, etc.), the Technical Standards and Safety Authority (re: fuel safety), and Measurement Canada (re: metering) – many of which exist to ensure adequacy and reliability of gas supply, and service quality.

EPCOR is not purchasing the gas production wells of NRG Corp. (a related company to NRG with gas production wells in NRG's service territory). At present, these wells provide enhanced supply reliability on NRG's gas distribution system. In order to ensure committed supply to the gas distribution system post-transaction, the Asset Purchase Agreement requires NRG Corp. to negotiate in good faith with EPCOR in order to conclude a Gas Purchase Agreement (for supply from the wells), which must be executed by Closing. This provision ensures that EPCOR will contractually secure the rights to purchase gas from NRG Corp. for the distribution system by the time that it assumes ownership of the system.

NRG is a customer of Union Gas Limited ("Union") and holds a number of contracts with Union for the transportation, delivery and sale of natural gas to NRG's system (as listed in Schedule 4.1.7 (Consents) to the Asset Purchase Agreement). Under Union's General Terms and Conditions, neither the rights nor the obligations of NRG (as customer) under these contracts are assignable without the prior written consent of Union. However, Union's consent may not be unreasonably withheld or delayed, and

Union has a statutory obligation to serve its customers. NRG will be seeking consent to assign these contracts on the same contractual parameters.

3. FINANCIAL VIABILITY

EPCOR has the financial capacity necessary to fund the purchase price, as well as any capital projects in the future to ensure system reliability and service quality is maintained across the NRG system. EPCOR's parent company, EUI, is a public issuer of debt with current credit ratings of A- (S&P) and A (low) stable (DBRS). In fiscal 2015, EUI's consolidated revenue was $2.018 billion with $365 million in operating income and $435 million in funds from operations. Presently, EUI has credit facilities totalling $575 million of which $350 million is available for borrowing. EUI also has the ability to issue long-term debt in the Canadian public debt market through an existing $1 billion, short-form base shelf prospectus, of which the entire $1 billion capacity is presently available. In addition to the above financing capacity, EUI holds approximately 5.2 million shares of Capital Power Corporation (TSX: CPX) with a current market value of approximately $105 million. EUI has publicly stated its intention to sell its remaining interest in CPX over time as circumstances and needs dictate, which could include funding for capital projects to ensure system reliability and service quality for the NRG distribution system. **Attachment 4** to this Application contains EUI's most recent audited annual financial statements.

The amount of consideration paid by EPCOR will not have a material impact on EUI's financial position. The purchase price will be paid in cash, and is an amount that is less than 0.5% of EUI's total assets.

EUI's financial ratios based on its audited 2015 year end consolidated financial statements are presented in the table below compared to NRG's 2015 financial ratios as published in the 2015 Yearbook of Natural Gas Distributors.

	EUI	NRG
Liquidity Ratio Current Ratio (Current Assets/Current Liabilities)	1.12	0.31
Leverage Ratios Debt Ratio (Total Debt/Total Assets)	0.35	0.44
Debt to Equity Ratio (Total Debt/Shareholder's Equity)	0.84	1.80
Interest Coverage (EBIT/Interest Charges)	3.25	10.58
Profitability Ratios Financial Statement Return on Assets (Net Income/Total Assets)	4.27%	-0.88%
Financial Statement Return on Equity (Net Income/Total Assets)	10.32%	-3.65%

Simply put, the transaction poses no harm in respect of the financial viability of the gas distribution industry in Ontario.

In addition, the transaction will have the benefit of eliminating an issue unique to NRG – namely, the existence of NRG's retractable class of shares, which came before the Board in 2008. As noted in NRG's most recent financial statements (see **Attachment 3**, pages 4 and 15), virtually all of NRG's shareholders' equity is in the form of its Class C non-voting, redeemable and retractable shares. In 2008, Union Gas Limited brought an application before the Board (EB-2008-0273) seeking the Board's approval to discontinue service to NRG on the basis that NRG's creditworthiness was unsatisfactory because the Class C retractable shares should be considered a liability as opposed to equity (per GAAP), thereby placing NRG in a negative equity position. The Board's Decision and Order found that the Class C shares had increased the financial risk associated with NRG, and ordered NRG to, inter alia, provide Union Gas with a Postponement Agreement with respect to the redemption with the Class C shares. In NRG's 2010 rates proceeding (EB-2010-0018), the issue of NRG's retractable shares

was raised again, with intervenors arguing that NRG's capital structure should be considered entirely debt due to the retractable nature of the shares. The Board commented in its Decision that the nature of the retractable shares did complicate the Board's evaluation of NRG's capital structure, although in the end the Board ascribed to NRG the deemed capital structure for the purposes of rate-setting. As the NRG-EPCOR transaction is an asset sale, upon Closing (and transfer of the assets) the voting securities in the gas distribution utility currently owned and operated by NRG will no longer be retractable. The retractable shares will remain the voting securities of NRG, which will no longer hold any gas distribution assets in Ontario. This removes any consideration of the financial viability of the gas distribution utility after Closing. Based on previous Board determinations, this should be considered a positive outcome for NRG's customers, counterparties, and the financial viability of the gas distribution sector in Ontario.

4. EMPLOYMENT IMPACTS

The proposed transaction will not have any negative impacts on local employment. EPCOR is proposing to maintain NRG's general manager and all non-executive and operations personnel post-transaction, and will retain NRG's local office in Aylmer, Ontario. These steps will ensure that the current local employee count for NRG's distribution system remains the same or similar post-transaction. Initial discussions with employees have been positive and have not indicated any risk of non-acceptance of employment offers.

5. KEY STAKEHOLDERS

EPCOR has consulted with the municipalities with which NRG has franchise agreements, and with IGPC Ethanol, NRG's largest customer (collectively, the "Stakeholders"). It is EPCOR's preliminary understanding that the Stakeholders are supportive of the acquisition.

More importantly, the Stakeholders have been assured that the staff base and service centre will remain in Aylmer within the existing premises. Given this, and that EPCOR is proposing to grow its business within the region described in Section 6 below, there is an increased likelihood that Aylmer may see a modest growth in activity and employment.

6. GROWTH CUSTOMERS

EPCOR expects to focus on expanding services within NRG's existing franchise areas over the initial five-year period of operations. EPCOR is particularly interested in expanding and developing facilities that meet the needs of the agricultural sector which EPCOR is also examining with respect to the franchise agreements it recently acquired in South Bruce County. In NRG's service territory, this expansion is likely to occur south of Aylmer within the north shore Lake Erie region and also in the southwest Oxford area. Further growth in residential customers can also be anticipated in Belmont, which serves as a bedroom community for London, Ontario. All of the above initiatives may benefit the existing rate payers through economies of scale in current operations.

7. SUMMARY

NRG submits that the proposed transaction meets the "no harm test" as the proposed transaction will not adversely impact the attainment of the Board's statutory objectives, and is in the public interest, for the following reasons:

a) the acquisition will not adversely affect the current customers of NRG with respect to prices as the costs to serve NRG's customers post-transaction are not expected to be higher than they otherwise would have been with NRG;

b) the adequacy, reliability and quality of NRG's gas distribution service will not be impacted by this transaction;

c) EPCOR has the financial strength to acquire the assets of NRG;

d) EUI, together with its subsidiaries, has a proven track record as an efficient and successful utility operator;

e) EPCOR has no plans to effect any material changes in the management or personnel of NRG;

f) EPCOR intends to utilize EUI's expertise in demand side management programs to examine opportunities to bring conservation and efficiency programs to NRG's gas business;

g) EPCOR has been and is committed to continue having discussions with stakeholders throughout the transition process; and

h) the proposed expansion of EUI in the Ontario region may provide the opportunity to realize efficiencies in costs.

NRG'S EXISTING REGULATORY APPROVALS

1. FRANCHISE AGREEMENTS

A franchise agreement grants a natural gas utility the right to: (a) distribute, store and transmit natural gas in and through a municipality; and (b) enter upon all highways to lay, construct, maintain, replace, remove, operate and repair its gas system for the purposes of distributing, storing or transmitting natural gas. NRG is a party to the following franchise agreements:

Municipality	**OEB Order**	**Expiry/Renewal Date**
Town of Aylmer	EB-2012-0072	February 28, 2032
Municipality of Bayham	EB-2012-0447	April 17, 2034
Municipality of Central Elgin	EB-2012-0446/EB-2014-0186	August 14, 2034
Township of Malahide	EB-2015-0205	October 15, 2035
Township of South-West Oxford	EB-2012-0475	May 9, 2034
Municipality of Thames Centre	EB-2012-0444/EB-2014-0153	August 11, 2034
City of London	EB-2012-0445/EB-2014-0188	August 14, 2034
County of Norfolk	EB-2012-0476/EB-2014-0207	September 18, 2034
Elgin County	EB-2015-0307	February 1, 2036
Middlesex County	EB-2016-0145	May 19, 2036
Oxford County		Pending extension

Copies of these franchise agreements are included as **Attachment 6**. All are in the form of the Board's Model Franchise Agreement, and are for twenty year terms (see expiry/renewal period in table above). With respect to the Oxford County franchise, under the Asset Purchase Agreement, NRG must use best efforts to renew its franchise agreement with this municipality by the time of Closing. In order to properly carry on

the gas distribution business of NRG, the Asset Purchase Agreement transfers (subject to Board approval) the franchise agreements to EPCOR.

2. CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

A Certificate of Public Convenience and Necessity ("CPCN") is required from the Board in order for a utility to construct any works to supply natural gas in a municipality. NRG holds the following CPCNs:

- E.B.C.111 and 119, dated May 5, 1982
- E.B.C. 239, dated October 16, 1995
- E.B.C. 212, dated February 9, 1996
- E.B.C. 242, dated September 6, 1996

Copies of these CPCN's are included as **Attachment 7**. In order to properly carry on the gas distribution business of NRG, the Asset Purchase Agreement transfers (subject to Board approval) the CPCNs to EPCOR.

3. RATE ORDERS

NRG is subject to the following rate orders from the Board:

- Decision and Order EB-2015-0115 (2016 IRM rate adjustment, which established NRG's current distribution rates, made interim via Procedural Order No. 1 in EB-2016-0236 dated September 28, 2016)
- Decision and Order EB-2016-0266 (order approving quarterly rate adjustment for the period October 1 to December 31, 2016, which reflects NRG's current commodity rates)
- Decision and Order EB-2016-0330 (interim order approving NRG's proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan effective January 1, 2017).

Copies of these rate orders are included as **Attachment 8.** These orders are required by EPCOR in order to charge its customers for the distribution and sale of natural gas post-transaction.

Attachments

Attachment 1 – NRG Corporate Organization

Attachment 2 – EPCOR Corporate Organization

Attachment 3 – NRG Financial Statements

Attachment 4 – EUI Financial Statements

Attachment 5 – Asset Purchase Agreement (executed/redacted)

Attachment 6 – Existing Franchise Agreements

Attachment 7 – Existing Certificates of Public Convenience and Necessity

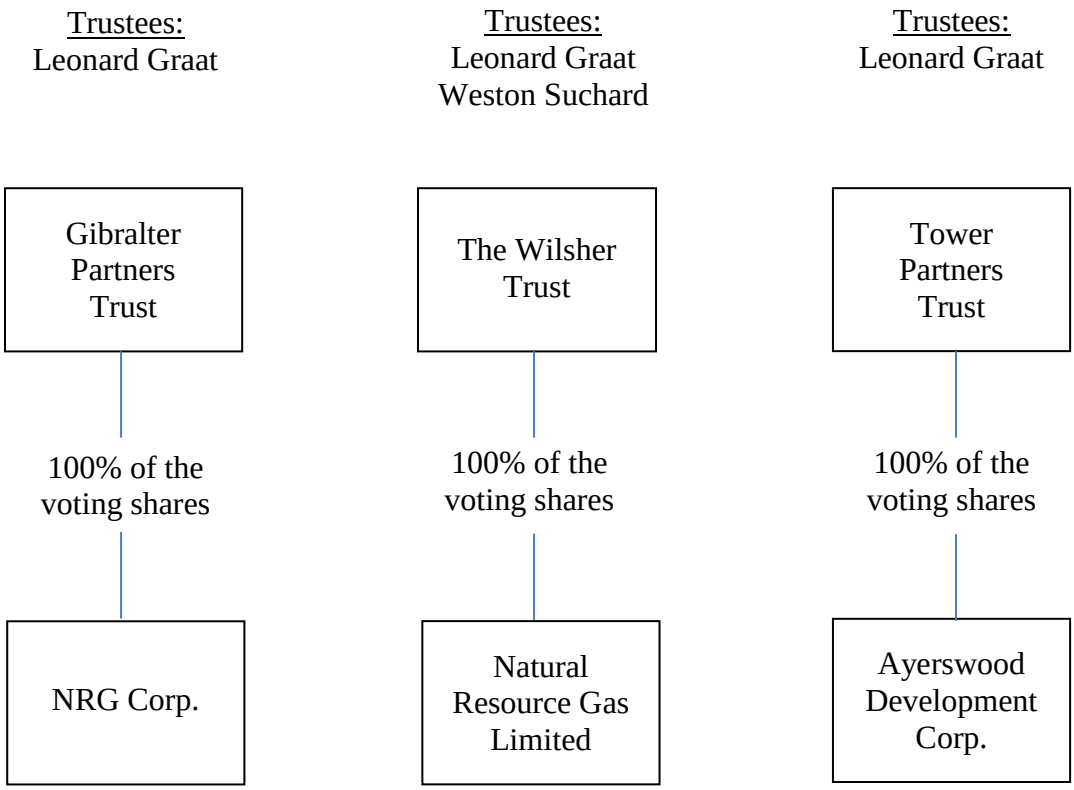
Attachment 8 – Existing Rate Schedules

Attachment 9 – System Map

Attachment 10 – EPCOR Investor Presentation

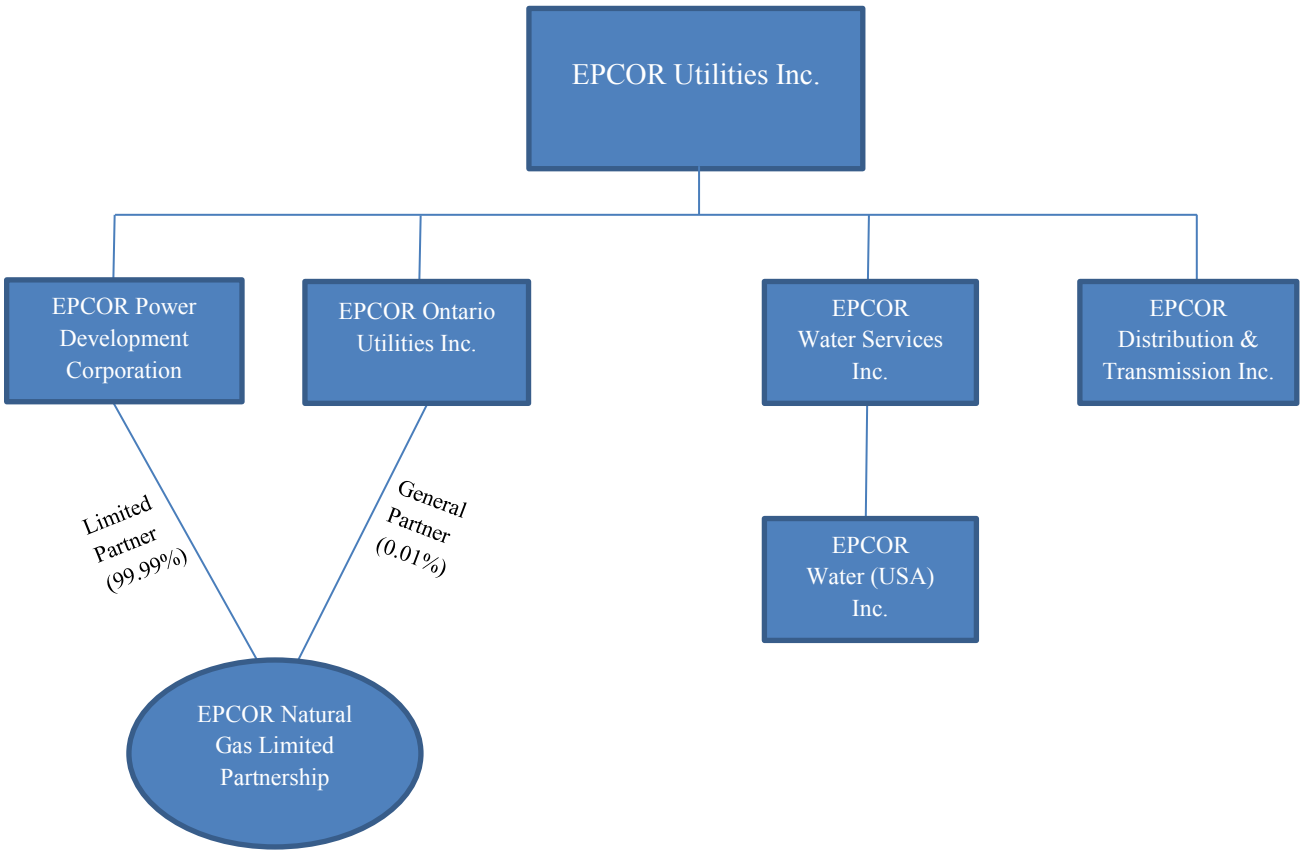
ATTACHMENT 1

NATURAL RESOURCE GAS LIMITED
CORPORATE ORGANIZATION CHART



ATTACHMENT 2

Attachment 2



This organizational chart reflects a simplified organizational structure and indicates the EPCOR Utilities Inc. ("EUI") subsidiaries related to the transaction and EUI's material subsidiaries as of the date of this application.

ATTACHMENT 3

NATURAL RESOURCE GAS LIMITED

Financial Statements

Year Ended September 30, 2015

NATURAL RESOURCE GAS LIMITED
Index to Financial Statements
Year Ended September 30, 2015

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Tel: 519 432 5534
Fax: 519 432 6544
www.bdo.ca

BDO Canada LLP
633 Colborne Street
Unit 300
London Ontario N6B 2V3 Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Natural Resource Gas Limited

We have audited the accompanying financial statements of Natural Resource Gas Limited, which comprise the balance sheet as at September 30, 2015 and the statements of deficit and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

Basis for Qualified Opinion

The Company has issued and outstanding Class C shares with a redemption value of $13,461,418. Canadian accounting standards for private enterprises require that the company present and classify shares that are retractable at the option of the shareholder as a liability on the balance sheet unless the shares were issued under certain income tax planning arrangements. The Company has presented these shares as part of shareholders' equity. If the shares were classified as liabilities, then the total liabilities as at September 30, 2015 would increase by $13,461,418 and share capital would decrease by $13,461,418.

Qualified Opinion

In our opinion, except that the Class C shares of the Company have been presented as part of shareholders' equity rather than as a liability, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2015 and the results of its operations and its cash flows for then ended in accordance with Canadian Accounting standards for private enterprises.

Other Matter

The financial statements for the year ended September 30, 2014 were audited by the firm of NPT LLP, whose practice now operates under BDO Canada LLP.

BDO Canada LLP

London, Ontario
March 14, 2016

Chartered Professional Accountants
Licensed Public Accountants

NATURAL RESOURCE GAS LIMITED

Balance Sheet

September 30, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	**$ -**	$ 668,348
Accounts receivable *(Notes 9, 13, 16)*	**910,360**	2,335,798
Taxes other than income taxes recoverable	**9,123**	-
Inventory	**42,991**	92,222
Prepaid expenses	**205,113**	73,970
Assets related to discontinued operations *(Note 4)*	**13,397**	1,353,263
	1,180,984	4,523,601
Property, plant and equipment *(Note 5)*	**10,952,124**	11,258,663
Franchises and consents *(Note 6)*	**452,378**	446,661
Deferred charges *(Note 7)*	**1,046,859**	1,183,395
Future income taxes	**332,500**	-
	$ 13,964,845	$ 17,412,320

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Balance Sheet

September 30, 2015

		2015		2014
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Bank indebtedness *(Note 8)*	**$**	**301,383**	$	-
Accounts payable and accrued liabilities *(Notes 9, 12)*		**3,029,478**		3,216,094
Taxes other than income taxes payable		**-**		271
Income taxes payable		**101,933**		99,463
Customer deposits		**134,340**		135,369
Deferred revenue		**121,402**		118,667
Future income taxes		**216,000**		128,700
Term notes payable *(Note 10)*		**5,372,191**		5,717,995
		9,276,727		9,416,559
Future income taxes		**-**		152,000
Accounts payable due beyond one year *(Note 13)*		**1,006,017**		501,438
		10,282,744		10,069,997
SHAREHOLDERS' EQUITY				
Share capital *(Note 11)*		**13,461,439**		13,461,439
Deficit		**(9,779,338)**		(6,119,116)
		3,682,101		7,342,323
	$	**13,964,845**	$	17,412,320

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED
Statement of Deficit
Year Ended September 30, 2015

	2015	2014
DEFICIT - BEGINNING OF YEAR	**$ (6,119,116)**	$ (6,804,011)
Net income (loss) for the year	**(160,222)**	684,895
	(6,279,338)	(6,119,116)
Dividends paid	**(3,500,000)**	-
DEFICIT - END OF YEAR	**$ (9,779,338)**	$ (6,119,116)

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Income

Year Ended September 30, 2015

	2015	2014
Gas commodity revenue	**$ 5,830,818**	$ 5,634,874
Gas commodity cost	**(5,821,334)**	(5,625,327)
Gross margin on commodity	**9,484**	9,547
Distribution revenue	**6,697,276**	6,592,877
Distribution costs	**(1,044,521)**	(1,023,941)
Gross margin on distribution	**5,652,755**	5,568,936
Other sales	**30,772**	42,120
Labour and materials costs related to other sales	**(16,526)**	(109,873)
	14,246	(67,753)
TOTAL GROSS MARGIN	**5,676,485**	5,510,730
OPERATING EXPENSES (Schedule 1)	**6,042,879**	5,491,396
INCOME FROM OPERATIONS	**(366,394)**	19,334
OTHER INCOME (EXPENSES)		
Other revenue	**$ 142,557**	$ 148,393
Interest income on investments	**31,038**	-
Losses on disposal of investments	**(2,622,625)**	-
	(2,449,030)	148,393
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	**(2,815,424)**	167,727
INCOME TAXES (RECOVERY)		
Current income taxes	**14,000**	152,000
Future income taxes	**(397,200)**	(160,300)
	(383,200)	(8,300)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(2,432,224)**	176,027
Gain on disposal of discontinued operations (net of income tax)*(Note 4)*	**1,869,582**	-
Income related to discontinued operations (net of income tax) *(Note 4)*	**402,420**	508,867
TOTAL INCOME FROM DISCONTINUED OPERATIONS	**2,272,002**	508,867
NET INCOME FOR THE YEAR	**$ (160,222)**	$ 684,894

See accompanying notes to the financial statements.

NATURAL RESOURCE GAS LIMITED

Statement of Cash Flow

Year Ended September 30, 2015

	2015	2014
OPERATING ACTIVITIES		
Net income for the year	**$ (160,222)**	$ 684,895
Items not affecting cash:		
Amortization of property, plant and equipment	**1,029,382**	1,070,970
Gain on disposal of assets related to discontinued operations	**(1,869,582)**	-
Loss on disposal of investments	**2,622,625**	-
Amortization of franchises and consents, and deferred charges	**103,304**	95,565
Amortization of regulatory charges	**141,500**	276,245
Future income taxes	**(397,200)**	(160,300)
	1,469,807	1,967,375
Changes in non-cash working capital *(Note 15)*	**1,667,187**	(324,054)
Cash flow from operating activities	**3,136,994**	1,643,321
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(755,044)**	(809,937)
Proceeds on disposal of property, plant and equipment	**55,110**	42,180
Proceeds on disposal of assets related to discontinued operations	**3,175,287**	-
Additions to deferred charges	**(74,601)**	(1,044,663)
Additions to franchise and consents	**(39,047)**	(115,157)
Proceeds from sale of investments	**8,073,730**	-
Purchases of investments	**(10,696,356)**	-
Cash flow used by investing activities	**(260,921)**	(1,927,577)
FINANCING ACTIVITIES		
Dividends paid	**(3,500,000)**	-
Repayments of term notes payable	**(345,804)**	(345,804)
Cash flow used by financing activities	**(3,845,804)**	(345,804)
DECREASE IN CASH	**(969,731)**	(630,060)
Cash - beginning of year	**668,348**	1,298,408
CASH (BANK INDEBTEDNESS) - END OF YEAR	**$ (301,383)**	$ 668,348

See accompanying notes to the financial statements.

1. NATURE OF BUSINESS

The Company operates as a rate regulated, natural gas distribution utility and operates within a limited area of Southwestern Ontario under franchise agreements that are approved by the Ontario Energy Board (OEB).

The utility operations are subject to regulations under The Ontario Energy Board Act and The Energy Act (Ontario). Revenue rate schedules are approved periodically by the OEB and are designed to permit a fair and reasonable return to the Company on the utility investment. Realization of the allowed rate of return is subject to actual operating conditions experienced during the year.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE). ASPE are part of Canadian generally accepted accounting principles (GAAP).

Such accounting principles may differ for regulated entities from those otherwise expected in non-regulated entities. These differences occur when the OEB renders their decisions on the Company's rate applications and generally involve the timing of revenue and expense recognition to ensure that the Company has achieved a proper matching of revenues and expenses, and as a result the Company records assets and liabilities that would not have been recorded under ASPE for non-regulated entities.

In addition to defining certain accounting requirements, the OEB has jurisdiction over a number of other matters, which include the rates to be charged for the distribution of gas and approval and recovery of costs for major construction and operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company recognizes revenues when gas has been delivered or services have been performed. Gas distribution revenues are recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the reporting period.

A significant portion of the Company's operations are subject to regulation and accordingly there are circumstances where the revenues recognized do not match the amounts billed. Revenue is recognized in a manner consistent with the underlying rate setting mechanism as mandated by the OEB. This may give rise to regulatory deferral accounts on the balance sheet (included in accounts receivable or accounts payable and accrued liabilities) pending disposition by a decision of the OEB.

Rental revenue is recognized as income in the month earned. Revenue on other sales not subject to rate regulations are recognized when goods have been delivered or services have been performed.

Investment revenue is recognized as income when the dividends and interest is received. Gains or losses are recorded upon disposal of investments.

Cash

Cash consists of cash on hand and bank account balances, with adjustments for outstanding cheques or deposits at year-end.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventory

Inventory consists of materials used for the service of existing gas pipelines and the addition of new gas pipelines. Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Net realizable value is defined as replacement cost.

Franchises and consents

Costs associated with acquiring municipal franchises and other consents are capitalized when incurred, if the franchise application is successful. These costs are amortized on a straight line basis over the term of the franchise.

These assets are tested for an impairment in value when events or circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing their carrying value to estimates of their fair value. Fair value is based on estimates of discounted future cash flows or other valuation methods. When the fair value is determined to be less than carrying value, the resulting impairment is reported in the income statement.

Deferred charges

Certain costs, required or permitted by the OEB, have been deferred for recovery from future revenues. The period of recovery for these deferrals has been or will be determined by decisions of the OEB, and will determine the classification of these charges in the financial statements.

Property, plant and equipment

Property, plant and equipment is recorded at cost, including associated labour and overhead costs. Expenditures which substantially increase the useful life of existing pipeline installations and additions to the pipeline are capitalized. Such expenditures include material, labour and overhead. Maintenance and repairs which do not extend the useful life of pipeline installations are charged to income.

Pursuant to the regulations of the OEB on the disposal of property, plant, and equipment that is subject to rate regulation, the company transfers the original cost of the retired assets, plus any related removal costs and net of any proceeds on disposition, to accumulated amortization. Proceeds from disposition are credited to accumulated amortization. This effectively credits gains, or charges losses on disposition to accumulated amortization.

For disposals of major property, plant and equipment and for those assets not subject to rate regulation, gains or losses are included in current earnings.

The company has reviewed its long-lived assets and determined there exists no asset retirement obligation as of September 30, 2015.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortization

Pursuant to the periodic review and approval by the OEB of amortization rates, amortization is calculated on the total gross cost of each asset category at the end of the year, rather than on an asset specific basis. Property, plant and equipment are amortized at the following rates and methods listed below:

Buildings	2%	straight-line method
Machinery and equipment	6% to 9%	declining balance method
Automotive equipment	17%	straight-line method
Computer equipment	33%	declining balance method
Furniture and fixtures	7%	straight-line method
Meters and regulators	3% to 4%	straight-line method
Pipeline installations	3% to 5%	straight-line method

Pursuant to the approval of the OEB, the company changes its amortization rates for the various categories of property, plant and equipment as well as for franchises and consents based upon OEB Rate Case filings. The last change was made at the start of the fiscal 2005 year, and the rates were reaffirmed as part of the 2011 Cost of Service Rate filing. Any such changes in estimate are applied on a prospective basis.

Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;
- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income taxes assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

Gas commodity costs and gas transportation costs

Gas commodity costs and gas transportation costs are recorded using prices approved by the OEB in the determination of customers sales rates. Differences between the OEB approved reference prices and those costs actually incurred are deferred in accounts receivable or accounts payable for consideration in future rate adjustments or disposition subject to the approval of the OEB. In a non-regulated environment periodic variances between gas commodity sales rates and costs or gas transportation costs would be reported through the income statement annually without the use of deferral accounts.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their original issuance or assumption.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASPE requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. DISCONTINUED OPERATIONS

The Company has sold its water heater sales and rental division. The water heater sales and rental division was sold as an operating unit on July 1, 2015 with operations ceased on June 30, 2015. The Company completed the sale prior to the year end for the majority of assets related to this division. The following assets and liabilities of the water heater sales and rentals division have been reported as assets of discontinued operations:

		2015		2014
Assets of discontinued operations:				
Inventory	**$**	**13,397**	$	13,585
Property and equipment		**-**		1,339,678
Total assets of discontinued operations	**$**	**13,397**	$	1,353,263

The income from discontinued operations in the statement of operations is reported net of related income tax expense of $446,000 (2014 - $183,000).

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2015 Net book value**	2014 Net book value
Land	$ 71,700	$ -	**$ 71,700**	$ 71,700
Buildings	687,374	228,434	**458,940**	474,199
Machinery and equipment	773,753	603,727	**170,026**	147,773
Automotive equipment	322,234	324,662	**(2,428)**	81,876
Computer equipment	445,444	383,707	**61,737**	55,131
Furniture and fixtures	110,072	74,889	**35,183**	36,399
Meters and regulators	4,180,944	2,328,135	**1,852,809**	1,714,324
Pipeline installations	16,545,123	8,240,966	**8,304,157**	8,677,261
	$ 23,136,644	$ 12,184,520	**$ 10,952,124**	$ 11,258,663

6. FRANCHISES AND CONSENTS

	2015	2014
Franchises and consents	**$ 678,567**	$ 639,520
Accumulated amortization	**(226,189)**	(192,859)
	$ 452,378	$ 446,661

7. DEFERRED CHARGES

	2015	2014
Deferred charges (see note below)	**$ 1,044,663**	$ 1,044,663
Rates application costs	**282,977**	672,990
Less: Accumulated amortization	**(280,781)**	(534,258)
	$ 1,046,859	$ 1,183,395

Deferred charges consist of amounts ordered by the OEB to be paid to a customer. Deferred charges are amortized over 15 years on a straight line basis.

Rates applications costs are deferred and amortized on a straight line basis over the time period for which the application applies.

8. OPERATING LINE OF CREDIT

The Company has credit facilities in the amount of $3,000,000 which it obtained in conjunction with the term note, consisting of:

a) Operating line of credit in the amount of $1,000,000 with interest at the Bank's Prime Rate on any advances, and

b) Non-revolving line of credit in the amount of $2,000,000 to be used for financing capital expenditures with interest at the Bank's Prime Rate plus 0.25% on any advances.

The continuation of the above credit facilities is subject to annual review by the Bank. These credit facilities are secured by the security agreement in place as disclosed in note 10.

9. RELATED PARTY TRANSACTIONS

Included in accounts receivable are amounts receivable from related companies of $7,710 (2014 - $4,195).

Included in accounts payable and accrued liabilities are amounts payable to related companies of $50,040 (2014 - $72,859).

During the year, management fees of $457,020 (2014 - $457,020) were paid to a related company.

During the year, the Company purchased gas in the amount of $643,573 (2014 - $773,617) from a related company.

During the year, maintenance charges of $6,000 (2014 - $6,000) were charged to a related company.

During the year, the Company paid project management fees of $nil (2014 - $17,653) to a related company.

During the year, the Company agreed to provide credit facilities to a related party up to a maximum of $2,000,000 with interest charged at 1% per annum on the outstanding balance. The credit facility was utilized during the year, however no balance is outstanding on the facility at September 30, 2015. Interest earned on advances made under the credit facility amount to $18,628.

Related companies are companies controlled, directly or indirectly, by trusts, where the beneficiaries of the trusts are common to both trusts, but the trustee or group of trustees which exercise control over any of the related parties are different than the group of trustees of the trust which controls Natural Resource Gas Limited.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. TERM NOTES PAYABLE

		2015		2014
Bank of Nova Scotia term note payable, maturing on June 30, 2016 (matured on June 30, 2015 and extended with identical terms), interest at bank prime plus 0.25%, repayable in monthly payments of $12,386, due on demand.	**$**	**2,316,132**	$	2,464,764
Bank of Nova Scotia term note payable, maturing on November 30, 2016 (matured on April 17, 2015 and extended with identical terms), interest at bank prime, repayable in monthly payments of $16,431 plus interest, due on demand.		**3,056,059**		3,253,231
	$	**5,372,191**	$	5,717,995

The company has pledged the following as security against the term notes payable, the operating line of credit, and the revolving line of credit (note 8):

a) General assignment of book debts

b) General Security Agreement over all of the present and future personal property and undertaking of the company

c) Security under Section 427 of the Bank Act with appropriate insurance coverage assigned to the Bank

d) Postponement of dividends and share redemption payments by the Class C shareholders

e) Demand Debenture for $15,000,000 secured by a first fixed and floating charge over all assets including, but not limited to, the Certificate of Public Convenience and Necessity and all Municipal Franchise Agreements, with replacement cost fire insurance coverage, loss if any, payable to the Bank as mortgagee.

The term notes payable, the operating line of credit, and the revolving line of credit include the following covenants that the company must meet:

1. maintain a debt service coverage ratio of 1.25:1 or better; and

2. maintain a ratio of debt to tangible net worth of 3.0 or less; and

3. annual capital expenditures of $1.3 million or less; and

At September 30, 2015, the company was not in compliance with covenant #2. The bank acknowledges and waives this breach, subject to it's correction on or before June 30, 2016.

11. SHARE CAPITAL

Authorized:

Unlimited	Unlimited Class A shares, non-voting, redeemable and retractable at the paid up amount, with non-cumulative dividends
Unlimited	Unlimited Class B shares, participating, non-voting, with non-cumulative dividends ranking pari passu with common shares on dissolution
Unlimited	Unlimited Class C shares non-voting, with preferential 7% non-cumulative dividends redeemable and retractable at $100 per share
Unlimited	Unlimited Class Z shares voting, redeemable and retractable at $1 per share, with no dividend entitlement
Unlimited	Unlimited number of common shares

			2015		2014
Issued:					
50,000	Class A shares	**$**	**1**	$	1
10	Class B shares		**10**		10
134,614	Class C shares		**13,461,418**		13,461,418
10	Class Z shares		**10**		10
		$	**13,461,439**	$	13,461,439

12. GAS IMBALANCES

The Company, in the normal course of its operations experiences imbalances in the quantity of gas purchased and the quantities of gas consumed and provides the gas balancing services to customers. The company records the net liability (or net asset) associated with gas imbalance volumes.

Accounts payable and accrued liabilities include $138,891 (2014 - $137,117) related to gas imbalances. Natural gas volumes owed from the Company are valued at the natural gas reference price as approved by the OEB as of the balance sheet dates.

13. REGULATORY MATTERS

The Company's distribution rates are approved by the OEB. The Company's commodity rates are approved by the OEB and adjusted on a quarterly basis based on commodity price forecasts. The difference between the approved and the actual cost of gas incurred in the current period is deferred for future recovery subject to approval by the OEB.

During the prior year, Union Gas charged the Company $2,007,250 for the shortfall of the winter checkpoint. This was later reduced from a Decision and Order made by the OEB to $1,287,548. Subsequent to year-end, the OEB issued a Decision and Order on this matter which confirmed the amount of the allowable charge by Union Gas. The Decision and Order allowed $181,531 of this to be recoverable through the commodity variance account, while the remaining $1,106,016 was not to be recovered through rates. The Decision and Order sets out the terms of payment of the charge to Union Gas, which will be repayable over multiple years based on operating results of the Company. Therefore, a portion of this liability has been classified as long term.

The Company has a matter before the OEB relating to the allowable natural gas price it can recover from natural gas purchased from a related party. The OEB is currently seeking additional information prior to making a ruling on this matter.

During the year, the OEB issued Decision and Orders which approved a new franchise agreement with a municipality for a period of 20 years, retroactive to the expiry date of the previous interim orders.

Accounting principles differ for regulated entities from those otherwise expected in non-regulated entities. These differences occur when the regulatory agencies render their decisions on the Company's rate applications and generally involve the timing of revenue and expense recognition to ensure that the Company has achieved a proper matching of revenues and expenses, and as a result the Company records assets and liabilities that would not have been recorded under ASPE for non-regulated entities. The following balances are a direct result of rate regulatory matters:

Included in accounts payable is $1,212,200 (2014 - $1,157,309 included in accounts receivable) resulting from the regulated ratemaking process that may not be recorded under ASPE in the absence of rate regulation. The Company estimates that this amount will be settled in the upcoming year.

In the absence of rate-regulation, some of the above balances would be recognized in the income statement of the organization. As a result, net income from operations would be increased by $668,300 (2014 - decreased by $1,804,000).

In the absence of rate-regulation, the Company's current future income tax liability would be lower by $216,000 (2014 - $128,700) as a result of the elimination of the regulatory amounts included in accounts payable and accounts receivable.

14. CAPITAL LOSSES FOR INCOME TAX CARRIED FORWARD

During the year, the company incurred a capital loss of $2,622,625 which is available for application against future years' capital gains, with no expiry date. This amount has been included in the calculation of future tax assets and liabilities.

15. CHANGES IN NON-CASH WORKING CAPITAL

		2015		2014
Accounts receivable	**$**	**1,425,438**	$	(1,726,275)
Taxes other than income taxes payable/recoverable		**(9,394)**		27,577
Inventory		**49,230**		(10,227)
Prepaid expenses		**(131,143)**		(26,925)
Assets related to discontinued operations		**10,915**		7,351
Accounts payable and accrued liabilities		**(186,614)**		955,726
Income taxes payable		**2,470**		(98,784)
Customer deposits		**(1,029)**		(1,186)
Deferred revenue		**2,735**		47,251
Accounts payable due beyond one year		**504,579**		501,438
	$	**1,667,187**	$	(324,054)

16. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments. The following analysis provides information about the Company's risk exposure and concentration. There have been no significant changes to the nature or concentration of these risks from the prior year, unless otherwise stated.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Company has the ability to take security deposits if there are payment issues, and charge interest and penalties on any late payments. The Company has a significant number of customers which minimizes concentration of credit risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The allowance for doubtful accounts was $207,016 at September 30, 2015 (2014 - $169,850).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts. The Company's objective is to generate sufficient cash from its operations to meet its financial obligations. The Company also maintains available credit facilities as described in note 8 to support the liquidity requirements of the business.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(continues)

16. FINANCIAL INSTRUMENTS *(continued)*

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates. The company was exposed to currency risk on the short-term investments it held during the year. As of September 30, 2015, it does not hold financial instruments denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its term notes payable and lines of credit as they bear interest at a fluctuating bank prime rate related interest rate. Additionally, the Company earns interest or is charged interest on its regulatory amounts receivable or amounts payable at the interest rate prescribed by the OEB, which is subject to adjustment on a quarterly basis.

Included in other revenue is interest income of $64,350 (2014 - $52,683) earned on regulatory balances and charged on late payments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to other price risk through its natural gas prices.

The Company has entered into several material contracts for the supply of natural gas. The Company employs established policies and procedures in order to manage the risk associated with the market fluctuations of natural gas prices. The Company, through the rate regulations imposed by the OEB, is effectively allowed to fully recover its costs, reasonably incurred, and as such the ratepayers, and not the Company, are ultimately exposed to the risk of these market fluctuations.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

NATURAL RESOURCE GAS LIMITED

Schedule of Operating Expenses ***(Schedule 1)***

Year Ended September 30, 2015

	2015	2014
Salaries and benefits	**$ 1,459,506**	$ 1,395,988
Gas commodity costs *(Note 13)*	**1,214,101**	146,741
Amortization of property, plant and equipment	**891,475**	890,253
Property taxes	**533,094**	506,712
Management fees *(Note 9)*	**457,020**	457,020
Professional fees	**263,519**	89,135
Ontario Energy Board hearings and regulatory charges	**225,356**	1,036,973
Office	**207,167**	187,968
Insurance	**174,538**	164,744
Repairs and maintenance	**172,847**	144,595
Interest on term notes payable	**165,643**	183,250
Amortization of franchises and consents and deferred charges	**103,304**	95,565
Vehicle	**65,516**	81,090
Advertising	**62,642**	54,094
Bad debts	**37,166**	32,034
Interest expense	**28,348**	45,056
Utilities	**10,765**	9,825
	6,072,007	5,521,043
Equipment expenses capitalized to pipeline installations	**(18,482)**	(19,142)
Amortization capitalized to pipeline installations	**(10,645)**	(10,504)
	$ 6,042,880	$ 5,491,397

See accompanying notes to the financial statements.

ATTACHMENT 4

Consolidated Financial Statements of

EPCOR UTILITIES INC.

Years ended December 31, 2015 and 2014

Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of EPCOR Utilities Inc. are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to March 3, 2016. Financial information presented elsewhere is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management, and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the Company's external auditors. The external auditors are responsible for auditing the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditors' report outlines the scope of their audit and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is composed of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,

Stuart Lee
President and Chief Executive Officer

Guy Bridgeman
Senior Vice President and Chief Financial Officer

March 3, 2016

EPCOR UTILITIES INC.

Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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Notes to the Consolidated Financial Statements 6

KPMG LLP
Chartered Professional Accountants
10125-102 Street
Commerce Place
Edmonton AB
T5J 3V8

Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Utilities Inc.

We have audited the accompanying consolidated financial statements of EPCOR Utilities Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EPCOR Utilities Inc. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
March 3, 2016
Edmonton, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

EPCOR UTILITIES INC.

Consolidated Statements of Comprehensive Income
(In millions of Canadian dollars)

Years ended December 31, 2015 and 2014

	2015	2014
Revenues and other income:		
Revenues (note 5)	$ 1,996	$ 1,904
Other income (note 5)	22	23
	2,018	1,927
Operating expenses:		
Energy purchases and system access fees	792	868
Other raw materials and operating charges	229	173
Staff costs and employee benefits expenses (note 6)	298	292
Depreciation and amortization (note 6)	178	159
Franchise fees and property taxes	97	94
Other administrative expenses (note 6)	59	56
	1,653	1,642
Operating income	365	285
Finance expenses (note 7)	(117)	(119)
Gains on equity investment in Capital Power (note 15)	60	-
Impairment of available-for-sale investment in Capital Power (note 15)	(60)	-
Dividend income from available-for-sale investment in Capital Power	10	-
Equity share of income of Capital Power (note 15)	5	15
Gain on dilution of equity interest in Capital Power (note 15)	-	8
Income before income taxes	263	189
Income tax recovery (expense) (note 8)	(3)	2
Net income for the year – all attributable to the Owner of the Company	260	191
Other comprehensive income (loss):		
Item that will not be reclassified to net income:		
Re-measurements of net defined benefit plans[1]	2	(7)
Items that may subsequently be reclassified to net income:		
Equity share of other comprehensive income of Capital Power[2] (note 15)	2	8
Equity share of other comprehensive income of Capital Power realized in net income[3] (note 15)	(9)	-
Fair value loss on available-for-sale investment in Capital Power (note 15)	(60)	-
Impairment of available-for-sale investment in Capital Power reclassified to net income (note 15)	60	-
Unrealized gain on foreign currency translation	61	27
	54	35
	56	28
Comprehensive income for the year - all attributable to the Owner of the Company	$ 316	$ 219

1 For the years ended December 31, 2015 and 2014, net of income tax recovery of nil and $2 million, respectively.

2 For the years ended December 31, 2015 and 2014, net of income tax expense of nil and $2 million, respectively.

3 For the years ended December 31, 2015 and 2014, net of reclassification of income tax expense of $2 million and nil, respectively.

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Financial Position
(In millions of Canadian dollars)

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents (note 9)	$ 36	$ 37
Trade and other receivables (note 10)	620	333
Inventories (note 11)	15	14
	671	384
Non-current assets:		
Finance lease receivables (note 12)	1	118
Other financial assets (note 13)	316	408
Deferred tax assets (note 14)	77	69
Investment in Capital Power (note 15)	-	393
Available-for-sale investment in Capital Power (note 15)	167	-
Property, plant and equipment (note 16)	4,568	4,112
Intangible assets and goodwill (note 17)	288	254
	5,417	5,354
TOTAL ASSETS	$ 6,088	$ 5,738
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables (note 18)	$ 259	$ 248
Loans and borrowings (note 19)	242	117
Deferred revenue (note 20)	32	23
Provisions (note 21)	37	38
Derivatives (note 22)	2	3
Other liabilities (note 23)	27	25
	599	454
Non-current liabilities:		
Loans and borrowings (note 19)	1,875	1,963
Deferred revenue (note 20)	920	847
Deferred tax liabilities (note 14)	35	19
Provisions (note 21)	123	97
Derivatives (note 22)	10	6
Other liabilities (note 23)	11	12
	2,974	2,944
Total liabilities	3,573	3,398
Equity attributable to the Owner of the Company:		
Share capital (note 24)	24	24
Accumulated other comprehensive income (note 25)	97	41
Retained earnings	2,394	2,275
Total equity	2,515	2,340
TOTAL LIABILITIES AND EQUITY	$ 6,088	$ 5,738

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)

December 31, 2015 and 2014

		Accumulated other comprehensive income (loss)						
	Share capital (note 24)	Cash flow hedges (note 25)	Available-for-sale financial assets (note 25)	Cumulative translation account (note 25)	Employee benefits account (note 25)	Investment in Capital Power (note 25)	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2014	$ 24	$ (5)	$ 1	$ 44	$ (11)	$ 12	$ 2,275	$ 2,340
Net income for the year	-	-	-	-	-	-	260	260
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	2	-	-	2
Equity share of other comprehensive income of Capital Power	-	-	-	-	-	2	-	2
Equity share of other comprehensive income of Capital Power realized in net income	-	5	-	-	-	(14)	-	(9)
Fair value loss on available-for-sale investment in Capital Power	-	-	(60)	-	-	-	-	(60)
Impairment of available-for-sale investment in Capital Power reclassified to net income	-	-	60	-	-	-	-	60
Unrealized gain on foreign subsidiary	-	-	-	61	-	-	-	61
Total comprehensive income (loss)	-	5	-	61	2	(12)	260	316
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2015	$ 24	$ -	$ 1	$ 105	$ (9)	$ -	$ 2,394	$ 2,515

		Accumulated other comprehensive income (loss)						
	Share capital (note 24)	Cash flow hedges (note 25)	Available-for-sale financial assets (note 25)	Cumulative translation account (note 25)	Employee benefits account (note 25)	Investment in Capital Power (note 25)	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2013	$ 24	$ (5)	$ 1	$ 17	$ (4)	$ 4	$ 2,225	$ 2,262
Net income for the year	-	-	-	-	-	-	191	191
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	(7)	-	-	(7)
Equity share of other comprehensive income of Capital Power	-	-	-	-	-	8	-	8
Unrealized gain on foreign subsidiary	-	-	-	27	-	-	-	27
Total comprehensive income (loss)	-	-	-	27	(7)	8	191	219
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2014	$ 24	$ (5)	$ 1	$ 44	$ (11)	$ 12	$ 2,275	$ 2,340

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Cash Flows
(In millions of Canadian dollars)

Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from (used in) operating activities:		
Net income for the year	$ 260	$ 191
Reconciliation of net income for the year to cash from (used in) operating activities:		
Interest paid	(120)	(118)
Finance expenses (note 7)	117	119
Income taxes recovered (paid)	1	(9)
Income tax expense (recovery) (note 8)	3	(2)
Depreciation and amortization (note 6)	178	159
Change in employee benefits provisions	(3)	12
Contributions received (note 20)	30	23
Deferred revenue recognized (note 20)	(24)	(23)
Fair value change on derivative instruments (note 22)	3	8
Gain on dilution of equity interest in Capital Power (note 15)	-	(8)
Gains on equity investment in Capital Power (note 15)	(60)	-
Impairment of available-for-sale investment in Capital Power (note 15)	60	-
Equity share of income from Capital Power (note 15)	(5)	(15)
Dividend income from available-for-sale investment in Capital Power (note 15)	(10)	-
Other	5	-
Funds from operations	435	337
Change in non-cash operating working capital (note 26)	(19)	17
Net cash flows from operating activities	416	354
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment and other assets[1]	(463)	(385)
Proceeds on disposal of property, plant and equipment	24	2
Change in non-cash investing working capital (note 26)	3	(2)
Advances on finance lease receivables and other financial assets	(55)	(23)
Payment of Gold Bar transfer fees	(1)	(6)
Net proceeds on sale of a portion of investment in Capital Power	216	-
Distributions received from Capital Power	19	24
Net cash flows used in investing activities	(257)	(390)
Cash flows from (used in) financing activities:		
Proceeds from issuance (repayment) of short-term loans and borrowings	(5)	103
Repayment of long-term loans and borrowings	(10)	(16)
Provisions	(4)	(3)
Dividends paid	(141)	(141)
Net cash flows used in financing activities	(160)	(57)
Decrease in cash and cash equivalents	(1)	(93)
Cash and cash equivalents, beginning of year	37	130
Cash and cash equivalents, end of year	$ 36	$ 37

[1] Interest payment of $6 million (2014 – $5 million) is included in acquisition or construction of property, plant and equipment and other assets.

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 3, 2016.

(b) Basis of measurement

The Company's consolidated financial statements are prepared on the historical cost basis, except for its beneficial interest in the sinking fund held with the City, available-for-sale investment in Capital Power and its derivative financial instruments, which are measured at fair value.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of consolidation

These consolidated financial statements include the accounts of EPCOR, its wholly owned subsidiaries and joint arrangements at December 31, 2015. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from the performance of the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date on which EPCOR obtains control, and continue to be consolidated until the date that such control ceases to exist. All intercompany balances and transactions have been eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The financial statements of the subsidiaries are prepared for the same reporting period as EPCOR, using consistent accounting policies.

(b) Changes in significant accounting policies

The Company adopted amendments to various accounting standards effective January 1, 2015, that did not have a significant impact on these financial statements.

(c) Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in net income. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent consideration are recognized in net income.

Goodwill is initially recorded at the consideration paid at acquisition less the fair value of the net assets of the consolidated business acquired. Subsequently, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized.

(d) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company for the provision of goods or services and where the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received, excluding discounts, rebates and sales taxes or duty.

Certain water services contracts contain multiple-deliverables arrangements. Each deliverable that is considered to be a separate unit of account is accounted for individually. Significant judgment is required to determine an appropriate allocation of the total contract value to each unit of account based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered units of account. The primary identifiable deliverables under such contracts are plant construction and project upgrades and expansions, financing or leasing of upgrades, facilities operations and maintenance.

The Company's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Sale of goods

Revenues from sales of electricity and water are recognized upon delivery. These revenues include an estimate of the value of electricity and water consumed by customers billed subsequent to the reporting period.

Revenues from the sale of other goods are recognized when the products have been delivered and collectability is reasonably assured.

Provision of services

Revenues from the provision of electricity distribution and transmission services and wastewater treatment services are recognized over the period in which the service is performed and collectability is reasonably assured. Revenues from the provision of other services are recognized when the services have been rendered and collectability is reasonably assured.

Construction contracts

Contract revenue from the construction of water and wastewater treatment plants and other project upgrades and expansions provided to customers is recognized in profit or loss on the percentage of completion basis when the projected final cost of a construction contract can be reliably estimated. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Percentage of completion is estimated based on an assessment of progress towards the completion of contract tasks. These estimates may result in the recognition of unbilled receivables when the revenues are earned prior to billing customers. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred revenue in the statement of financial position. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Provisions for estimated losses on uncompleted contracts are made for the full amount of the projected loss in the period in which the losses are identified. Revenues and costs related to variations are included in the total estimated contract revenue and expenses when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Revenues earned under finance leases

Finance income earned from arrangements where the Company leases water and wastewater assets to customers are accounted for as finance leases, as described in note 3(h).

Interest income

Revenue from the financing of project upgrades and expansions is recognized over the term of each contract using the effective interest method based on the fair value of the loan calculated at inception for each contract.

Interest income related to the loans receivable from Capital Power are recognized over the terms of the loans based on the interest rate applicable to each loan.

(e) Income taxes

Under the Income Tax Act (Canada) (ITA), a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period. As a result of these and other provisions, certain Canadian subsidiaries of the Company are taxable under the ITA and provincial income tax acts. The U.S. subsidiaries are subject to income taxes pursuant to U.S. federal and state income tax laws.

Current income taxes for the current or prior periods are measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint arrangements except where the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and interests in joint ventures are only recognized to the extent that the temporary difference will reverse in the foreseeable future and the Company judges that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill arising from a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects

neither taxable income nor accounting income.

Current and deferred taxes are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Inventories

Small parts and other consumables, the majority of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Previous write downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstances. The Company estimates the value of inventory that is expected to be used in the construction of property, plant and equipment (PP&E) and reports this value as construction work in progress under PP&E. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Lease arrangements

At the inception of an arrangement entered into for the use of PP&E, the Company determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of the specific asset and the arrangement conveys a right to use the asset. An arrangement conveys the right to use the asset if the right to control the use of the underlying asset is transferred. Where it is determined that the arrangement contains a lease, the Company classifies the lease as either a finance or operating lease dependent on whether substantially all the risks or rewards of ownership of the asset have been transferred.

Where the Company is the lessor, finance income related to leases or arrangements accounted for as finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term.

Where the Company is the lessee, leases or other arrangements that transfer substantially all of the benefits and risks of ownership of property to the Company are classified as finance leases. All other arrangements that are determined to contain a lease are classified as operating leases. Rental payments under arrangements classified as operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) Investment in Capital Power

In these consolidated financial statements, Capital Power refers to Capital Power Corporation and its subsidiaries, including Capital Power L.P., except where otherwise noted or the context indicates otherwise.

Prior to April 2, 2015, the Company held 18.8 million exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis) representing an 18% interest in Capital Power. Each exchangeable limited partnership unit was accompanied by a special voting share in Capital Power Corporation which entitled the holder to a vote at Capital Power Corporation shareholder meetings, subject to the restriction that such special voting shares must at all times represent not more than 49% of the votes attached to all Capital Power Corporation common shares and special voting shares, taken together. The special voting shares also entitled EPCOR, voting separately as a class, to nominate and elect a maximum of two directors, and reduced to no directors when ownership fell below 10%. A key judgment in determining the appropriate

accounting treatment for the investment in Capital Power was that EPCOR exercised significant influence over Capital Power as it was entitled to nominate a certain number of directors of Capital Power Corporation but did not control Capital Power's operations as it did not have the power to direct the activities of Capital Power. Accordingly, EPCOR applied the equity method to account for its investment in Capital Power prior to April 2, 2015.

On April 2, 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power Corporation which were immediately sold through secondary offering. In addition, EPCOR also exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power Corporation and forfeited the attached special voting rights as well as right to appoint directors of Capital Power Corporation. Immediately following the completion of the offering, EPCOR directly owned 9% of Capital Power Corporation and accordingly, the Company no longer exerted significant influence over Capital Power and has reclassified its remaining investment in Capital Power as an available-for-sale asset.

The Company applies judgment at each reporting date to determine whether there is objective evidence that the investment in Capital Power is impaired. Previously, when Capital Power was accounted for as equity investment, impairment was being recorded when the carrying amount of its investment in Capital Power exceeded its estimated recoverable amount. The recoverable amount was being determined as the higher of the investment's fair value less costs to sell the investment, and its value in use.

Subsequent to reclassification of the investment in Capital Power as available-for-sale asset, evidence of impairment is deemed to exist when there is a significant or prolonged decline in the fair value of the investment below its value on initial recognition as available-for-sale. If objective evidence of impairment exists, any impaired amount previously recorded as an unrealized loss in accumulated other comprehensive income is reclassified in net income. Any subsequent increase in the fair value is recognized in other comprehensive income and the impairment is not reversed.

The fair value of the investment is based on the market price of Capital Power Corporation common shares (CPX) traded on the Toronto Stock Exchange. The value in use of an asset is the present value of estimated future cash flows, applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labor, directly attributable overhead costs, borrowing costs on qualifying assets and decommissioning costs. Where parts of an item of PP&E have different estimated economic useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing are expensed as incurred.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate economic useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The estimated economic useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The ranges of estimated economic useful lives for PP&E assets used are as follows:

Water and wastewater treatment and distribution	3 – 95 years
Electricity transmission and distribution	3 – 65 years
Retail systems and equipment	4 – 20 years
Corporate information systems and equipment	2 – 20 years
Leasehold improvements	5 – 25 years

Gains and losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

(k) Capitalized borrowing costs

The Company capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on the Company's external borrowings or specific borrowings used to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(l) Intangible assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair value.

Customer rights represent the costs to acquire the rights to provide electricity services to particular customer groups for a finite period of time. Customer rights are recorded at cost at the date of acquisition. A subsequent expenditure is capitalized only when it increases the future economic benefit in the specific asset to which it relates.

Other rights represent the costs to acquire the rights, for finite periods of time, to access electricity delivery corridors, to the supply of water, to provide sewage treatment and transportation services, to withdraw groundwater and to the supply of potable water for emergency and peak purposes.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labor, along with directly attributable overhead costs and borrowing costs on qualifying assets.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated economic useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated economic useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated economic useful lives for intangible assets with finite lives are as follows:

Customer rights	20 years
Software	2 – 20 years
Other rights	50 years
Water rights	100 years

Certificates of convenience and necessity (CCN) represent the costs to acquire the exclusive rights for the Company to serve within its specified geographic areas in the U.S. for an indefinite period of time. CCN are not amortized but are subject to review for impairment at the end of each reporting period.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

(m) Service concession arrangements

Service concession arrangements are contracts between the Company and government entities and can involve the design, build, finance, operate and maintenance of public infrastructure in which the government entity controls (i) the services provided by the Company and (ii) significant residual interest in the infrastructure. Service concession arrangements are classified in one of the following categories:

(i) financial asset
The Company recognizes a financial asset arising from service concession arrangement when it has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement. The financial asset is measured at the fair value of consideration received or receivable. When the Company delivers more than one category of activities in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair value of the activity, when amounts are separately identifiable.

(ii) intangible asset
The Company recognizes an intangible asset arising from service concession arrangement when it has a right to charge for usage of the public infrastructure. The intangible asset, recognized as consideration for providing construction or upgrade services under a service concession arrangement, is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses, if any.

Revenue under the service concession arrangements is recognized as per the revenue recognition policy of the Company described in note 3(d) by reference to each activity when the amount of revenue is separately identifiable.

The accounting for investment in contracts with government entities requires the application of judgment in determining if they fall within the scope of IFRIC 12 – Service Concession Arrangements (IFRIC 12). Additional judgment also needs to be exercised when determining, among other things, the classification to be applied to the service concession asset (i.e. financial asset or intangible asset), allocation of consideration between revenue generating activities, classification of cost incurred on such concessions and the effective interest rate to be applied to the service concession asset. Contracts falling under IFRIC 12 require use of estimates over the term of the arrangement, and therefore any change in the long term estimates could result in significant variation in the amounts recognized under service concession arrangements.

(n) Deferred revenue

Certain assets may be acquired or constructed using non-repayable government grants or contributions from developers or customers. Non-refundable contributions received towards construction or acquisition of an item of PP&E which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight line basis over the estimated economic useful lives of the assets to which they relate.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a financing expense over the estimated time period until settlement of the obligation.

The Company recognizes a decommissioning provision in the period in which a legal or constructive obligation is incurred. A corresponding asset for the decommissioning cost is added to the carrying amount of the associated PP&E, and is depreciated over the estimated useful life of the asset.

The Company may receive contributions from customers, homebuilders, real estate developers, and others to fund construction necessary to extend service to new areas. Certain of these contributions may be refunded for a limited period of time as new customers begin to receive service or other contractual obligations are fulfilled. The portion of

contributions which are estimated to be refunded in the future are recorded as provisions. The remaining contributions are classified as deferred revenue.

(p) Employee benefits

The employees of the Company are either members of the Local Authorities Pension Plan (LAPP) or other defined benefit or defined contribution pension plans.

The LAPP is a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta President of Treasury Board and Minister of Finance and the plan is administered by a Board of Trustees. The Company and its employees make contributions to the plan at rates prescribed by the Board of Trustees to cover costs and an unfunded liability under the plan. The rates are based on a percentage of the pensionable salary. The most recent actuarial report of the plan discloses an unfunded liability. It is accounted for as a defined contribution plan as the LAPP is not able to provide information which reflects EPCOR's specific share of the defined benefit obligation or plan assets that would enable the Company to account for the plan as a defined benefit plan. Accordingly, the Company does not recognize its share of any plan surplus or deficit.

The Company maintains additional defined contribution and defined benefit pension plans to provide pension benefits to those employees who are not otherwise served by the LAPP, including employees of new or acquired operations. Employees participating in such defined benefit and contribution plans comprise less than 17% of total employees (2014 – 16%).

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability for short-term employee benefits is recognized for the amount expected to be paid if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company recognizes the contribution payable to a defined contribution plan as an expense and a liability in the period during which the service is rendered.

(q) Derivative financial instruments

The Company uses various risk management techniques to reduce its exposure to movements in electricity prices, interest rates and foreign currency exchange rates. These include the use of derivative financial instruments such as forward contracts or contracts-for-differences and interest rate swaps. Such instruments may be used to establish a fixed price for electricity, fixed interest rates for borrowings or anticipated transactions denominated in a foreign currency. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

The Company sells electricity to customers under a Regulated Rate Tariff (RRT). As part of the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by a regulatory approved Energy Price Setting Plan (EPSP). Under the EPSP, the Company manages its exposure to fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts up to 120 days in advance of the month of consumption in order to economically hedge the price of electricity under a well-defined risk management process set out in the EPSP. Under these instruments, the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the Alberta Electric System Operator (AESO) market price and the fixed contract price for a specified volume of electricity for the forward months, all in accordance with the EPSP. The Company may enter into additional financial electricity purchase contracts outside the EPSP to further economically hedge the price of electricity.

Interest rates swaps are used by the Company to manage interest rate risks associated with long-term loans and borrowings and result in securing fixed interest rates over the term of the loans and borrowings against the floating interest rate.

Foreign exchange forward contracts may be used by the Company to manage foreign exchange exposures, consisting mainly of U.S. dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

All derivative financial instruments are recorded at fair value as derivative assets or derivative liabilities on the statement of financial position, to the extent they have not been settled, with all changes in the fair value of derivatives recorded in net income. At initial recognition, attributable transaction costs are recognized in net income.

The fair value of derivative financial instruments reflects changes in the electricity prices, interest rate and foreign exchange rates. Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as forward prices, interest rates, foreign exchange rates and discount rates for time value. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(r) Non-derivative financial instruments

Financial assets are identified and classified as one of the following: measured at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. Financial assets are measured at fair value through profit or loss if classified as held for trading or designated as such upon initial recognition. Financial liabilities are classified as measured at fair value through profit or loss or as other liabilities.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments at fair value through profit or loss

The Company may designate financial instruments as measured at fair value through profit or loss when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis.

Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial assets measured at fair value through profit or loss are recognized in net income.

Loans and receivables

Cash and cash equivalents, trade and other receivables, and other financial assets are classified as loans and receivables.

The Company's loans and receivables are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost using the effective interest method less any impairment as described in note 3(s). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the finance income or expense over the term of the financial asset or liability using an effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in other categories. These assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value with unrealized gains and losses, other than impairment losses, recognized in other comprehensive income and presented within equity in the fair value reserve. On derecognition of an available-for-sale financial asset, the cumulative gain or loss that was previously held in equity is transferred to net income.

The Company's beneficial interest in the sinking fund with the City and available-for-sale investment in Capital Power do not meet the criteria for classification in any of the previous categories and are classified as available-for-sale financial assets and measured at fair value with changes in fair value reported in other comprehensive income until it is disposed of or becomes impaired, as described in note 3(s).

Other liabilities

The Company's trade and other payables, loans and borrowings and other liabilities are recognized on the date at which the Company becomes a party to the contractual arrangement. Other liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Other liabilities are recognized initially at fair value including debenture discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

(s) Impairment of financial assets

The Company's financial assets held as loans and receivables or available-for-sale assets are assessed for indicators of impairment at each reporting date. An impairment loss for financial assets is recorded when it is identified that there is objective evidence that one or more events has occurred, after the initial recognition of the asset, that has had a negative impact on the estimated future cash flows of the asset and that can be reliably estimated. The objective evidence for these types of assets is as follows:

(i) For listed and unlisted investments in equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. Impairment losses recognized are not reversed in subsequent periods.

(ii) For all other financial assets, including finance lease receivables, objective evidence of impairment includes significant financial difficulty of the counterparty or default or delinquency in interest or principal payments.

(iii) Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company's past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is adjusted within net income.

(t) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include PP&E, intangible assets and goodwill. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are

allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a fundamental change, since the date of impairment, which may improve the financial performance of the non-financial asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(u) Foreign currency transactions and translation

Foreign currency transactions

Transactions denominated in currencies other than the Canadian dollar are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the end of the reporting period. Other non-monetary assets and liabilities are not re-translated unless they are carried at fair value. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting foreign exchange gains and losses are included in net income.

Foreign operations

On consolidation, the assets and liabilities of foreign operations that have a functional currency other than Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are deferred and included in the cumulative translation account in accumulated other comprehensive income. The functional currency of the Company's U.S. operations is the U.S. dollar.

(v) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Transactions between segments are made under terms that approximate market value. The accounting policies of the segments are the same as those described in note 3 and other relevant notes and are measured in a manner consistent with that of the consolidated financial statements. All operating segments' results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable and consistent basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire or construct PP&E and intangible assets other than goodwill.

The Canadian and U.S. water operating segments are aggregated as one reportable segment since both operating segments offer similar water and wastewater services, the processes to treat water and wastewater are similar in both operating segments, the customer bases for each operating segment are similar, and both segments operate under similar rate-regulations.

(w) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations were issued by the IASB and the International Financial Reporting Interpretations Committee for application beginning on or after January 1, 2016. Those which may be relevant to the Company and may impact the accounting policies of the Company are set out below. The Company does not plan to adopt these standards early. The extent of the impact of adoption of the standards has not yet been determined.

IFRS 9 – Financial Instruments (IFRS 9), which replaces IAS 39 – Financial Instruments: Recognition and Measurement, eliminates the existing classification of financial assets and requires financial assets to be measured based on the business model in which they are held and the characteristics of their contractual cash flows. Gains and losses on re-measurement of financial assets at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. Changes in fair value attributable to changes in credit risk of financial liabilities measured under the fair value option will be recognized in other comprehensive income with the remainder of the change recognized in profit or loss unless an accounting mismatch in profit or loss occurs at which time the entire change in fair value will be recognized in profit or loss. Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument must be measured at fair value. The impairment model has also been amended by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements. The effective date for implementation of IFRS 9 has been set for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers (IFRS 15), which replaces IAS 11 - Construction Contracts and IAS 18 - Revenue and related interpretations is effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and / or timing of revenue recognized. The requirements of the standard also apply to the recognition and measurement of gains and losses on sale of some non-financial assets that are not part of the entity's ordinary activities.

IFRS 16 – Leases (IFRS 16) which replaces IAS 17 – Leases (IAS 17), is effective for annual periods commencing on or after January 1, 2019. IFRS 16 combines the existing dual model of operating and finance leases in IAS 17 into a single lessee model. This requires a lessee to recognize assets and liabilities for the rights and obligations created by the lease. It would also cause expenses to be higher at the beginning of a lease and lower towards the end of a lease, even when payments are consistent. A lessee would recognize assets and liabilities for leases of more than twelve months. A lessee with leases less than twelve months would not recognize assets and liabilities, and expense payments over the term of the lease agreement.

4. Use of judgments and estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments in the application of accounting policies, and estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in notes:

Note 3(d) – Revenue recognition
Note 3(i) – Investment in Capital Power
Note 3(m) – Service concession arrangements
Note 3(v) – Segment reporting

(b) Estimates

The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, are recorded in the period in which they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

Revenues

By regulation, electricity wire service providers in Alberta have four months to submit the final electricity load settlement data after the month in which such electricity was consumed. The data and associated processes and systems used by the Company to estimate electricity revenues and costs, including unbilled consumption, are complex. The Company's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents.

Fair value measurement

For accounting measures such as determining asset impairments, purchase price allocations for business combinations, recording financial assets and liabilities, recording and disclosure of certain non-financial assets, the Company is required to estimate the fair value of certain assets or obligations. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate. Financial instruments that are not classified as loans and receivables are recorded at fair value, which may require the use of estimated future prices.

Deferred taxes

Significant estimation and judgment is required in determining the provision for income taxes. Recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on management's estimation of future taxable profit against which the deductible temporary differences and unused tax losses and credits can be utilized. The actual utilization of these deductible temporary differences and unused tax losses and credits may vary materially from the amounts estimated.

5. Revenues and other income

	2015	2014
Revenue		
Energy and water sales	$ 1,307	$ 1,326
Provision of services	573	510
Construction revenues	102	53
Finance lease income	14	15
	1,996	1,904
Other income		
Interest income on long-term receivable from Capital Power	21	22
Other	1	1
	22	23
	$ 2,018	$ 1,927

6. Expense analysis

	2015	2014
Included in staff costs and employee benefits expenses		
Post-employment defined contribution plan expense	$ 36	$ 32
Post-employment defined benefit plan expense	5	4
Included in depreciation and amortization		
Depreciation of property, plant and equipment	152	134
Amortization of intangible assets	18	17
Loss on disposal of assets	8	8
	178	159
Included in other administrative expenses		
Operating lease expenses	15	15
Lease recoveries through sub-lease	(5)	(6)

7. Finance expenses

	2015	2014
Interest on loans and borrowings	$ 123	$ 124
Capitalized interest (note 16)	(6)	(5)
	$ 117	$ 119

8. Income tax recovery (expense)

	2015	2014
Current income tax recovery (expense)	$ 1	$ (7)
Deferred income tax recovery (expense)		
Relating to origination and reversal of temporary differences	(25)	1
Change in tax rates	13	-
Recognition of previously unrecognized deferred tax assets	8	8
	(4)	9
Total income tax recovery (expense)	$ (3)	$ 2

Income taxes differ from the amounts that would be computed by applying the federal and provincial income tax rates as follows:

	2015	2014
Income before taxation	$ 263	$ 189
Income tax at the statutory rate of 26% (2014 – 25%)	(68)	(47)
(Increase) decrease resulting from:		
Income exempt from income taxes at statutory rates	53	42
Non-taxable amounts	2	-
Recognition of deferred tax assets	(1)	10
Change in tax rates on deferred taxes	13	-
Effect of higher tax rate in the U.S.	(1)	(3)
Other	(1)	-
Total income tax recovery (expense)	$ (3)	$ 2

During the year, the Government of Alberta increased the provincial corporate tax rate from 10% to 12% effective July 1, 2015. Accordingly, the change in provincial corporate tax rate has increased the Company's tax rate for the year ended December 31, 2015, to 26% and for the years 2016 onward to 27%.

9. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with various financial institutions.

Restricted balances

Under certain agreements between the Company and the Natural Gas Exchange (NGX) for the purchase of electricity derivative financial instruments, the Company established separate bank accounts through which the settlement of the electricity derivative financial contracts are processed in conjunction with letters of credit and cash as collateral. As security for the payment and performance of its obligations, the Company assigned a first ranking security interest on the balance of these accounts to the NGX. The Company's use of this cash is restricted to these purposes. At December 31, 2015, $3 million (2014 – $17 million) was held in these bank accounts.

10. Trade and other receivables

	2015	2014
Trade receivables	$ 216	$ 203
Accrued revenues	120	111
Gross accounts receivable	336	314
Allowance for doubtful accounts	(3)	(3)
Net accounts receivable	333	311
Income tax recoverable	2	2
Prepaid expenses	5	4
	340	317
Current portion of finance lease receivables (note 12)	103	4
Current portion of long-term receivables (note 13)	177	12
	$ 620	$ 333

Details of the aging of accounts receivable and analysis of the changes in the allowance for doubtful accounts are provided in note 29.

11. Inventories

During the year ended December 31, 2015, $23 million (2014 – $22 million) was expensed to other raw materials and operating charges.

No significant inventory write-downs were recognized in the years ended December 31, 2015 or 2014. No significant reversals of previous write-downs were recorded in the years ended December 31, 2015 or 2014.

At December 31, 2015 or 2014, no inventories were pledged as security for liabilities.

12. Leases

Finance lease receivables

In 2009, the Company acquired potable water and wastewater treatment plant assets for approximately $100 million and agreed to lease the assets back to Suncor for a 20-year term after which Suncor had the option to purchase the assets from the Company for a specified price. As part of the arrangement, the Company also agreed to construct additional water and wastewater treatment plant assets for Suncor and to operate and maintain the original assets acquired and leased back to Suncor and the additional constructed assets over the 20-year lease term.

In February 2015, Suncor gave notice to the Company that it will exercise its contractual rights to buy back the leased assets and terminate the related financing (note 13) and operating agreements. The transfer of assets and operations back to Suncor is to take place over an 18-month period. The first transfer of assets was completed in September 2015

and the remaining assets will be transferred by September 2016 unless otherwise agreed by the parties. Consequently, the Company has reclassified its finance lease receivables and other financial assets from Suncor under trade and other receivables (note 10). This is not expected to have any material impact on the Company or its operations.

Approximate future payments to the Company are as follows:

	Minimum lease receivable		Present value of minimum lease receivable	
	2015	2014	2015	2014
Within one year	$ 110	$ 15	$ 103	$ 4
Between one and five years	-	60	-	22
More than five years	1	145	1	96
Less: unearned finance income	(7)	(98)	-	-
	104	122	104	122
Less: current portion[1] (included in trade and other receivables) (note 10)	103	4	103	4
	$ 1	$ 118	$ 1	$ 118

1 Net of unearned finance income

Operating leases payable

The Company has entered into operating leases for premises.

In 2007, the Company entered into a long-term agreement to lease commercial space in a new office tower in Edmonton, Canada, primarily for its head office (head office lease). The agreement, which became effective in the fourth quarter of 2011, has an initial lease term of approximately 20 years, expiring on December 31, 2031, and provides for three successive five-year renewal options. The Company's annual lease commitments, net of annual payments to be paid to the Company by Capital Power and another company under the sub-leases receivable discussed below, under the terms of the lease are as follows:

	Minimum lease payable	
	2015	2014
January 1, 2016 through December 31, 2022	$ 6	$ 6
January 1, 2023 through December 31, 2023	7	7
January 1, 2024 through December 31, 2031	8	8

Approximate gross future payments under this and other operating leases payable for premises are as follows:

	Minimum lease payable	
	2015	2014
Within one year	$ 14	$ 15
Between one to five years	53	53
More than five years	131	143
	$ 198	$ 211

Operating lease receivable

The Company has sub-leased a portion of the space under its head office lease to Capital Power under the same terms and conditions as the Company's lease with its landlord.

Effective November 1, 2013, the Company also sub-leased a portion of the space under its head office lease to a third party. The term of the sub-lease to the third party expires on October 31, 2023 with two renewal options of four years each.

Approximate future payments to the Company under the sub-leases receivable are as follows:

	Minimum lease receivable	
	2015	2014
Within one year	$ 5	$ 5
Between one to five years	20	21
More than five years	48	53
	$ 73	$ 79

13. Other financial assets

	2015	2014
Long-term loans receivable from Capital Power	$ 323	$ 332
Long-term receivables from service concession arrangements	135	47
Loans and other long-term receivables	34	40
Other	1	1
	493	420
Less: current portion (included in trade and other receivables) (note 10)	177	12
	$ 316	$ 408

Long-term loans receivable from Capital Power

On July 9, 2009, EPCOR received $896 million in long-term loans receivable from Capital Power as part of the consideration on the sale of the power generation business. These loans effectively mirror certain long-term debt obligations of EPCOR. The interest rates on the long-term loans receivable range from 5.8% to 9.0% and the remaining balance to be repaid at various dates out to June 30, 2018 as follows:

	2015	2014
Within one year	$ 139	$ 9
Between one to five years	184	323
	$ 323	$ 332

Service concession arrangements

The Company has executed service concession arrangements to design, build, upgrade, finance, operate and maintain, under public private partnerships, wastewater treatment facilities with the City of Regina and water and wastewater treatment facilities with Her Majesty the Queen in Right of Alberta for Kananaskis Village. The consideration under the service concession arrangements constitute rights to a financial asset and have been classified as a financial asset and recorded as a long-term receivable under other financial assets. The significant terms of the arrangement are summarized below:

(a) **City of Regina**

EPCOR won a bid to design, build, finance, operate and maintain a new wastewater treatment facility in the city of Regina under a public private partnership, for which the contract was signed in July 2014. In August 2014, EPCOR took over the operations of the existing wastewater treatment plant in Regina. Construction on the new plant is in progress and is expected to be completed by December 2016. The contract includes operation of the new and existing facilities for a term of 30 years. Contracted undiscounted cash flows from this project are estimated to be $444 million. As of December 31, 2015, an amount of $129 million (2014 – $41 million) has been recorded as a financial asset which will be recovered along with financing cost at the interest rate established in the arrangement over the life of the arrangement.

(b) **Kananaskis Village**

The Company won a bid to design, build, finance, upgrade, operate and maintain the water and wastewater treatment facility in Kananaskis Village in October 2012. The arrangement includes operation of the facilities for a term of 10 years after completion of construction. The construction of the new facility was completed in August 2014 following which the Company started operating and maintaining the facility. At December 31, 2015, an amount of $6 million (2014 – $6 million) recognized as a financial asset pertaining to Kananaskis Village will be recovered along with financing cost at the interest rate established in the arrangement over the life of the arrangement.

The aggregate amount of revenues and operating income relating to construction services for financial assets under service concession arrangements for the year ended December 31, 2015, is $89 million (2014 – $49 million) and $2 million (2014 – $1 million), respectively.

14. Deferred tax assets / liabilities

Deferred tax assets are attributable to the following:

	2015	2014
Losses carried forward	$ 78	$ 78
Investment in partnerships	5	-
Canadian resource expenditures	8	7
Provisions	8	-
Deferred revenue	106	78
Other items	-	12
Tax assets	205	175
Set off by tax liabilities	(128)	(106)
Net tax assets	$ 77	$ 69

Deferred tax liabilities are attributable to the following:

	2015	2014
Investment in partnerships	$ -	$ 4
Other financial assets	3	-
Intangible assets	12	8
Goodwill	5	3
Property, plant and equipment	142	103
Other items	1	7
Tax liabilities	163	125
Set off by tax assets	(128)	(106)
Net tax liabilities	$ 35	$ 19

The changes in temporary differences during the years ended December 31, 2015 and 2014, were as follows:

	Balance, beginning of 2015	Recognized in net income	Recognized in other comprehensive income, net of re-classes to net income	Other	Balance, end of 2015
Losses carried forward	$ 78	$ (2)	$ -	$ 2	$ 78
Investment in partnerships	(4)	7	2	-	5
Canadian resource expenditures	7	1	-	-	8
Provisions	-	1	-	7	8
Deferred revenue	78	12	-	16	106
Other financial assets	-	-	-	(3)	(3)
Intangible assets	(8)	(2)	-	(2)	(12)
Goodwill	(3)	(1)	-	(1)	(5)
Property, plant and equipment	(103)	(18)	-	(21)	(142)
Other items	5	(2)	-	(4)	(1)
	$ 50	$ (4)	$ 2	$ (6)	$ 42

	Balance, beginning of 2014	Recognized in net income	Recognized in other comprehensive income, net of re-classes to net income	Other	Balance, end of 2014
Losses carried forward	$ 38	$ 39	$ -	$ 1	$ 78
Investment in partnerships	(2)	(4)	(2)	4	(4)
Canadian resource expenditures	5	2	-	-	7
Decommissioning provisions and assets	14	(14)	-	-	-
Deferred revenue	67	4	-	7	78
Intangible assets	(2)	(1)	-	(5)	(8)
Goodwill	(1)	(2)	-	-	(3)
Property, plant and equipment	(79)	(15)	-	(9)	(103)
Other items	1	-	2	2	5
	$ 41	$ 9	$ -	$ -	$ 50

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	2015	2014
Non-capital losses	$ 125	$ 137
Capital losses	265	339
Other deductible temporary differences	115	60

The Company also has taxable temporary differences of $155 million (2014 - $105 million), associated with investments in subsidiaries and partnerships, for which no deferred tax liability has been recognized. In addition, no deferred tax liability has been recognized in respect of unremitted earnings of subsidiaries as the Company is in a position to control the timing of the reversal of temporary difference and it is probable that such differences will not be reversed in the foreseeable future.

The non-capital losses expire between the years 2028 and 2035.

Deferred tax assets have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized. The Company has recognized deferred tax assets in the amount of $77 million (2014 – $69 million), the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital loss carry-forwards can be utilized as well as management's intention to implement specific income tax planning strategies that will allow for the offset of remaining deductible temporary differences against future earnings of taxable entities within the consolidated group.

15. Investment in Capital Power

Capital Power builds, owns and operates power plants in North America and manages its related electricity and natural gas portfolios by undertaking trading and marketing activity. On December 31, 2014, the Company owned 18.8 million exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis), representing an 18% economic interest in Capital Power. The investment in Capital Power represented an investment subject to significant influence and was accounted for using the equity method.

As per the terms of the partnership agreement with Capital Power, the income of the partnership is allocated to each partner, who was a partner during the year, based on the annual income of Capital Power L.P. and its percentage of distributions received in the year. In view of the above provision, the Company's share of income from Capital Power was calculated based on the annual income of Capital Power L.P. with corresponding adjustments made to amounts recognized during interim periods when annual income became available.

On April 2, 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power Corporation, which were immediately sold at an offering price of $23.85 per share for aggregate gross proceeds of $225 million. As a result of this transaction, the Company recognized a net gain before income tax of $24 million in net income, including $5 million on items previously recognized in other comprehensive income. In addition, EPCOR exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power Corporation. Following the completion of the offering, EPCOR directly owned approximately 9% of Capital Power and as a result, the Company no longer exerts significant influence over Capital Power. Accordingly, the Company reclassified its remaining investment in Capital Power as an available-for-sale asset on at the market value of $24.11 per share. On initial recognition of the investment in Capital Power as an available-for-sale asset, the Company recognized a net gain before income tax of $36 million in net income including $6 million on items previously recognized in other comprehensive income.

Management has used judgment to determine that the fair value of the investment in Capital Power has declined significantly since it was initially reclassified as available-for-sale asset. Accordingly, management concluded that the available-for-sale investment in Capital Power was impaired. As a result, the Company recognized an impairment and reclassified the accumulated loss of $60 million before tax from other comprehensive income to net income during the year ended December 31, 2015.

Details of gains on equity investment in Capital Power realized in net income are as follows:

		2015
Gain on sale of a portion of investment	$	24
Gain on reclassification of investment as available-for-sale asset		36
	$	60

Details of equity share of other comprehensive income of Capital Power, reclassified in net income are as follows:

		2015
Amount realized on sale of portion of investment[1]	$	(4)
Amount realized on reclassification of investment as available-for-sale asset[2]		(5)
	$	(9)

1 Net of reclassification of income tax expense of $1 million.
2 Net of reclassification of income tax expense of $1 million.

The change in investment in Capital Power is detailed as follows:

		2015		2014
Balance, beginning of year	$	393	$	385
Equity share of net income		5		15
Equity share of other comprehensive income		2		10
Distributions declared		(6)		(25)
Gain on dilution of equity interest		-		8
Sale of a portion of the investment		(197)		-
Reclassification of investment as available-for-sale asset		(197)		-
Balance, end of year	$	-	$	393

The change in available-for-sale investment in Capital Power is detailed as follows:

		2015
Transfer on reclassification from investment in Capital Power	$	197
Net gain on initial recognition as available-for-sale asset		30
Fair value loss for the period recorded in other comprehensive income[1]		(60)
Balance, end of year	$	167

1 The fair value loss recorded in other comprehensive income was reclassified to net income as an impairment of the available-for-sale investment in Capital Power.

The common shares of Capital Power Corporation are listed on the Toronto Stock Exchange under the symbol CPX. At December 31, 2015, the quoted market price of the common shares of Capital Power Corporation was $17.77 per share.

Summarized financial information of Capital Power up to the period it was considered as an associate of the Company is as follows:

		2015[1]		2014
Statements of Financial Position				
Current assets	$	-	$	487
Non-current assets		-		4,956
Current liabilities		-		(877)
Non-current liabilities		-		(1,732)

	2015	2014
Statements of Comprehensive Income		
Revenue and other income	$ 1,245	$ 1,220
Net income attributable to non-controlling interests	(8)	(10)
Net income attributable to partners	120	73
Total net income	112	63
Other comprehensive income all attributable to the partners of Capital Power L.P.	46	52
Total comprehensive income	$ 158	$ 115

1 The Company does not consider Capital Power as an associate effective April 2, 2015, accordingly, balances of assets and liabilities of Capital Power as at December 31, 2015, have not been reported.

Other information on EPCOR's investment in Capital Power:

	2015	2014
Weighted average percentage of ownership interest in Capital Power L.P.	4%	19%
Fair value adjustments at acquisition	$ 2	$ 6

16. Property, plant and equipment

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2015	$ 146	$ 55	$ 3,064	$ 2,023	$ 3	$ 82	$5,373
Additions[1]	439	-	52	7	-	4	502
Disposals and retirements	-	(1)	(14)	(14)	-	(32)	(61)
Disposals through divesture[2]	(6)	-	(20)	-	-	-	(26)
Transfers into service	(447)	-	229	217	-	1	-
Transfers	-	-	-	2	-	-	2
Foreign currency valuation adjustments	7	1	145	-	-	-	153
Balance, end of 2015	139	55	3,456	2,235	3	55	5,943
Accumulated depreciation							
Balance, beginning of 2015	-	-	686	526	1	48	1,261
Depreciation	-	-	82	62	1	7	152
Disposals and retirements	-	-	(10)	(8)	-	(32)	(50)
Disposals through divesture[2]	-	-	(7)	-	-	-	(7)
Foreign currency valuation adjustments	-	-	19	-	-	-	19
Balance, end of 2015	-	-	770	580	2	23	1,375
Net book value, end of 2015	$ 139	$ 55	$ 2,686	$ 1,655	$ 1	$ 32	$4,568

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2014	$ 121	$ 48	$ 2,812	$ 1,849	$ 7	$ 81	$4,918
Additions	374	-	42	4	-	4	424
Disposals and retirements	-	-	(14)	(9)	(4)	(3)	(30)
Transfers into service	(353)	7	167	179	-	-	-
Foreign currency valuation adjustments	4	-	57	-	-	-	61
Balance, end of 2014	146	55	3,064	2,023	3	82	5,373
Accumulated depreciation							
Balance, beginning of 2014	-	-	617	479	3	43	1,142
Depreciation	-	-	72	53	1	8	134
Disposals and retirements	-	-	(9)	(6)	(3)	(3)	(21)
Foreign currency valuation adjustments	-	-	6	-	-	-	6
Balance, end of 2014	-	-	686	526	1	48	1,261
Net book value, end of 2014	$ 146	$ 55	$ 2,378	$ 1,497	$ 2	$ 34	$4,112

1 Additions include non-cash contributed assets of $62 million (2014 – $51 million).

2 As per the terms of agreement with the City of White Rock, the Company sold the White Rock utility operations to the City of White Rock.

Borrowing costs capitalized during the year ended December 31, 2015, were $6 million (2014 – $5 million) (note 7). The weighted average rates used to determine the borrowing costs eligible for capitalization ranged from 3.91% to 5.78% (2014 – 4.30% to 5.85%).

There are no security charges over the Company's property, plant and equipment.

17. Intangible assets and goodwill

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2015	$ 42	$ 51	$ 54	$ 75	$ 183	$ 405
Additions through acquisition	-	-	7	3	25	35
Internally generated additions	-	-	-	-	1	1
Disposals and retirements	-	-	-	-	(34)	(34)
Change in construction work in progress	-	-	(3)	-	(6)	(9)
Transfers	-	-	-	-	(2)	(2)
Foreign currency translation adjustments	8	-	8	14	-	30
Balance, end of 2015	50	51	66	92	167	426
Accumulated amortization						
Balance, beginning of 2015	-	36	4	-	111	151
Amortization	-	2	1	-	15	18
Disposals and retirements	-	-	-	-	(32)	(32)
Foreign currency translation adjustments	-	-	1	-	-	1
Balance, end of 2015	-	38	6	-	94	138
Net book value, end of 2015	$ 50	$ 13	$ 60	$ 92	$ 73	$ 288

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2014	$ 39	$ 51	$ 48	$ 68	$ 173	$ 379
Additions through acquisition	-	-	-	-	10	10
Additions through business combination	-	-	-	-	5	5
Internally generated additions	-	-	3	-	-	3
Disposals and retirements	-	-	-	-	(7)	(7)
Change in construction work in progress	-	-	-	-	2	2
Foreign currency translation adjustments	3	-	3	7	-	13
Balance, end of 2014	42	51	54	75	183	405
Accumulated amortization						
Balance, beginning of 2014	-	33	3	-	103	139
Amortization	-	3	1	-	13	17
Disposals and retirements	-	-	-	-	(5)	(5)
Balance, end of 2014	-	36	4	-	111	151
Net book value, end of 2014	$ 42	$ 15	$ 50	$ 75	$ 72	$ 254

There are no security charges over the Company's intangible assets. Included in customer rights are the Company's customer rights to operate in the FortisAlberta service territory which expire on December 31, 2020.

For purposes of impairment testing, CCN has been allocated to cash-generating units as follows:

	2015	2014
Cash generating unit:		
Water segment – Water Arizona	$ 88	$ 72
Water segment – Others	4	3
	$ 92	$ 75

For purposes of impairment testing, goodwill acquired through business combinations has been allocated to cash-generating units as follows:

	2015	2014
Cash generating unit:		
Water segment – Chaparral	$ 12	$ 10
Water segment – Water Arizona	31	26
Water segment – Others	7	6
	$ 50	$ 42

The most recent reviews of goodwill were performed in the fourth quarter for each cash generating unit. Management reviewed conditions since the last review was performed and determined that no circumstances occurred since then to require a revision to the assumptions used in the value in use calculations.

The recoverable amount of the cash generating units was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a twenty year period. The projections were based on cash flow projections for the most recent long-term plan, which covered periods up to five years, with the projections for the balance of the twenty-year period extrapolated using growth rates between 1.80% and 2.63% (2014 – between 1.71% and 3.58%) that are in line with the long-term average growth rate for the industry. The pre-tax discount rates applied to cash flow projections are as follows:

	2015	2014
Cash generating unit:		
Water segment – Chaparral	8.46%	8.46%
Water segment – Water Arizona	6.23%	6.23%
Water segment – Others	6.34%	6.59%

Key assumptions used in value-in-use calculations

The future cash flows of the underlying businesses are relatively stable, since they relate to ongoing water supply in a rate-regulated environment. As the cash generating units operate under a rate-regulated environment, revenues are set by the regulators to cover operating costs and to earn a return on the rate base, which is set at the regulator's approved weighted average cost of capital for the underlying utility.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

Discount rates

The discount rates used were estimated based on the weighted average cost of capital for the cash generating unit, which is the approved rate of return on capital allowed by the regulators. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash flows have not been adjusted.

Timing of future rate increases

Revenue growth is forecast to continue at the same rate as operating costs. If future rate filings are delayed, rate increases and increased cash flows from revenues would be affected.

Sensitivity to changes in assumptions

Assumptions have been tested using reasonably possible alternative scenarios. For all scenarios considered, the recoverable value remained above the carrying amount of the cash generating unit.

18. Trade and other payables

	2015	2014
Trade payables	$ 160	$ 129
Accrued liabilities	54	63
Accrued interest	27	27
Due to related parties	6	13
Due to employees	12	16
	$ 259	$ 248

19. Loans and borrowings

	Effective interest rate	2015	2014
Long-term loans and borrowings			
Obligation to the City, net of sinking fund			
Due in 1-5 years at 8.50% (2014 – 8.50%)	11.04%	$ 19	$ 26
Due in 6-10 years at 7.01% (2014 – 7.01%)	7.01%	16	17
Due in 16-25 years at 5.20% (2014 – 5.20%)	5.36%	70	76
		105	119
Public debentures			
At 6.75%, due in 2016	6.94%	130	130
At 5.80%, due in 2018	6.02%	400	400
At 6.80%, due in 2029	7.05%	150	150
At 5.65%, due in 2035	5.88%	200	200
At 6.65%, due in 2038	6.83%	200	200
At 5.75%, due in 2039	5.88%	200	200
At 4.55%, due in 2042	4.65%	300	300
		1,580	1,580
Private debt notes			
Bonds at 3.74%, due in 2021	3.80%	191	160
Bonds at 5.00%, due in 2041	5.08%	155	130
		346	290
		2,031	1,989
Other borrowings			
Deferred debt issue costs		(12)	(12)
Total long-term loans and borrowings		2,019	1,977
Short-term loans – commercial paper	0.84%	98	103
Total Loans and borrowings		2,117	2,080
Less: current portion		242	117
		$ 1,875	$ 1,963

Obligation to the City

Debentures were issued, on behalf of the Company, pursuant to the City Bylaw authorization. The outstanding debentures are a direct, unconditional obligation of the City. The Company's obligation to the City matches the City's obligation pursuant to the debentures. The 8.50% debentures, maturing in the year 2018 and totaling $19 million, rank as subordinated debt. In the event of default on other interest obligations, the coupon and sinking fund payments on the subordinated debt may be deferred for a period of up to five years, not exceeding the maturity date. If still in default at the end of five years, all unpaid payments plus accrued interest thereon may be repaid by issuing common shares to the City. Except for the subordinated debt, the obligation to the City will rank at least equal to all future debt that may be issued by the Company.

The Company makes annual contributions into the sinking fund of the City pertaining to certain debenture issues. These payments constitute effective settlement of the respective debt as the sinking fund accumulates to satisfy the underlying debenture maturity. For any specific City debenture sinking fund requirements, the payment obligation ceases on maturity of the debenture. The sinking fund is measured at fair value and presented net of its related debenture.

In 2009, the City transferred the Gold Bar wastewater treatment plant (Gold Bar) to EPCOR. Pursuant to the Gold Bar asset transfer agreement, EPCOR issued $112 million of long-term debt to the City representing EPCOR's proportionate share of the City's debt obligations in respect of Gold Bar assets. The long-term debt to the City was repaid in full during the year. The long-term debt bore interest at a weighted average rate of approximately 5.20%.

Public debentures

The public debentures are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The debentures are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the debenture.

Private debt notes

The private debt notes due in 2021 and 2041 were issued in U.S. dollars, are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The private debt notes are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the private debt notes.

Commercial paper and bankers' acceptances

In the normal course of business, the Company provides financial support and performance assurances including guarantees, letters of credit and surety bonds to third parties in respect of its subsidiaries. Bank lines of credit are unsecured and are available to the Company up to an amount of $575 million (2014 – $575 million), comprised of committed amounts of $550 million (2014 – $550 million) and uncommitted amounts of $25 million (2014 – $25 million) as described in note 29. Letters of credit totaling $48 million (2014 – $82 million) have been issued under these facilities to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements. Amounts borrowed and letters of credit issued, if any, under these facilities which are not payable within one year are classified as non-current loans and borrowings.

The Company’s commercial paper program has an authorized capacity of $350 million (2014 – $350 million). At December 31, 2015 commercial paper totaling $98 million (2014 – $103 million) was outstanding.

20. Deferred revenue

	2015	2014
Balance, beginning of year	$ 870	$ 806
Contributions received	74	70
Revenue recognized	(24)	(23)
Transfer on sale of business	(5)	-
Foreign currency valuation adjustments	38	16
Other	(1)	1
	952	870
Less: current portion	32	23
Balance, end of year	$ 920	$ 847

Contributions received include non-cash contributions of $39 million (2014 – $47 million).

21. Provisions

	2015	2014
Contributions from customers and developers	$ 62	$ 35
Employee benefits	98	100
	160	135
Less: current portion	37	38
	$ 123	$ 97

Contributions from customers and developers

	2015	2014
Balance, beginning of year	$ 35	$ 31
Contributions received	30	7
Contributions refunded	(3)	(3)
Balance, end of year	$ 62	$ 35

Contributions received include non-cash contributions of $23 million (2014 – $4 million).

Employee benefits

	2015	2014
Other short-term employee benefit obligation	$ 29	$ 27
Post-employment benefit obligation	48	45
Other long-term employee benefit obligation	21	28
	$ 98	$ 100

Post-employment benefits

Total cash payments for pension benefits for the year ended December 31, 2015, consisting of cash contributed by the Company to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan, were $39 million (2014 – $35 million). Total contributions expected to be paid in 2016 to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan are $40 million.

Other long-term employee benefits

Other long-term employee benefits consist mainly of obligations for benefits provided to employees on long-term disability leaves.

22. Derivatives

Derivative financial instruments are held for the purpose of electricity price risk management and interest rate risk management.

The derivative instruments assets and liabilities used for risk management purposes as described in note 29 consist of the following assets and liabilities:

Derivative financial liabilities

	2015	2014
Electricity price forward contracts	$ 2	$ 3
Interest rate swaps (note 29)	10	6
	$ 12	$ 9
Current	$ 2	$ 3
Non-current	10	6
	$ 12	$ 9

Electricity price forward contracts

The forward contracts used to mitigate electricity price risk management consist of the following:

	2015	2014
Derivative instruments liabilities		
Fair value	$ 9	$ 10
Cash paid to counterparty	(7)	(7)
Net fair value	$ 2	$ 3
Net notional buys		
Terawatt hours of electricity	1.2	1.3
Range of contract terms (in years)	0.1 to 0.3	0.1 to 0.3

The fair value of electricity derivative financial instruments reflects changes in the forward electricity prices, net of cash payments to or from the counterparty. During the course of the contract, daily payments are made to or received from the counterparty to settle the fair value of the contracts.

Fair value is determined based on quoted exchange index prices by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Changes in fair value on electricity derivative financial instruments are recorded in energy purchases and system access fees.

23. Other liabilities

	2015	2014
Gold Bar transfer fee payable	$ -	$ 1
Customer deposits	27	24
Leasehold inducements	11	12
	38	37
Less: current portion	27	25
	$ 11	$ 12

24. Share capital

Authorized shares

Unlimited number of voting common shares without nominal or par value.

Issued shares

Three common shares to the City.

25. Accumulated other comprehensive income

Cash flow hedges

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred prior to the disposal of the power generation business in 2009. Consequent to the partial sell down of investment in Capital Power and reclassification of remaining investment as available-for-sale asset, the Company reclassified and realized the remaining portion of cash flow hedging instruments in net income.

Available-for-sale financial assets

This comprises the cumulative net change in the fair value of the Company's beneficial interest in the sinking fund and investment in Capital Power Corporation, until the investments are derecognized or impaired.

Cumulative translation accounts

The cumulative translation accounts for foreign operations represent the cumulative portion of gains and losses on retranslation of foreign operations that have a functional currency other than Canadian dollars. The cumulative deferred gain or loss on the foreign operation is reclassified to net income only on disposal of the foreign operation.

Employee benefits account

The employee benefits account represents the cumulative impact of actuarial gains and losses, and return on plan assets excluding interest income from the Company's defined benefit pension plans.

Investment in Capital Power

The investment in Capital Power comprises the Company's equity share in other comprehensive income and loss of Capital Power. Consequent to the partial sell down of investment in Capital Power and reclassification of remaining investment as available-for-sale asset, the Company reclassified and realized the remaining portion of its share of other comprehensive income from Capital Power in net income.

26. Change in non-cash working capital

	2015	2014
Trade receivables (note 10)	$ (22)	$ 11
Income tax recoverable (note 10)	-	(2)
Prepaid expenses (note 10)	(1)	-
Inventories	(1)	-
Trade and other payables (note 18)	11	3
	$ (13)	$ 12

	2015	2014
Included in specific items on statements of cash flows:		
Interest paid	$ -	$ (1)
Income taxes recovered (paid)	-	(2)
Distributions from Capital Power	3	-
	3	(3)
Operating activities	(19)	17
Investing activities	3	(2)
	$ (13)	$ 12

27. Related party balances and transactions

Compensation of key management personnel

	2015	2014
Short-term employee benefits	$ 5	$ 5
Post-employment benefits	2	1
Other long-term benefits	3	2
	$ 10	$ 8

The Company provides utility services to key management personnel as it is the sole provider of certain services. Such services are provided in the normal course of operations and are based on normal commercial rates, as approved by regulation.

Other related party transactions

The Company is 100% owned by the City. The Company provides maintenance, repair and construction services, and customer billing services to the City, and purchases printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements. Sales between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

The following summarizes the Company's related party transactions with the City:

	2015	2014
Consolidated Statements of Comprehensive Income		
Revenues (a)	$ 87	$ 84
Other raw materials and operating charges (b)	9	10
Franchise fees and property taxes (c)	90	88
Finance expense (d)	10	11

(a) Included within revenues are electricity and water sales of $4 million (2014 – $4 million), service revenue including the provision of maintenance, repair and construction services of $75 million (2014 – $73 million) and customer billing services of $8 million (2014 – $7 million).

(b) Includes certain costs of printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements.

(c) Composed of franchise fees of $55 million at 0.72 cents per kilowatt hour of electric distribution sales volume (2014– $56 million at 0.72 cents per kilowatt hour), franchise fees of $20 million at 8% (2014 – $19 million at 8%) of qualifying revenues of water services and waste water services, and property taxes of $15 million (2014 – $13 million) on properties owned within the City municipal boundaries.

(d) Composed of interest expense on the obligation to the City at interest rates ranging from 5.20% to 8.50% (2014 – 5.20% to 8.50%).

The following summarizes the Company's related party balances with the City:

	2015	2014
Consolidated Statements of Financial Position		
Trade and other receivables	$ 50	$ 36
Property, plant and equipment (e)	4	6
Trade and other payables (f)	6	10
Loans and borrowings (note 19)	105	119
Deferred revenue (g)	1	25
Other liabilities (h)	-	1
Equity attributable to the Owner of the Company	24	24

(e) Costs of capital construction for water distribution mains and infrastructure.

(f) Includes $1 million (2014 – $2 million) for drainage and construction services provided by the City.

(g) Capital contributions received for capital projects and rebates relating to maintenance, repair and construction services.

(h) Relates to a transfer fee payable to the City for Gold Bar of nil (2014 – $1 million).

The Company had an 18% economic interest in Capital Power and was considered an associate of the Company prior to April 2, 2015. The Company provides electricity distribution and transmission services to Capital Power. Transactions are in the normal course of operations and are based on normal commercial or regulated rates.

The following summarizes the Company's related party transactions with Capital Power prior to April 2, 2015:

	Prior to April 2, 2015	Year ended December 31, 2014
Consolidated Statements of Comprehensive Income		
Revenues (i)	$ 2	$ 8
Other income (j)	6	22
Energy purchases and system access fees (k)	3	2
Other raw materials and operating charges (l)	4	13
Other administrative expenses (m)	(2)	(7)
Equity share of income of Capital Power (note 15)	5	15
Gain on dilution of interest in Capital Power (note 15)	-	8
Equity share of other comprehensive income (note 15)	2	10

(i) Relates to electricity distribution and transmission services provided to Capital Power by EPCOR.

(j) Relates to financing revenue on the long-term receivable.

(k) Relates to electricity purchases by EPCOR from Capital Power under service agreements.

(l) Relates to utility bills and charges for provision of transitional services by Capital Power to EPCOR under services agreements.

(m) Relates to the provision of services by EPCOR to Capital Power under services agreements.

The following summarizes the Company's related party balances with Capital Power:

	2015[1]	2014
Consolidated Statements of Financial Position		
Trade and other receivables (n)	$ -	$ 14
Other financial assets (note 13)	-	332
Trade and other payables	-	3
Deferred revenue (o)	-	(6)

1 Consequent to partial sell down of the investment in Capital Power, Capital Power is no longer considered a related party effective April 2, 2015. Accordingly, balances on December 31, 2015, are in the normal course of business with Capital Power and are no longer considered related party balances for disclosure purposes.

(n) 2014 includes $6 million relating to the accrued interest on the long-term receivable from Capital Power (note 13).

(o) Contributions for the construction of aerial and underground transmission lines.

28. Financial instruments

Classification

The classification of the Company's financial instruments at December 31, 2015 and 2014, is summarized as follows:

	Classification				
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	Fair value hierarchy
Measured at fair value					
Beneficial interest in sinking fund (note 19)				X	Level 1
Available-for-sale investment in Capital Power (note 15)				X	Level 1
Derivatives (note 22)					
Financial electricity purchase contracts – designated	X				Level 1
Interest rate swaps – designated	X				Level 2
Measured at amortized cost					
Cash and cash equivalents (note 9)		X			Level 1
Trade and other receivables (note 10)		X			Level 3
Other financial assets (note 13)		X			Level 2
Trade and other payables (note 18)			X		Level 3
Debentures and borrowings (note 19)			X		Level 2
Gold Bar transfer fee payable (note 23)			X		Level 3
Customer deposits (note 23)			X		Level 3

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables and certain other liabilities (including customer deposits and Gold Bar transfer fee payable) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets (note 13)	$ 316	$ 330	$ 408	$ 443
Available-for-sale investment in Capital Power (note 15)	167	167	-	-
Loans and borrowings (note 19)				
Debentures and borrowings	2,198	2,554	2,154	2,579
Beneficial interest in sinking fund	(81)	(81)	(74)	(74)
Derivatives (note 22)	12	12	9	9

Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

Loans and other long-term receivables

The fair value of the Company's unsecured long-term receivable from Capital Power is based on a current yield for the Company's receivable at December 31, 2015 and 2014. This yield is based on an estimated credit spread for Capital Power over the yields of long-term Government of Canada bonds that have similar maturities to the Company's receivable. The estimated credit spread is based on Capital Power's indicative spread as published by independent financial institutions.

The fair values of the Company's other long-term loans and receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at December 31, 2015 and 2014.

Loans and borrowings

The fair value of the Company's long-term loans and borrowings is based on determining a current yield for the Company's debt at December 31, 2015 and 2014. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions. The Company's long-term loans and borrowings (including the current portion) include City debentures which are offset by payments made by the Company into the sinking fund. The Company's beneficial interest in the sinking fund is a related party balance and has been recorded at fair value as it has been classified as an available-for-sale financial asset. The fair value of the beneficial interest in the sinking fund is based on quoted market values as determined by the City at or near the reporting date.

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate their fair value due to the short-term nature of these financial instruments.

Available-for-sale investment in Capital Power

The available-for-sale investment in Capital Power represents an investment in common shares of Capital Power Corporation. The fair value of the investment is based on the quoted price of common shares of Capital Power Corporation (CPX) on the Toronto Stock Exchange at December 31, 2015.

Derivatives

The fair value of the Company's financial electricity purchase contracts is determined based on exchange index prices in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices.

The fair value of the Company's interest rate swaps is based on valuations obtained from the counterparty. The fair value is determined by the counterparty using a discounted cash flow model. The inputs used include notional amounts, the quoted forward Canadian Dealer Offering Rate (CDOR) curve, the contractual fixed settlement rate and an applicable discount factor.

It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

29. Financial risk management

Overview

The Company is exposed to a number of different financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk which includes financial risk. Enterprise risk management is overseen by the Board of Directors and senior management is responsible for fulfilling

objectives, targets, and policies approved by the Board of Directors. EPCOR's Corporate Treasurer in conjunction with the Company's Internal Audit function provides the Board of Directors with an enterprise risk assessment quarterly. Risk management strategies, policies and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and minimize volatility in earnings and cash flow.

Financial risk management including foreign exchange risk, interest rate risk, liquidity risk and the associated credit risk management is carried out by the centralized Treasury function in accordance with applicable policies. The Audit Committee of the Board of Directors, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help ensure compliance.

Risks related to Capital Power

Significant reliance is placed on the capacity of Capital Power to honor its back-to-back debt obligations with EPCOR. Should Capital Power fail to satisfy these obligations, EPCOR's capacity to satisfy its debt obligations would be reduced and EPCOR would need to satisfy its own debt obligations by other means. As per agreement, the back-to-back debt obligations may be called by EPCOR for repayment. Repayment must occur within 180 days of notice if the principal balance outstanding is less than $200 million or within 365 days of notice if the principal balance outstanding is equal to or greater than $200 million.

While EPCOR receives dividends from Capital Power, the Company does not rely on them as a source of funding. There can be no assurance that Capital Power will continue to pay dividends at current levels as they may be reduced or eliminated entirely in the future.

Capital Power has indemnified EPCOR for any losses arising from its inability to discharge its liabilities, including any amounts owing to EPCOR in relation to the long-term loans receivable.

Market risk

Market risk is the risk of loss that results from changes in market factors such as electricity prices, foreign currency exchange rates, interest rates and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non-trading physical asset and contract portfolios, and trading portfolios. The Company's financial exposure management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the foreign exchange risk and interest rate risk throughout the Company.

To manage the exposure related to changes in market risk, the Company may use various risk management techniques including derivative financial instruments such as forward contracts, contracts-for-differences or interest rate swaps. Such instruments may be used for an anticipated transaction to establish a fixed price denominated in a foreign currency or electricity or to secure fixed interest rates.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonable changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these instruments. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, equity instruments, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Electricity price and volume risk

EPCOR sells electricity to regulated rate option (RRO) customers under a RRT. All electricity for the RRO customers is purchased in real time from the AESO in the spot market. Under the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by the EPSP. Under the EPSP, the Company uses financial contracts to economically hedge the RRO requirements and

incorporate the price into customer rates for the applicable month. Fixed volumes of electricity are economically hedged using financial contracts-for-differences up to 120 days in advance of the month in which the electricity (load) is consumed by the RRO customers. The volume of electricity economically hedged in advance is based on load (usage) forecasts for the consumption month. When consumption varies from forecast consumption patterns, EPCOR is exposed to prevailing market prices when the volume of electricity economically hedged is short of actual load requirements or greater than the actual load requirements (long). Exposure to variances in electricity volume can be exacerbated by other events such as unexpected generation plant outages and unusual weather patterns.

Under contracts-for-differences the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the AESO electricity spot market price and the fixed contract price for a specified volume of electricity up to 120 days in advance of the consumption date, all in accordance with the EPSP. The contracts-for-differences are referenced to the AESO electricity spot price and any movement in the AESO price results in changes in the contract settlement amount. If the risks of the EPSP were to become untenable, EPCOR could test the market and potentially re-contract the procurement risk under an outsourcing arrangement at a certain cost that would likely increase procurement costs and reduce margins. The Company may enter into additional financial electricity purchase contracts outside the EPSP to further economically hedge the price of electricity.

At December 31, 2015, holding all other variables constant, a $5 per megawatt hour increase / decrease in the forward electricity spot price would increase / decrease net income by approximately $6 million (2014 – $6 million). In preparing the sensitivity analysis, the Company compared average AESO electricity spot prices to the forward index price for the past 24 months. Based on historical fluctuations, the Company estimates that the fair value of the contracts could increase or decrease by up to $37 million (2014 – $40 million) with a corresponding change to net income.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated future transactions and firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign subsidiaries.

The Company's financial exposure management policy attempts to minimize material exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises on commitments denominated in U.S. dollars. The Company coordinates and manages foreign exchange risk centrally by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks.

The Company may use foreign currency forward contracts to fix the functional currency of its non-functional currency cash flows thereby reducing its anticipated foreign currency denominated transactional exposure. The Company looks to limit foreign currency exposures as a percentage of estimated future cash flows.

At December 31, 2015, holding all other variables constant, a 10% change in exchange rate would change the private debt balance by $35 million (2014 – $29 million).

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating-rate short-term loans and obligations. The Company is also exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. Interest rate risk associated with short-term loans and borrowings is immaterial due to its short-term maturity. At December 31, 2015 and 2014, all long-term debt was fixed rate.

The Company entered into the following interest rate swaps to manage its interest rate risk in the Regina Wastewater project as described below:

Type	Term	Notional amount	Fixed rate	Floating rate index
Pay fixed, receive floating	August 1, 2014 – January 3, 2017	Range of $18 – $136	1.55%	1-month CDOR
Pay fixed, receive floating	January 3, 2017 – June 1, 2044	$67	3.51%	1-month CDOR

The counterparty to the swap arrangements is a major Canadian financial institution. During their respective terms, the swaps are being net cash settled on a monthly basis. The Company does not anticipate any material adverse effect on its financial covenants resulting from its involvement in this type of swap arrangement, nor does it anticipate non-performance by the counterparty. At December 31, 2015, the maximum exposure to credit risk of the interest rate swaps is equal to their carrying amounts, which is a net liability of $10 million (2014 - $6 million) (note 22).

The interest rate swap at a fixed rate of 1.55% has monthly notional amounts that mirror the expected net development funding requirements over the project's construction term. For both swaps, the Company used the forward CDOR rate as of December 31, 2015, to determine the estimated contractual obligations of the Company. Future cash flows may differ from the amounts noted below due to changes in the monthly CDOR rate. At December 31, 2015 and 2014, the undiscounted cash flow requirements and contractual maturities of the interest rate swaps were as follows:

December 31, 2015	2016	2017	2018	2019	2020	2021 and thereafter	Total contractual cash flows
Carrying value – net	$ 1	$ 2	$ 2	$ 1	$ 1	$ 5	$ 12

December 31, 2014	2015	2016	2017	2018	2019	2020 and thereafter	Total contractual cash flows
Carrying value - net	$ -	$ -	$ 1	$ 1	$ 1	$ 4	$ 7

At December 31, 2015, a 50 basis point increase in the forward CDOR rate would increase fair value of the interest rate swaps by a combined amount of $5 million (2014 - $5 million) and a 50 basis point decrease in the forward CDOR rate would decrease fair value of the interest rate swaps by a combined amount of $6 million (2014 - $6 million). This analysis assumes that all other variables remain constant.

Equity Price Risk

Equity price risk refers to the risk that the fair value of an investment will fluctuate as a result of changes in equity markets. The Company is exposed to equity price risk arising from its available-for-sale investment in the common shares of Capital Power Corporation which are listed on TSX. At December 31, 2015, an increase or decrease of $1.00 in market price of common shares of Capital Power Corporation will result in an increase or decrease of $9 million in the fair value of Company's available-for-sale investment in Capital Power, respectively. The Company closely monitors the equity price movement in common shares of Capital Power to determine the appropriate course of action to be taken by the Company.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company, including payment and performance. The Company's counterparty credit risk management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis. Credit risk includes the Capital Power back-to-back debt obligations with EPCOR as described above. To manage and mitigate credit risk, the Company employs various credit mitigation practices such as master netting agreements, pre-payment arrangements from retail customers, credit derivatives and other forms of credit enhancements including cash deposits, parent company guarantees, and bank letters of credit.

*Maximum credit risk exposur*e

The Company's maximum credit exposure is represented by the carrying amount of the following financial assets:

	2015	2014
Cash and cash equivalents[1] (note 9)	$ 36	$ 37
Trade and other receivables[2] (note 10)	333	313
Finance lease receivables (note 12)	104	122
Loans and other long-term receivables (note 13)	493	420
	$ 966	$ 892

1 This table does not take into account collateral held. At December 31, 2015, the Company held cash deposits of $27 million (2014 – $40 million) as security for certain counterparty accounts receivable and derivative contracts. The Company is not permitted to sell or re-pledge this collateral in the absence of default of the counterparties providing the collateral.

2 The Company's maximum exposures related to trade and other receivables by major credit concentration is composed of $209 million (2014 – $246 million) related to rate-regulated customer balances. At December 31, 2015, the Company held credit enhancements to mitigate credit risk on trade and other receivables in the form of letters of credit of $1 million (2014 – $2 million) and parental guarantees of $252 million (2014 – $253 million).

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade receivables associated with its energy and water sales activities and agreements with the AESO and on electricity supply agreements with wholesale and retail customers. The Company is also exposed to credit risk from its cash and cash equivalents, derivative instruments and long-term financing arrangements receivable.

The credit quality of the Company's trade and other receivables, by major credit concentrations, finance lease receivables, and other financial assets at December 31, 2015 and 2014, was as follows:

	2015		2014	
	Investment grade or secured[1,2] %	Unrated %	Investment grade or secured[1,2] %	Unrated %
Trade and other receivables				
Rate-regulated customers[3]	-	34	-	74
Non rate-regulated customers	62	4	21	5
Total trade and other receivables	62	38	21	79
Cash and cash equivalents	100	-	100	-
Loans and other long-term receivables	100	-	100	-

1 Credit ratings are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

2 Certain trade receivables and other financial assets are considered to have low credit risk as they are either secured by the underlying assets, secured by other forms of credit enhancements, or the counterparties are local or provincial governments.

3 Rate-regulated customer trade receivables include distribution and transmission, water sales, rate-regulated and default electricity supply receivables. Under the Electric Utilities Act (Alberta), the Company provides electricity supply in its service area to residential, agricultural and small commercial customers at regulated rates, and to those commercial and industrial customers who have not chosen a competitive offer and consume electricity under default supply arrangements.

Rate-regulated customer credit risk

Credit risk exposure for residential and commercial customers under regulated electricity and water supply rates is generally limited to amounts due from customers for electricity and water consumed but not yet paid for. The Company mitigates credit risk from counterparties by performing credit checks and on higher risk customers, by taking pre-payments or cash deposits. The Company monitors credit risk for this portfolio at the gross exposure level.

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from retail customers including commercial customers, other retailers, government-owned or sponsored entities, regulated public utility distributors, and other counterparties. Commercial customer contracts provide performance assurances through letters of credit, irrevocable guarantees and bonds. For other retail customers, represented by a diversified customer base, credit losses are generally low and the Company provides for an allowance for doubtful accounts on estimated credit losses.

The aging of accounts receivables was as follows:

December 31, 2015	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivables
Current[1]	$ 293	$ -	$ 293
Outstanding 31 to 60 days	20	-	20
Outstanding 61 to 90 days	5	1	4
Outstanding more than 90 days	18	2	16
	$ 336	$ 3	$ 333

December 31, 2014	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivables
Current[1]	$ 282	$ -	$ 282
Outstanding 31 to 60 days	19	-	19
Outstanding 61 to 90 days	6	1	5
Outstanding more than 90 days	9	2	7
	$ 316	$ 3	$ 313

1 Current amount represents trade and other receivables outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

Bad debt expense of $5 million (2014 – $5 million) recognized in the year relates to customer amounts that the Company determined would not be fully collectable. Allowances for doubtful accounts are determined by each business unit considering the unique factors of the business unit's trade and other receivables. Allowances and write-offs are determined either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other accounts receivable and the related allowance for doubtful accounts are recorded when the Company has determined that recovery is not possible.

The change in the allowance for doubtful accounts was as follows:

	2015	2014
Balance, beginning of year	$ 3	$ 4
Additional allowances created	5	5
Recovery of receivables	1	1
Receivables written off	(6)	(7)
Balance, end of year	$ 3	$ 3

At December 31, 2015, the Company held $27 million (2014 – $24 million) of customer deposits for the purpose of mitigating the credit risk associated with trade and other receivables from residential and business customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Company's Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities and financings in public or private debt capital markets.

The Company has revolving extendible credit facilities, which are used principally for the purpose of backing the Company's commercial paper program and providing letters of credit, as outlined below:

December 31, 2015	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2018	$ 200	$ -	$ 48	$ 152
Syndicated bank credit facility	November 2020	350	98	-	252
Total committed		550	98	48	404
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
		$ 575	$ 98	$ 48	$ 429

December 31, 2014	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	December 2017	$ 200	$ -	$ 82	$ 118
Syndicated bank credit facility	December 2019	350	103	-	247
Total committed		550	103	82	365
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
		$ 575	$ 103	$ 82	$ 390

1 Restricted to letters of credit.

The Company's $350 million committed syndicated bank credit facility is available and primarily used for short-term borrowing and backstopping EPCOR's $350 million commercial paper program. The committed syndicated bank credit facilities cannot be withdrawn by the lenders until expiry, provided that the Company operates within the related terms and covenants. The extension feature of EPCOR's committed syndicated bank credit facilities give the Company the option each year to re-price and extend the terms of the facilities by one or more years subject to agreement with the lending syndicate. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates.

The Company has credit ratings of A- and A (low), assigned by Standard and Poor's and DBRS Limited, respectively.

The Company has a Canadian base shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At December 31, 2015, the available amount remaining under this Canadian base shelf prospectus was $1 billion. The Canadian base shelf prospectus expires in December 2017.

The undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, are as follows:

At December 31, 2015:

	2016	2017	2018	2019	2020	2021 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 232	$ -	$ -	$ -	$ -	$ -	$ 232
Loans and borrowings[2]	242	15	413	7	7	1,445	2,129
Interest payments on loans and borrowings	115	111	99	78	78	1,184	1,665
Other liabilities	27	1	1	1	1	7	38
	$ 616	$ 127	$ 513	$ 86	$ 86	$ 2,636	$ 4,064

At December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 221	$ -	$ -	$ -	$ -	$ -	$ 221
Loans and borrowings[2]	117	144	15	413	7	1,396	2,092
Interest payments on loans and borrowings	118	113	108	96	76	1,232	1,743
Other liabilities	24	1	1	1	1	8	36
Gold Bar transfer fee liability[3]	1	-	-	-	-	-	1
	$ 481	$ 258	$ 124	$ 510	$ 84	$ 2,636	$ 4,093

1 Excluding accrued interest on loans and borrowings of $27 million (2014 – $27 million).

2 Excluding deferred debt issue costs of $12 million (2014 – $12 million).

3 In 2009, the City transferred Gold Bar to EPCOR. In exchange for the net assets transferred, EPCOR agreed to pay a total transfer fee of $75 million, of which nil (2014 – $1 million) remains payable.

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of $616 million (2014 – $481 million) are expected to be funded from operating cash flows, interest and principal payments related to the unsecured long-term receivable from Capital Power, lease repayments from Suncor, commercial paper issuance and the Company's credit facilities. In addition, the Company may issue medium-term notes or sell a portion of available-for-sale investment in Capital Power or other assets to fund its obligations or investments. The key factors in determining whether to issue medium-term notes or sell a portion of the available-for-sale investment in Capital Power are the expected interest rates for medium-term notes, the estimated demand by investors for EPCOR debt, the state of debt capital markets generally, the quoted price of Capital Power common shares and the state of equity capital markets.

The Company has long-term loans receivable from Capital Power which effectively match certain of the long-term loans and borrowings above. The following are the undiscounted maturities of the long-term loans receivable and interest payments from Capital Power:

At December 31, 2015:

	2016	2017	2018	2019	2020	2021 and thereafter	Total
Long-term loans receivable from Capital Power (note 13)	$ 139	$ 10	$ 174	$ -	$ -	$ -	$ 323
Interest payments on loans receivable from Capital Power	16	11	6	-	-	-	33
	$ 155	$ 21	$ 180	$ -	$ -	$ -	$ 356

At December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Long-term loans receivable from Capital Power (note 13)	$ 9	$ 139	$ 10	$ 174	$ -	$ -	$ 332
Interest payments on loans receivable from Capital Power	21	16	11	6	-	-	54
	$ 30	$ 155	$ 21	$ 180	$ -	$ -	$ 386

The payments from Capital Power fund a portion of the Company's contractual debt obligations. Should Capital Power be unable to make its scheduled payments to EPCOR, then the Company will rely more heavily on its credit facilities and its ability to issue medium-term notes or potentially sell a portion of its interest in Capital Power to fund its obligations.

30. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay dividends to its shareholder in accordance with the Company's dividend policy, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the Company's growth strategy. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets. This overall objective and policy for managing capital remained unchanged in the current year from the prior year.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of long-term and short-term debt net of cash and cash equivalents and shareholder's equity. The following table represents the Company's total capital:

	2015	2014
Loans and borrowing (including current portion) (note 19)	$ 2,117	$ 2,080
Cash and cash equivalents (note 9)	(36)	(37)
Net debt	2,081	2,043
Total equity	2,515	2,340
Total capital	$ 4,596	$ 4,383

EPCOR has the following externally imposed financial covenants on its capital as a result of its credit facilities and outstanding debt:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 85%;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 70%;
- Maintenance of interest coverage ratio, as defined in the debt agreements, of not less than 1.75 to 1.00 if the Company's credit rating falls below investment grade; and
- Limitation on external debt issued by subsidiaries.

These capital restrictions are defined in accordance with the respective agreements. For the years ended December 31, 2015 and 2014, the Company complied with all externally imposed capital restrictions.

31. Commitments, contingencies and guarantees

Commitments

The following represent the Company's commitments not otherwise disclosed in these financial statements:

At December 31, 2015:

	2016	2017	2018	2019	2020	2021 and thereafter	Total
Water services segment projects[1]	$ 33	$ 21	$ -	$ -	$ -	$ -	$ 54
Water services power contracts[2]	8	9	2	-	-	-	19
Water purchase and transportation of water agreements[3]	8	1	-	-	-	3	12
Billing and customer care services agreement[4]	6	4	4	4	3	3	24
	$ 55	$ 35	$ 6	$ 4	$ 3	$ 6	$ 109

At December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Distribution and Transmission segment capital projects[5]	$ 8	$ 37	$ 2	$ -	$ -	$ -	$ 47
Water Services segment projects[1]	87	50	-	-	-	-	137
Water purchase and transportation of water agreements[3]	7	1	-	-	1	3	12
Billing and customer care services agreement[4]	5	5	3	3	3	7	26
	$ 107	$ 93	$ 5	$ 3	$ 4	$ 10	$ 222

1 The Company has commitments to several Water Services projects in Canada through contract agreements.

2 The Company has commitments to purchase power for its wastewater treatment plant, water treatment plants and distribution sites. The agreements expire on or before December 31, 2018. Under the terms of the agreements, the Company is committed to purchase minimum and maximum contracted quantities at a fixed price. There are no early termination or cancellation clauses in these agreements.

3 Water Arizona maintains agreements with the Central Arizona Water Conservation District for the purchase and transportation of water. These agreements are for terms of 100 years expiring at the end of 2107. Under the terms of these agreements, certain minimum payments of approximately $0.5 million are due each year in order to maintain the agreements until they expire. The Company is committed for the amount of water ordered in the fall of each year to be purchased and transported the following year.

Water New Mexico maintains agreements with the various well owners for the purchase of water. These agreements are generally for terms of ten years. Under the terms of these agreements, certain minimum purchases are due each year in order to maintain the agreements until they expire.

4 The Company has entered into an agreement for billing and customer care services for Water Arizona and Water New Mexico. The contract term is ten years, expiring on August 31, 2021.

5 The Company was committed to various Distribution and Transmission segment projects as directed by the AESO. These projects have been cancelled.

Contingencies

The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

Guarantees

The Company in the normal course of business issues payment guarantees on behalf of its subsidiaries to meet the conditions of the agreements with third parties. At December 31, 2015, guarantees totaling $408 million (2014 – $396 million) have been issued to various third parties.

32. Segment disclosures

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company.

Water Services

Water Services is primarily involved in the treatment, distribution and sale of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the maintenance and repair of the City-owned street lighting and transportation support facilities.

Energy Services

Energy Services is primarily involved in the provision of regulated tariff electricity service and default supply electricity services to residential, small commercial and agricultural customers in Alberta. Energy Services also provides competitive electricity and natural gas products through Encor.

Corporate

Corporate reflects the costs of the Company's net unallocated corporate office expenses and financing revenues on the long-term receivable from Capital Power. Corporate also holds the available-for-sale investment in Capital Power.

Lines of business information

Year ended December 31, 2015	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 688	$ 436	$ 872	$ 22	$ -	$ 2,018
Inter-segment revenue	-	164	11	-	(175)	-
Total revenues and other income	688	600	883	22	(175)	2,018
Energy purchases and system access fees	-	175	770	-	(153)	792
Other raw materials and operating charges	203	35	-	1	(10)	229
Staff costs and employee benefits expenses	136	100	27	36	(1)	298
Depreciation and amortization	89	69	6	14	-	178
Franchise fees and property taxes	28	69	-	-	-	97
Other administrative expenses	23	15	24	8	(11)	59
Operating expenses	479	463	827	59	(175)	1,653
Operating income (loss) before corporate charges	209	137	56	(37)	-	365
Corporate (charges) income	(28)	(26)	(9)	63	-	-
Operating income	181	111	47	26	-	365
Finance (expenses) recoveries	(91)	(48)	(3)	25	-	(117)
Gains on equity investment in Capital Power	-	-	-	60	-	60
Impairment of available-for-sale investment in Capital Power	-	-	-	(60)	-	(60)
Dividend income from available-for-sale investment in Capital Power	-	-	-	10	-	10
Equity share of income of Capital Power	-	-	-	5	-	5
Income tax (expense) recovery	(10)	-	-	7	-	(3)
Net income	$ 80	$ 63	$ 44	$ 73	$ -	$ 260
Total assets	$ 3,375	$ 1,907	$ 175	$ 3,270	$ (2,639)	$ 6,088
Total liabilities	2,682	1,273	160	2,097	(2,639)	3,573
Capital additions	214	235	1	13	-	463

Year ended December 31, 2014	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 578	$ 401	$ 925	$ 23	$ -	$ 1,927
Inter-segment revenue	-	146	11	-	(157)	-
Total revenues and other income	578	547	936	23	(157)	1,927
Energy purchases and system access fees	-	156	846	-	(134)	868
Other raw materials and operating charges	143	39	-	1	(10)	173
Staff costs and employee benefits expenses	126	102	25	40	(1)	292
Depreciation and amortization	78	59	8	14	-	159
Franchise fees and property taxes	25	69	-	-	-	94
Other administrative expenses	23	13	23	9	(12)	56
Operating expenses	395	438	902	64	(157)	1,642
Operating income (loss) before corporate charges	183	109	34	(41)	-	285
Corporate (charges) income	(27)	(27)	(9)	63	-	-
Operating income	156	82	25	22	-	285
Finance (expenses) recoveries	(84)	(43)	(6)	14	-	(119)
Equity share of income of Capital Power	-	-	-	15	-	15
Gain on dilution of interest in Capital Power	-	-	-	8	-	8
Income tax (expense) recovery	(10)	-	(6)	18	-	2
Net income	$ 62	$ 39	$ 13	$ 77	$ -	$ 191
Total assets	$ 2,956	$ 1,728	$ 200	$ 3,199	$ (2,345)	$ 5,738
Investment in Capital Power	-	-	-	393	-	393
Total liabilities	2,353	1,171	189	2,030	(2,345)	3,398
Capital additions	175	200	2	8	-	385

Geographic information

	Year ended December 31, 2015				Year ended December 31, 2014			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	$ 1,825	$ 193	$ -	$ 2,018	$ 1,764	$ 163	$ -	$1,927
Inter-segment revenues	175	-	(175)	-	157	-	(157)	-
Total revenues and other income	$ 2,000	$ 193	$ (175)	$ 2,018	$ 1,921	$ 163	$ (157)	$1,927

Non-current assets

	December 31, 2015	December 31, 2014
Canada	$ 4,362	$ 4,512
U.S.	1,055	842
	$ 5,417	$ 5,354

Consolidated Financial Statements of

EPCOR UTILITIES INC.

Years ended December 31, 2014 and 2013

Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of EPCOR Utilities Inc. are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to March 4, 2015. Financial information presented elsewhere is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management, and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the Company’s external auditors. The external auditors are responsible for auditing the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditors' report outlines the scope of their audit and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management’s discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,





David Stevens
President and Chief Executive Officer

Guy Bridgeman
Senior Vice President and Chief Financial Officer

March 4, 2015

EPCOR UTILITIES INC.

Consolidated Financial Statements

Years ended December 31, 2014 and 2013

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KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Utilities Inc.

We have audited the accompanying consolidated financial statements of EPCOR Utilities Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EPCOR Utilities Inc. as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 4, 2015
Edmonton, Canada

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KPMG Canada provides services to KPMG LLP.

EPCOR UTILITIES INC.

Consolidated Statements of Comprehensive Income
(In millions of Canadian dollars)

Years ended December 31, 2014 and 2013

	2014	2013
Revenues and other income:		
Revenues (note 5)	$ 1,904	$ 1,929
Other income (note 5)	23	26
	1,927	1,955
Operating expenses:		
Energy purchases and system access fees	868	950
Other raw materials and operating charges	173	144
Staff costs and employee benefits expenses (note 6)	292	280
Depreciation and amortization (note 6)	159	145
Franchise fees and property taxes	94	89
Other administrative expenses (note 6)	56	58
Foreign exchange loss (gain)	-	(1)
	1,642	1,665
Operating income	285	290
Finance expenses (note 7)	(119)	(107)
Equity share of income of Capital Power (note 16)	15	66
Gain on dilution of equity interest in Capital Power (note 16)	8	-
Loss on sale of a portion of investment in Capital Power (note 16)	-	(16)
Impairment of investment in Capital Power (note 8)	-	(43)
Income before income taxes	189	190
Income tax recovery (expense) (note 9)	2	(15)
Net income for the year – all attributable to the Owner of the Company	191	175
Other comprehensive income (loss):		
Item that will not be reclassified to net income:		
Re-measurements of net defined benefit plans[1]	(7)	3
Items that may subsequently be reclassified to net income:		
Equity share of other comprehensive income (loss) of Capital Power[2] (note 16)	8	(10)
Amounts realized in net income on sale of a portion of investment in Capital Power[3] (note 16)	-	(3)
Unrealized loss on available-for-sale financial assets[4]	-	(1)
Unrealized gain (loss) on foreign currency translation[4]	27	17
	35	3
	28	6
Comprehensive income for the year - all attributable to the Owner of the Company	$ 219	$ 181

1 For the year ended December 31, 2014, net of income tax recovery of $2 million (2013 – income tax expense of $2 million).

2 For the year ended December 31, 2014, net of income tax expense of $2 million (2013 – income tax recovery of $3 million).

3 For the year ended December 31, 2014, net of reclassification of income tax recoveries nil (2013 – income tax recoveries of $1 million).

4 For the year ended December 31, 2014, net of income tax of nil (2013 – nil).

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Financial Position
(In millions of Canadian dollars)

December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (note 10)	$ 37	$ 130
Trade and other receivables (note 11)	333	360
Inventories (note 12)	14	14
	384	504
Non-current assets:		
Finance lease receivables (note 13)	118	122
Other financial assets (note 14)	408	367
Deferred tax assets (note 15)	69	53
Investment in Capital Power (note 16)	393	385
Property, plant and equipment (note 17)	4,112	3,776
Intangible assets and goodwill (note 18)	254	240
	5,354	4,943
TOTAL ASSETS	$ 5,738	$ 5,447
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables (note 19)	$ 248	$ 245
Loans and borrowings (note 20)	117	15
Deferred revenue (note 21)	23	23
Provisions (note 22)	38	29
Derivatives (note 23)	3	1
Other liabilities (note 24)	25	28
	454	341
Non-current liabilities:		
Loans and borrowings (note 20)	1,963	1,957
Deferred revenue (note 21)	847	783
Deferred tax liabilities (note 15)	19	12
Provisions (note 22)	97	80
Derivatives (note 23)	6	-
Other liabilities (note 24)	12	12
	2,944	2,844
Total liabilities	3,398	3,185
Equity attributable to the Owner of the Company:		
Share capital (note 25)	24	24
Accumulated other comprehensive income (note 26)	41	13
Retained earnings	2,275	2,225
Total equity	2,340	2,262
TOTAL LIABILITIES AND EQUITY	$ 5,738	$ 5,447

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)

December 31, 2014 and 2013

	Accumulated other comprehensive income (loss)								
	Share capital (note 25)	Cash flow hedges (note 26)	Available-for-sale financial assets (note 26)	Cumulative translation account (note 26)	Employee benefits account (note 26)	Investment in Capital Power (note 26)	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2013	$ 24	$ (5)	$ 1	$ 17	$ (4)	$ 4	$ 2,225	$ 2,262
Net income for the year	-	-	-	-	-	-	191	191
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	(7)	-	-	(7)
Equity share of other comprehensive income of Capital Power	-	-	-	-	-	8	-	8
Unrealized gain on foreign subsidiary	-	-	-	27	-	-	-	27
Total comprehensive income (loss)	-	-	-	27	(7)	8	191	219
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2014	$ 24	$ (5)	$ 1	$ 44	$ (11)	$ 12	$ 2,275	$ 2,340

	Accumulated other comprehensive income (loss)								
	Share capital (note 25)	Cash flow hedges (note 26)	Available-for-sale financial assets (note 26)	Cumulative translation account (note 26)	Employee benefits account (note 26)	Investment in Capital Power (note 26)	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2012	$ 24	$ (7)	$ 2	$ -	$ (7)	$ 19	$ 2,191	$ 2,222
Net income for the year	-	-	-	-	-	-	175	175
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	3	-	-	3
Equity share of other comprehensive loss of Capital Power	-	-	-	-	-	(10)	-	(10)
Amounts realized in net income on sale of a portion of investment in Capital Power	-	2	-	-	-	(5)	-	(3)
Unrealized loss on available-for-sale financial assets	-	-	(1)	-	-	-	-	(1)
Unrealized gain on foreign subsidiary	-	-	-	17	-	-	-	17
Total comprehensive income (loss)	-	2	(1)	17	3	(15)	175	181
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2013	$ 24	$ (5)	$ 1	$ 17	$ (4)	$ 4	$ 2,225	$ 2,262

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Cash Flows
(In millions of Canadian dollars)

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from (used in) operating activities:		
Net income for the year	$ 191	$ 175
Reconciliation of net income for the year to cash from (used in) operating activities:		
Interest paid	(118)	(108)
Finance expenses (note 7)	119	107
Income taxes paid	(9)	(7)
Income tax expense (recovery) (note 9)	(2)	15
Depreciation and amortization (note 6)	159	145
Change in employee benefits provisions	12	-
Contributions received	23	29
Deferred revenue recognized (note 21)	(23)	(20)
Fair value change on derivative instruments (note 23)	8	(1)
Gain on dilution of equity interest in Capital Power (note 16)	(8)	-
Loss on sale of a portion of investment in Capital Power (note 16)	-	16
Equity share of income from Capital Power (note 16)	(15)	(66)
Impairment of investment in Capital Power (note 8)	-	43
Foreign exchange loss (gain)	-	(1)
Other	-	(1)
Funds from operations	337	326
Change in non-cash operating working capital (note 27)	17	(57)
Net cash flows from operating activities	354	269
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment and other assets	(385)	(444)
Business acquisition, net of acquired cash	-	(4)
Change in non-cash investing working capital (note 27)	(2)	7
Proceeds on disposal of property, plant and equipment	2	2
Payments received (advances) on finance lease receivables and other financial assets	(23)	6
Payment of Gold Bar transfer fees	(6)	(10)
Proceeds on sale of a portion of investment in Capital Power	-	194
Distributions received from Capital Power	24	36
Net cash flows used in investing activities	(390)	(213)
Cash flows from (used in) financing activities:		
Proceeds from issuance of short-term loans and borrowings (note 20)	103	-
Repayment of long-term loans and borrowings	(16)	(14)
Provisions	(3)	(3)
Common share dividends paid	(141)	(141)
Net cash flows used in financing activities	(57)	(158)
Decrease in cash and cash equivalents	(93)	(102)
Cash and cash equivalents, beginning of year	130	232
Cash and cash equivalents, end of year	$ 37	$ 130

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 4, 2015.

(b) Basis of measurement

The Company's consolidated financial statements are prepared on the historical cost basis, except for its beneficial interest in the sinking fund held with the City and its derivative financial instruments, which are measured at fair value.

(c) Additional IFRS financial measure

The Company uses “operating income” as an additional IFRS financial measure. In management’s opinion, the measure is a more effective indicator of the Company’s and reportable business segments’ operating performance than net income because it only includes items directly related to or resulting from management’s operating decisions and actions.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of consolidation

These consolidated financial statements include the accounts of EPCOR, its wholly-owned subsidiaries and joint arrangements at December 31, 2014. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from the performance of the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date on which EPCOR obtains control, and continue to be consolidated until the date that such control ceases to exist. All intercompany balances and transactions have been eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The financial statements of the subsidiaries are prepared for the same reporting period as EPCOR, using consistent accounting policies.

(b) Changes in significant accounting policies

The Company has adopted the following accounting policies as a result of the new and amended accounting standards relevant to EPCOR effective January 1, 2014:

IFRS 10 – Consolidated Financial Statements (Amendment)
IFRS 12 – Disclosure of Interests in Other Entities (Amendment)
IAS 32 – Financial Instruments: Presentation (Amendment)
IAS 36 – Impairment of Assets (Amendment)
IAS 39 – Financial Instruments: Recognition and Measurement (Amendment)
IFRIC 21 – Levies

There was no significant impact on these financial statements as a result of the accounting policies adopted.

(c) Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in net income. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent consideration are recognized in net income.

Goodwill is initially recorded at the consideration paid for at acquisition less the fair value of the net assets of the consolidated business acquired. Subsequently, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized.

(d) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company for the provision of goods or services and where the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received, excluding discounts, rebates and sales taxes or duty.

Certain water services contracts contain multiple-deliverables arrangements. Each deliverable that is considered to be a separate unit of account is accounted for individually. Significant judgment is required to determine an appropriate allocation of the total contract value to each unit of account based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered units of account. The primary identifiable deliverables under such contracts are plant construction and project upgrades and expansions, financing or leasing of upgrades, facilities operations and maintenance.

The Company's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Sale of goods

Revenues from sales of electricity and water are recognized upon delivery and provision of services. These revenues include an estimate of the value of electricity and water consumed by customers billed subsequent to the reporting

period.

Revenues from the sale of other goods are recognized when the products have been delivered and collectability is reasonably assured.

Provision of services

Revenues from the provision of electricity distribution and transmission services and wastewater treatment services are recognized over the period in which the service is performed and collectability is reasonably assured.

Construction contracts

Contract revenue from the construction of water and wastewater treatment plants and other project upgrades and expansions provided to customers is recognized in profit or loss on the percentage of completion basis when the projected final cost of a construction contract can be reliably estimated. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Percentage of completion is estimated based on an assessment of progress towards the completion of contract tasks. These estimates may result in the recognition of unbilled receivables when the revenues are earned prior to billing customers. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred revenue in the statement of financial position. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Provisions for estimated losses on uncompleted contracts are made for the full amount of the projected loss in the period in which the losses are identified. Revenues and costs related to variations are included in the total estimated contract revenue and expenses when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Revenues earned under finance leases

Finance income earned from arrangements where the Company leases water and wastewater assets to customers, are accounted for as finance leases, as described in note 3(h).

Interest income

Revenue from the financing of project upgrades and expansions is recognized over the term of each contract using the effective interest method based on the fair value of the loan calculated at inception for each contract.

Interest income related to the loans receivable from Capital Power are recognized over the terms of the loans based on the interest rate applicable to each loan.

(e) Income taxes

Under the Income Tax Act (Canada) (ITA), a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period. As a result of these and other provisions, certain Canadian subsidiaries of the Company are taxable under the ITA and provincial income tax acts. The U.S. subsidiaries are subject to income taxes pursuant to U.S. federal and state income tax laws.

Current income taxes for the current or prior periods are measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply

to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint arrangements except where the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and interests in joint ventures are only recognized to the extent that the temporary difference will reverse in the foreseeable future and the Company judges that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill arising from a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income.

Current and deferred taxes are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Inventories

Small parts and other consumables, the majority of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Previous write downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstances. The Company estimates the value of inventory that is expected to be used in the construction of property plant and equipment and reports this value as construction work in progress. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Lease arrangements

At the inception of an arrangement entered into for the use of property, plant and equipment (PP&E), the Company determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of the specific asset and the arrangement conveys a right to use the asset. An arrangement conveys the right to use the asset if the right to control the use of the underlying asset is conveyed. Where it is determined that the arrangement contains a lease, the Company classifies the lease as either a finance or operating lease dependent on whether substantially all the risks or rewards of ownership of the asset have been transferred.

Where the Company is the lessor, finance income related to leases or arrangements accounted for as finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net

investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term.

Where the Company is the lessee, leases or other arrangements that transfer substantially all of the benefits and risks of ownership of property to the Company are classified as finance leases. Other arrangements that are determined to contain a lease are classified as operating leases. Rental payments under arrangements classified as operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) Investment in Capital Power

In these consolidated financial statements, Capital Power refers to Capital Power Corporation and its subsidiaries, including Capital Power L.P., except where otherwise noted or the context indicates otherwise.

The Company holds 18.8 million exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis) which represents 18% of Capital Power. Each exchangeable limited partnership unit is accompanied by a special voting share in Capital Power Corporation which entitles the holder to a vote at Capital Power Corporation shareholder meetings, subject to the restriction that such special voting shares must at all times represent not more than 49% of the votes attached to all Capital Power Corporation common shares and special voting shares, taken together. The special voting shares also entitle EPCOR, voting separately as a class, to nominate and elect a maximum of four out of the twelve directors of Capital Power Corporation. The number of Capital Power directors which EPCOR is entitled to nominate reduces to two directors when Capital Power ownership is below 20%, and reduce to no directors when ownership is below 10%. As a result, the key judgment in determining the appropriate accounting treatment for the investment in Capital Power is that EPCOR exercises significant influence over Capital Power but does not control Capital Power's operations as it does not have the power to direct the activities of Capital Power. Accordingly, EPCOR uses the equity method to account for its investment in Capital Power.

The investment in Capital Power was recognized initially at cost. The consolidated financial statements include the Company's equity share of the income and expenses and equity movements of Capital Power, after adjustments to align its accounting policies with those of the Company, from the date that significant influence exists until the date that significant influence ceases.

The Company applies judgment at each reporting date to determine whether there is objective evidence that the equity investment in Capital Power is impaired. An impairment will be recorded when the carrying amount of its investment in Capital Power exceeds its estimated recoverable amount. The recoverable amount is the higher of the investment’s fair value less costs to sell the investment, and its value in use. The fair value of the investment is based on the market price of Capital Power Corporation shares (CPX) traded on the Toronto Stock Exchange. The value in use of an asset is the present value of estimated future cash flows, applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labor, directly attributable overhead costs, borrowing costs on qualifying assets and decommissioning costs. Where parts of an item of PP&E have different estimated economic useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing are expensed as incurred.

Gains and losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate economic useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The estimated economic useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The ranges of estimated economic useful lives used are as follows:

Water and wastewater treatment and distribution	3 – 90 years
Electricity transmission and distribution	3 – 65 years
Retail systems and equipment	4 – 20 years
Corporate information systems and equipment	2 – 20 years
Leasehold improvements	8 – 25 years

(k) Capitalized borrowing costs

The Company capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on the Company's external borrowings or specific borrowings used to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(l) Intangible assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair value.

Customer rights represent the costs to acquire the rights to provide electricity services to particular customer groups for a finite period of time. Customer rights are recorded at cost at the date of acquisition. A subsequent expenditure is capitalized only when it increases the future economic benefit in the specific asset to which it relates.

Other rights represent the costs to acquire the rights, for finite periods of time, to access electricity delivery corridors, to the supply of water, to provide sewage treatment and transportation services, to withdraw groundwater and to the supply of potable water for emergency and peak purposes.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labor, along with directly attributable overhead costs and borrowing costs on qualifying assets.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated economic useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated economic useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated economic useful lives for intangible assets with finite lives are as follows:

Customer rights	10 – 20 years
Software assets	2 – 20 years
Other rights	50 years
Water rights	100 years

Certificates of convenience and necessity (CCN) represent the costs to acquire the exclusive rights for the Company to serve within its specified geographic areas in the U.S. for an indefinite period of time. CCN are not amortized but are subject to review for impairment at the end of each reporting period.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are included within depreciation and amortization.

(m) Service concession arrangements

Service concession arrangements are contracts between the Company and government entities and can involve the design, build, finance, operate and maintenance of public infrastructure in which the government entity controls (i) the services provided by the Company and (ii) significant residual interest in the infrastructure. Service concession arrangements are classified in one of the following categories:

(i) financial asset
The Company recognizes a financial asset arising from service concession arrangement when it has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement. The financial asset is measured at the fair value of consideration received or receivable. When the Company delivers more than one category of activities in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair value of the activity, when amounts are separately identifiable.

(ii) intangible asset
The Company recognizes an intangible asset arising from service concession arrangement when it has a right to charge for usage of the public infrastructure. The intangible asset, recognized as consideration for providing construction or upgrade services under a service concession arrangement, is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses.

Revenue under the service concession arrangements is recognized as per the revenue recognition policy of the Company described in note 3(d) by reference to each activity when the amount of revenue is separately identifiable.

The accounting for investment in contracts with government entities requires the application of judgment in determining if they fall within the scope of IFRIC 12 – Service Concession Arrangements (IFRIC 12). Additional judgment also needs to be exercised when determining, among other things, the classification to be applied to the service concession asset (i.e. financial asset or intangible asset), allocation of consideration between revenue generating activities, classification of cost incurred on such concessions and the effective interest rate to be applied to the service concession asset. Contracts falling under IFRIC 12 require use of estimates over the term of the arrangement, therefore any change in the long term estimates could result in significant variation in the amounts recognized under service concession arrangements.

(n) Deferred revenue

Certain assets may be acquired or constructed using non-repayable government grants or contributions from developers or customers. Non-refundable contributions received towards construction or acquisition of an item of PP&E which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight line basis over the estimated economic useful lives of the assets to which they relate.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a financing expense over the estimated time period until settlement of the obligation.

The Company recognizes a decommissioning provision in the period in which a legal or constructive obligation is incurred. A corresponding asset for the decommissioning cost is added to the carrying amount of the associated PP&E, and is depreciated over the estimated useful life of the asset.

The Company may receive contributions from customers, homebuilders, real estate developers, and others to fund construction necessary to extend service to new areas. Certain of these contributions may be refunded for a limited period of time as new customers begin to receive service or other contractual obligations are fulfilled. The portion of

contributions which are estimated to be refunded in the future are recorded as provisions. The remaining contributions are classified as deferred revenue.

(p) Employee future benefits

The employees of the Company are either members of the Local Authorities Pension Plan (LAPP) or other defined benefit or defined contribution pension plans.

The LAPP is a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta President of Treasury Board and Minister of Finance and the plan is administered by a Board of Trustees. The Company and its employees make contributions to the plan at rates prescribed by the Board of Trustees to cover costs and an unfunded liability under the plan. The rates are based on a percentage of the pensionable salary. The most recent actuarial report of the plan discloses an unfunded liability. It is accounted for as a defined contribution plan as the LAPP is not able to provide information which reflects EPCOR's specific share of the defined benefit obligation or plan assets that would enable the Company to account for the plan as a defined benefit plan. Accordingly, the Company does not recognize its share of any plan surplus or deficit.

The Company maintains additional defined contribution and defined benefit pension plans to provide pension benefits to those employees who are not otherwise served by the LAPP, including employees of new or acquired operations. Employees participating in such defined benefit and contribution plans comprise less than 16% of total employees (2013 – 17%).

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability for short-term employee benefits is recognized for the amount expected to be paid if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company recognizes the contribution payable to a defined contribution plan as an expense and a liability in the period during which the service is rendered.

(q) Derivative financial instruments

The Company uses various risk management techniques to reduce its exposure to movements in electricity prices, interest rates and foreign currency exchange rates. These include the use of derivative financial instruments such as forward contracts or contracts-for-differences and interest rate swaps. Such instruments may be used to establish a fixed price for electricity, fixed interest rates for borrowings or anticipated transactions denominated in a foreign currency. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

The Company sells electricity to customers under a Regulated Rate Tariff (RRT). As part of the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by a regulatory approved Energy Price Setting Plan (EPSP). Under the EPSP, the Company manages its exposure to fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts up to 120 days in advance of the month of consumption in order to economically hedge the price of electricity under a well-defined risk management process set out in the EPSP. Under these instruments, the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the Alberta Electric System Operator (AESO) market price and the fixed contract price for a specified volume of electricity for the forward months, all in accordance with the EPSP. The Company may enter into additional financial electricity purchase contracts outside the EPSP to further economically hedge the price of electricity.

Interest rates swaps are used by the Company to manage interest rate risks associated with long term loans and borrowings and result in securing fixed interest rates over the term of the loans and borrowings against the floating interest rate.

Foreign exchange forward contracts may be used by the Company to manage foreign exchange exposures, consisting mainly of U.S. dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

All derivative financial instruments are recorded at fair value as derivative assets or derivative liabilities on the statement of financial position, to the extent they have not been settled, with all changes in the fair value of derivatives recorded in net income. At initial recognition, attributable transaction costs are recognized in net income.

The fair value of derivative financial instruments reflects changes in the electricity prices, interest rate and foreign exchange rates. Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as forward prices, interest rates, foreign exchange rates and discount rates for time value. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(r) Non-derivative financial instruments

Financial assets are identified and classified as measured at fair value through profit or loss if classified as held for trading or designated as such upon initial recognition, loans and receivables, or available-for-sale financial assets. Financial liabilities are classified as measured at fair value through profit or loss or as other liabilities.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments at fair value through profit or loss

The Company may designate financial instruments as measured at fair value through profit or loss when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis.

Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial assets measured at fair value through profit or loss are recognized in net income.

Loans and receivables

Cash and cash equivalents, trade and other receivables, and other financial assets are classified as loans and receivables.

The Company's loans and receivables are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost using the effective interest method less any impairment as described in note 3(s). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the finance income or expense over the term of the financial asset or liability using an effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability.

Available-for-sale financial assets

The Company's beneficial interest in the sinking fund with the City does not meet the criteria for classification in any of the previous categories and is classified as an available-for-sale financial asset and measured at fair value with changes in fair value reported in other comprehensive income until it is disposed of or becomes impaired, as described in note 3(s).

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in other categories. These assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value with unrealized gains and losses, other than impairment losses, recognized in other comprehensive income and presented within equity in the fair value reserve.

On derecognition of an available-for-sale financial asset, the cumulative gain or loss that was previously held in equity is transferred to net income.

Other liabilities

The Company's trade and other payables, loans and borrowings and other liabilities are recognized on the date at which the Company becomes a party to the contractual arrangement. Other liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Other liabilities are recognized initially at fair value including debenture discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

(s) Impairment of financial assets

The Company's financial assets held as loans and receivables or available-for-sale assets are assessed for indicators of impairment at each reporting date. An impairment loss for financial assets is recorded when it is identified that there is objective evidence that one or more events has occurred, after the initial recognition of the asset, that has had a negative impact on the estimated future cash flows of the asset and that can be reliably estimated. The objective evidence for these types of assets is as follows:

(i) For listed and unlisted investments in equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

(ii) For all other financial assets, including finance lease receivables, objective evidence of impairment includes significant financial difficulty of the counterparty or default or delinquency in interest or principal payments.

(iii) Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company's past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is adjusted within net income.

(t) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include PP&E, intangible assets and goodwill. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a fundamental change, since the date of impairment, which may improve the financial performance of the non-financial asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(u) Foreign currency transactions and translation

Foreign currency transactions

Transactions denominated in currencies other than the Canadian dollar are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the end of the reporting period. Other non-monetary assets and liabilities are not re-translated unless they are carried at fair value. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting foreign exchange gains and losses are included in net income.

Foreign operations

On consolidation, the assets and liabilities of foreign operations that have a functional currency other than Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are deferred and included in the cumulative translation account in accumulated other comprehensive income. The functional currency of the Company's U.S. operations is the U.S. dollar.

(v) Investment in Heartland Transmission Project

In 2011, the Company entered into a joint arrangement to jointly own and control a double-circuit 500 kilovolt alternating current electricity transmission line (the Heartland Transmission Project) extending the 500 kilovolt electricity transmission system from the south Edmonton area to the Industrial Heartland area near the Fort Saskatchewan. The Company had rights to the assets and obligations for the liabilities of the Heartland Transmission Project. Accordingly, the Company was classifying its interest in the Heartland Transmission Project as a joint operation. As a result, the consolidated financial statements included EPCOR's 50% share of the joint operation's assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis. Unrealized gains and losses on transactions between EPCOR and the joint operation were eliminated to the extent of EPCOR's interest in the joint operation and unrealized losses were eliminated only to the extent there is no evidence of impairment. Effective October 1, 2014 the joint operation partners unanimously agreed to partition and divide the project facilities between the owners and terminate and windup the joint operation. Accordingly, the Company has discontinued classifying its interest in Heartland Transmission Project as a joint operation and EPCOR's share of the assets and liabilities of the project continue to be included in the Distribution and Transmission segment of the Company.

(w) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Transactions between segments are made under terms that approximate market value. The accounting policies of the segments are the same as those described in note 3 and other relevant notes and are measured in a manner consistent with that of the consolidated financial statements. All operating segments' results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable and consistent basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire or construct PP&E and intangible assets other than goodwill.

The Canadian and U.S. water operating segments are aggregated as one reportable segment since both operating segments offer similar water and wastewater services, the processes to treat water and wastewater are similar in both operating segments, the customer bases for each operating segment are similar, and both segments operate under similar rate-regulations.

(x) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations were issued by the IASB and the International Financial Reporting Interpretations Committee for application beginning on or after January 1, 2015. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. The extent of the impact of adoption of the standards has not yet been determined.

IFRS 15 - Revenue from contracts with customers (IFRS 15) which replaces IAS 11 - Construction Contracts and IAS 18 - Revenue and related interpretations is effective for annual periods commencing on or after January 1, 2017. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The requirements of the standard also apply to the recognition and measurement of gains and losses on sale of some non-financial assets that are not part of the entity's ordinary activities.

IFRS 9 – Financial Instruments (IFRS 9) which replaces IAS 39 – Financial Instruments: Recognition and Measurement, eliminates the existing classification of financial assets and requires financial assets to be measured based on the business model in which they are held and the characteristics of their contractual cash flows. Gains and losses on re-measurement of financial assets at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. Changes in fair value attributable to changes in credit risk of financial liabilities measured under the fair value option will be recognized in other comprehensive income with the remainder of the change recognized in profit or loss unless an accounting mismatch in profit or loss occurs at which time the entire change in fair value will be recognized in profit or loss. Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument must be measured at fair value. The impairment model has also been amended by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements. The effective date for implementation of IFRS 9 has been set for annual periods beginning on or after January 1, 2018.

4. Use of judgments and estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments in the application of accounting policies, and estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in notes:

Note 3(i) – Investment in Capital Power
Note 3(m) – Service concession agreements
Note 3(w) – Segment reporting

(b) Estimates

The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, will be recorded in the period they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

Revenues

By regulation, electricity wire service providers in Alberta have four months (2013 – four months) to submit the final electricity load settlement data after the month in which such electricity was consumed. The data and associated processes and systems used by the Company to estimate electricity revenues and costs, including unbilled consumption, are complex. The Company's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents.

Fair value measurement

For accounting measures such as determining asset impairments, purchase price allocations for business combinations, recording financial assets and liabilities, recording and disclosure of certain non-financial assets, the Company is required to estimate the fair value of certain assets or obligations. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate. Financial instruments that are not classified as loans and receivables are recorded at fair value, which may require the use of estimated future prices.

Deferred taxes

Significant estimation and judgment is required in determining the provision for income taxes. Recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on management's estimation of future taxable profit against which the deductible temporary differences and unused tax losses and credits can be utilized. The actual utilization of these deductible temporary differences and unused tax losses and credits may vary materially from the amounts estimated.

5. Revenues and other income

	2014	2013
Revenue		
Electricity and water sales	$ 1,326	$ 1,392
Provision of services	510	491
Construction revenues	53	32
Finance lease income	15	14
	1,904	1,929
Other income		
Interest income on long-term receivable with Capital Power	22	23
Other	1	3
	23	26
	$ 1,927	$ 1,955

6. Expense analysis

	2014	2013
Included in staff costs and employee benefits expenses		
Post-employment defined contribution plan expense	$ 32	$ 27
Post-employment defined benefit plan expense	4	4
Included in depreciation and amortization		
Depreciation of property, plant and equipment	134	123
Amortization of intangible assets	17	16
Loss on disposal of assets	8	6
	159	145
Included in other administrative expenses		
Operating lease expenses	15	13
Lease recoveries through sub-lease	(6)	(4)

7. Finance expenses

	2014	2013
Interest on loans and borrowings	$ 124	$ 120
Capitalized interest (note 17)	(5)	(13)
	$ 119	$ 107

8. Impairment of investment in Capital Power

The investment in Capital Power is assessed for indicators of impairment at each reporting date to determine that the carrying value of the investment does not exceed its recoverable value. At December 31, 2013, it was determined that the carrying amount of the Company's investment in exchangeable limited partnership units of Capital Power L.P. exceeded the recoverable amount of the investment. The recoverable amount was based on an estimate of the investment's fair value less costs to sell. Fair value was derived from the price of Capital Power Corporation shares at the close of the Toronto Stock Exchange on December 31, 2013, less estimated underwriting fees and selling costs of 4% of the total fair value. As a result, the Company recorded a pre-tax and after tax impairment charge of $43 million during the year ended December 31, 2013, allocated to the corporate business segment.

During the year, the Company also assessed whether a reversal of impairment of the investment in Capital Power should be recorded. Based on the review of indicators, it was determined that there was no fundamental change in the circumstances which suggests that the previously recognized impairment loss should be reversed.

9. Income tax expense

	2014	2013
Current income tax expense	$ 7	$ 7
Deferred income tax expense (recovery)		
Relating to origination and reversal of temporary differences	(1)	2
Recognition of previously unrecognized deferred tax assets	(8)	(3)
Write-down of deferred tax assets	-	9
	(9)	8
Total income tax expense (recovery)	$ (2)	$ 15

Income taxes differ from the amounts that would be computed by applying the federal and provincial income tax rates as follows:

		2014		2013
Income before taxation	$	189	$	190
Income tax at the statutory rate of 25.0% (2013 – 25.0%)		47		48
Increase (decrease) resulting from:				
Income exempt from income taxes at statutory rates		(42)		(46)
Recognition of deferred tax assets		(10)		10
Effect of higher tax rate in the U.S.		3		1
Other		-		2
Total income tax expense (recovery)	$	(2)	$	15

As explained in note 33, the services which were previously provided by EPCOR Energy Alberta Inc. are now provided by EPCOR Energy Alberta Limited Partnership, through its general partner EPCOR Energy Alberta GP Inc. The reorganization has resulted in the taxable income to flow to its partners, primarily EPCOR Power Development Corporation.

10. Cash and cash equivalents

		2014		2013
Cash on deposit	$	37	$	120
Cash equivalents		-		10
	$	37	$	130

Restricted balances

Under certain agreements between the Company and the Natural Gas Exchange (NGX) for the purchase of electricity derivative financial instruments, the Company established separate bank accounts through which the settlement of the electricity derivative financial contracts are processed in conjunction with letters of credit and cash as collateral. As security for the payment and performance of its obligations, the Company assigned a first ranking security interest on the balance of these accounts to the NGX. The Company's use of this cash is restricted to these purposes. At December 31, 2014, $17 million (2013 – $23 million) was held in these bank accounts.

In accordance with the terms of a U.S. subsidiary's long-term debt agreement, the Company is required to maintain amounts on deposit in a trust account for payment of principal and interest. The funds in this account were maintained until such time that the terms of the financing agreement were fully satisfied. The balance in this account at December 31, 2014 was nil (2013 – $1 million) as the long-term debt was fully paid during the year.

11. Trade and other receivables

		2014		2013
Trade receivables	$	205	$	209
Accrued revenues		111		117
Gross accounts receivable		316		326
Allowance for doubtful accounts		(3)		(4)
Net accounts receivable		313		322
Prepaid expenses		4		4
		317		326
Current portion of finance lease receivables (note 13)		4		4
Current portion of long-term receivables (note 14)		12		30
	$	333	$	360

Details of the aging of accounts receivable and analysis of the changes in the allowance for doubtful accounts are provided in note 30.

12. Inventories

During the year ended December 31, 2014, $22 million (2013 – $23 million) was expensed to other raw materials and operating charges.

No significant inventory write-downs were recognized in the years ended December 31, 2014 or 2013. No reversals of previous write-downs were recorded in the years ended December 31, 2014 or 2013.

At December 31, 2014 or 2013, no inventories were pledged as security for liabilities.

13. Leases

Finance lease receivables

In 2009, the Company acquired potable water and wastewater treatment plant assets for approximately $100 million and agreed to lease the assets back to the vendor for a 20-year term after which the vendor has the option to purchase the assets from the Company for a specified price. As part of the arrangement, the Company also agreed to construct additional water and wastewater treatment plant assets for the vendor and to operate and maintain the original assets acquired and leased back to the vendor and the additional constructed assets over the 20-year lease term.

Approximate future payments to the Company are as follows:

	Minimum lease receivable		Present value of minimum lease receivable	
	2014	2013	2014	2013
Within one year	$ 15	$ 15	$ 4	$ 4
Between one and five years	60	60	22	20
More than five years	145	160	96	102
Less: unearned finance income	(98)	(109)	-	-
	122	126	122	126
Less: current portion[1] (included in trade and other receivables) (note 11)	4	4	4	4
	$ 118	$ 122	$ 118	$ 122

1 Net of unearned finance income

On February 18, 2015, Suncor gave the Company notice that it will exercise its contractual rights to buy back the leased assets and terminate the related financing (note 14) and operating agreements. The transfer of assets and operations back to Suncor is to take place over an 18 month period unless the parties agree otherwise. This is not expected to have a material impact on the Company or its operations.

Operating leases payable

The Company has entered into operating leases for premises.

In 2007, the Company entered into a long-term agreement to lease commercial space in a new office tower in Edmonton, Canada, primarily for its head office (head office lease). The agreement, which became effective in the fourth quarter of 2011, has an initial lease term of approximately 20 years, expiring on December 31, 2031, and provides for three successive five-year renewal options. The Company's annual lease commitments, net of annual payments to be paid to the Company by Capital Power and another company under the sub-leases receivable discussed below, under the terms of the lease are as follows:

	Minimum lease payable	
	2014	2013
January 1, 2015 through December 31, 2022	$ 6	$ 6
January 1, 2023 through December 31, 2023	7	7
January 1, 2024 through December 31, 2031	8	8

Approximate gross future payments under this and other operating leases payable for premises are as follows:

	Minimum lease payable	
	2014	2013
Within one year	$ 15	$ 13
Between one to five years	53	53
More than five years	143	156
	$ 211	$ 222

Operating lease receivable

The Company has sub-leased a portion of the space under its head office lease to Capital Power under the same terms and conditions as the Company's lease with its landlord.

Effective November 1, 2013, the Company sub-leased a portion of the space under its head office lease to a third party. The term of the sub-lease to the third party expires October 31, 2023 with two renewal options of four years each.

Approximate future payments to the Company under the sub-leases receivable are as follows:

	Minimum lease receivable	
	2014	2013
Within one year	$ 5	$ 5
Between one to five years	21	20
More than five years	53	58
	$ 79	$ 83

14. Other financial assets

	2014	2013
Long-term loans receivable from Capital Power	$ 332	$ 340
Long-term receivables from service concession arrangements	47	13
Loans and other long-term receivables	40	43
Other	1	1
	420	397
Less: current portion (included in trade and other receivables) (note 11)	12	30
	$ 408	$ 367

Long-term loans receivable from Capital Power

On July 9, 2009, EPCOR received $896 million in long-term loans receivable from Capital Power as part of the consideration on the sale of the power generation business. These loans effectively mirror certain long-term debt obligations of EPCOR. The interest rates on the long-term loans receivable range from 5.8% to 9.0% and the remaining balance will be repaid at various dates out to June 30, 2018 as follows:

	2014	2013
Within one year	$ 9	$ 8
Between one to five years	323	332
	$ 332	$ 340

Service concession arrangements

The Company has executed service concession arrangements to design, build, upgrade, finance, operate and maintain, under public private partnerships, wastewater treatment facilities with the City of Regina and water and wastewater treatment facilities with Her Majesty the Queen in Right of Alberta for Kananaskis Village. The consideration under the service concession arrangements constitutes rights to a financial asset and have been classified as financial asset and recorded as long term receivable under other financial assets. The significant terms of the arrangement are summarized below:

(a) **City of Regina**

EPCOR won a bid to design, build, finance, operate and maintain a new wastewater treatment facility in the City of Regina under a public private partnership. The contract was signed July 2014. In August 2014, EPCOR took over operations of the existing wastewater treatment plant in Regina. Construction on the new plant has commenced and is expected to be completed by December 2016. The contract includes operation of the new and existing facilities for a term of 30 years. Contracted undiscounted cash flows from this project are estimated to be $444 million. As of December 31, 2014 an amount of $41 million (2013 – nil) has been recorded as financial asset which will be recovered along with financing cost at the interest rate established in the arrangement over the life of the arrangement.

(b) **Kananaskis Village**

The Company won a bid to design, build, finance, upgrade, operate and maintain the water and wastewater treatment facility in Kananaskis Village in October 2012. The arrangement includes operation of the facilities for a term of 10 years after completion of the construction. Substantial completion of construction of the new facility was achieved in August 2014 and the Company has started operating and maintaining the facility. At December 31, 2014, an amount of $6 million (2013 – $13 million) has been recognized as financial asset pertaining to Kananaskis Village which is recoverable along with financing cost at the interest rate established in the arrangement over the life of the arrangement.

The aggregate amount of revenues and operating income relating to construction services for financial assets under service concession arrangements is $49 million (2013 – $20 million) and $1 million (2013 – $1 million) respectively.

15. Deferred tax assets / liabilities

Deferred tax assets are attributable to the following:

	2014	2013
Losses carried forward	$ 78	$ 38
Deferred partnership allocations	7	6
Intangible assets	-	7
Deferred revenue	78	67
Decommissioning provisions and assets	-	14
Other items	12	5
Tax assets	175	137
Set off by tax liabilities	(106)	(84)
Net tax assets	$ 69	$ 53

Deferred tax liabilities are attributable to the following:

	2014	2013
Investment in partnerships	$ 4	$ 2
Deferred partnership allocations	-	1
Intangible assets	8	9
Goodwill	3	1
Property, plant and equipment	103	79
Other items	7	4
Tax liabilities	125	96
Set off by tax assets	(106)	(84)
Net tax liabilities	$ 19	$ 12

The changes in temporary differences during the years ended December 31, 2014 and 2013 were as follows:

	Balance, beginning of 2014	Recognized in net income	Recognized in other comprehensive income	Other	Balance, end of 2014
Losses carried forward	$ 38	$ 39	$ -	$ 1	$ 78
Investment in partnerships	(2)	(4)	(2)	4	(4)
Deferred partnership allocations	5	2	-	-	7
Intangible assets	(2)	(1)	-	(5)	(8)
Goodwill	(1)	(2)	-	-	(3)
Property, plant and equipment	(79)	(15)	-	(9)	(103)
Deferred revenue	67	4	-	7	78
Decommissioning provisions and assets	14	(14)	-	-	-
Other items	1	-	2	2	5
	$ 41	$ 9	$ -	$ -	$ 50

	Balance, beginning of 2013	Recognized in net income	Recognized in other comprehensive income	Other	Balance, end of 2013
Losses carried forward	$ 49	$ (11)	$ -	$ -	$ 38
Investment in partnerships	(8)	3	3	-	(2)
Deferred partnership allocations	4	1	-	-	5
Intangible assets	3	(5)	-	-	(2)
Goodwill	(1)	-	-	-	(1)
Property, plant and equipment	(63)	(16)	-	-	(79)
Deferred revenue	59	8	-	-	67
Decommissioning provisions and assets	4	10	-	-	14
Other items	1	2	(2)	-	1
	$ 48	$ (8)	$ 1	$ -	$ 41

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	2014	2013
Non-capital losses	$ 137	$ 210
Capital losses	339	366
Other deductible temporary differences	60	5

The non-capital losses expire between the years 2027 and 2034.

Deferred tax assets have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized. The Company has recognized deferred tax assets in the amount of $69 million (2013 – $48 million) the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital loss carry-forwards can be utilized as well as management's intention to implement specific income tax planning strategies that will allow for the offset of remaining deductible temporary differences against future earnings of taxable entities within the consolidated group.

16. Investment in Capital Power

Capital Power builds, owns and operates power plants in North America and manages its related electricity and natural gas portfolios by undertaking trading and marketing activity. At December 31, 2014, the Company owned 18.8 million (2013 – 18.8 million) exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis), representing a 18% (2013 –19%) economic interest in Capital Power. This decrease was due to issuing of units by CPLP thereby reducing EPCOR's economic interest. The dilution has resulted in a gain on investment of $ 8 million. In October 2013, EPCOR exchanged 9,600,000 limited partnership units for an equal number of shares of Capital Power which were immediately sold at an offering price of $21.00 per share for aggregate gross proceeds of $202 million. The Company recorded a $16 million non-cash loss on the sale. As a result of the sale, the Company reduced the number of directors it is entitled to nominate and elect to Capital Power from four to two. The Company's economic interest in Capital Power decreases when it sells a portion of its investment in Capital Power and when Capital Power Corporation issues more common shares, diluting EPCOR's economic interest in Capital Power.

As described in note 3(i), EPCOR does not control Capital Power. The investment in Capital Power represents an investment subject to significant influence and is accounted for using the equity method from the effective date of the sale of the power generation business by EPCOR in early July 2009. The investment was initially recorded at the initial cost of the net assets of the power generation business retained by EPCOR in the form of its initial 72% interest in Capital Power. The investment subsequently increases by the Company's equity share of earnings of Capital Power and the Company's

equity share of Capital Power's other comprehensive income, and decreases by the limited partnership distributions paid by Capital Power, the Company's equity share of Capital Power's other comprehensive loss, subsequent disposals of portions of the Company's investment and impairment adjustments.

The quoted market price of the common shares of Capital Power Corporation at December 31, 2014 was $26.00 per common share (2013 – $21.30 per common share). Fair value of the Company's investment in Capital Power at December 31, 2014 was $490 million (2013 – $401 million).

The investment in Capital Power L.P. is detailed as follows:

	2014	2013
Balance, beginning of year	$ 385	$ 621
Equity share of net income	15	66
Equity share of other comprehensive income (loss)	10	(13)
Distributions declared	(25)	(33)
Gain on dilution of equity interest	8	-
Sale of a portion of the investment	-	(213)
Impairment (note 8)	-	(43)
Balance, end of year	$ 393	$ 385

Summarized financial information of Capital Power L.P.:

	2014	2013
Statements of Financial Position		
Current assets	$ 487	$ 429
Non-current assets	4,956	4,808
Current liabilities	(877)	(687)
Non-current liabilities	(1,732)	(1,856)

	2014	2013
Statements of Comprehensive Income		
Revenue and other income	$ 1,220	$ 1,383
Net income attributable to non-controlling interests	(10)	(11)
Net income attributable to partners	73	240
Total net income	63	229
Other comprehensive income all attributable to the partners of Capital Power L.P.	52	(47)
Total comprehensive income	$ 115	$ 182

Other information on EPCOR's investment in Capital Power L.P.:

	2014	2013
Weighted average percentage of ownership interest	19%	27%
Fair value adjustments at acquisition	$ 6	$ 7

17. Property, plant and equipment

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2014	$ 121	$ 48	$ 2,812	$ 1,849	$ 7	$ 81	$4,918
Additions[1]	374	-	42	4	-	4	424
Disposals and retirements	-	-	(14)	(9)	(4)	(3)	(30)
Transfers into service	(353)	7	167	179	-	-	-
Foreign currency valuation adjustments	4	-	57	-	-	-	61
Balance, end of 2014	146	55	3,064	2,023	3	82	5,373
Accumulated depreciation							
Balance, beginning of 2014	-	-	617	479	3	43	1,142
Depreciation	-	-	72	53	1	8	134
Disposals and retirements	-	-	(9)	(6)	(3)	(3)	(21)
Foreign currency valuation adjustments	-	-	6	-	-	-	6
Balance, end of 2014	-	-	686	526	1	48	1,261
Net book value, end of 2014	$ 146	$ 55	$ 2,378	$ 1,497	$ 2	$ 34	$4,112

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2013	$ 168	$ 35	$ 2,642	$ 1,513	$ 7	$ 82	$4,447
Additions[1]	420	-	19	2	-	4	445
Additions through business combinations	-	-	10	-	-	-	10
Disposals and retirements	-	-	(10)	(10)	(1)	(3)	(24)
Transfers into service	(468)	13	112	342	1	-	-
Foreign currency valuation adjustments	1	-	39	-	-	-	40
Other movements	-	-	-	2	-	(2)	-
Balance, end of 2013	121	48	2,812	1,849	7	81	4,918
Accumulated depreciation							
Balance, beginning of 2013	-	-	553	438	3	36	1,030
Depreciation	-	-	67	46	1	9	123
Disposals and retirements	-	-	(5)	(6)	(1)	(1)	(13)
Foreign currency valuation adjustments	-	-	2	-	-	-	2
Other movements	-	-	-	1	-	(1)	-
Balance, end of 2013	-	-	617	479	3	43	1,142
Net book value, end of 2013	$ 121	$ 48	$ 2,195	$ 1,370	$ 4	$ 38	$3,776

1 Additions include non-cash contributed assets of $51 million (2013 – $21 million) (note 21).

Borrowing costs capitalized during the year ended December 31, 2014 were $5 million (2013 – $13 million) (note 7). The weighted average rates used to determine the borrowing costs eligible for capitalization ranged from 4.30% to 5.85% (2013 – 4.30% to 5.85%).

Restrictions on assets

Assets with a net book value of nil (2013 – $45 million) have been pledged as security against certain subsidiary bonds with a net carrying amount of nil (2013 – $5 million) (note 20). The subsidiary bonds were redeemed during the year ended December 31, 2014.

18. Intangible assets and goodwill

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2014	$ 39	$ 51	$ 48	$ 68	$ 173	$ 379
Additions through acquisition	-	-	-	-	10	10
Internally generated additions	-	-	-	-	5	5
Other additions	-	-	3	-	-	3
Disposals and retirements	-	-	-	-	(7)	(7)
Change in construction work in progress	-	-	-	-	2	2
Foreign currency translation adjustments	3	-	3	7	-	13
Balance, end of 2014	42	51	54	75	183	405
Accumulated amortization						
Balance, beginning of 2014	-	33	3	-	103	139
Amortization	-	3	1	-	13	17
Disposals and retirements	-	-	-	-	(5)	(5)
Balance, end of 2014	-	36	4	-	111	151
Net book value, end of 2014	$ 42	$ 15	$ 50	$ 75	$ 72	$ 254

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2013	$ 36	$ 51	$ 37	$ 63	$ 163	$ 350
Additions through acquisition	-	-	10	-	9	19
Additions through business combination	1	-	-	-	-	1
Internally generated additions	-	-	-	-	6	6
Disposals and retirements	-	-	-	-	(4)	(4)
Change in construction work in progress	-	-	(1)	-	(1)	(2)
Foreign currency translation adjustments	2	-	2	5	-	9
Balance, end of 2013	39	51	48	68	173	379
Accumulated amortization						
Balance, beginning of 2013	-	30	2	-	96	128
Amortization	-	3	1	-	12	16
Disposals and retirements	-	-	-	-	(5)	(5)
Balance, end of 2013	-	33	3	-	103	139
Net book value, end of 2013	$ 39	$ 18	$ 45	$ 68	$ 70	$ 240

There are no security charges over the Company's intangible assets. Included in customer rights are the Company's customer rights to operate in the FortisAlberta service territory which expire on December 31, 2020.

For purposes of impairment testing, CCN has been allocated to cash-generating units as follows:

	2014	2013
Cash generating unit:		
Water segment – Water Arizona	$ 72	$ 65
Water segment – Others	3	3
	$ 75	$ 68

For purposes of impairment testing, goodwill acquired through business combinations has been allocated to cash-generating units as follows:

	2014	2013
Cash generating unit:		
Water segment – Chaparral	$ 10	$ 10
Water segment – Water Arizona	26	23
Water segment – Others	6	6
	$ 42	$ 39

The most recent reviews of goodwill were performed in the fourth quarter for each cash generating unit. Management reviewed conditions since the last review was performed and determined that no circumstances occurred since then to require a revision to the assumptions used in the value-in-use calculations.

The recoverable amount of the cash generating units was determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a twenty year period. The projections were based on cash flow projections for the most recent long term plan, which covered periods up to five years, with the projections for the balance of the twenty-year period extrapolated using growth rates between 1.71% and 3.58% (2013 –

between 2.1% and 3.56%) that are in line with the long-term average growth rate for the industry. The pre-tax discount rates applied to cash flow projections are as follows:

	2014	2013
Cash generating unit:		
Water segment – Chaparral	8.46%	8.25%
Water segment – Water Arizona	6.23%	6.39%
Water segment – Others	6.59%	7.32%

Key assumptions used in value in use calculations

The future cash flows of the underlying businesses are relatively stable, since they relate to ongoing water supply in a rate-regulated environment. As the cash generating units operate under a rate-regulated environment, revenues are set by the regulators to cover operating costs and to earn a return on the rate base, which is set at the regulator's approved weighted average cost of capital for the underlying utility.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

Discount rates

The discount rates used were estimated based on the weighted average cost of capital for the cash generating unit, which is the approved rate of return on capital allowed by the regulators. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash flows have not been adjusted.

Timing of future rate increases

Revenue growth is forecast to continue at the same rate as operating costs. If future rate filings are delayed, rate increases and increased cash flows from revenues would be affected.

Sensitivity to changes in assumptions

Assumptions have been tested using reasonably possible alternative scenarios. For all scenarios considered, the recoverable value remained above the carrying amount of the cash generating unit.

19. Trade and other payables

		2014		2013
Trade payables	$	129	$	138
Accrued liabilities		63		54
Accrued interest		27		27
Due to related parties		13		10
Due to employees		16		16
	$	248	$	245

20. Loans and borrowings

	Effective interest rate	2014	2013
Long-term loans and borrowings			
Obligation to the City, net of sinking fund			
Due in 1-5 years at 8.50% (2013 – 8.50%)	11.04%	$ 26	$ 33
Due in 6-10 years at 7.01% (2013 – 7.01%)	7.01%	17	19
Due in 16-25 years at 5.20% (2013 – 5.20%)	5.36%	76	82
		119	134
Public debentures			
At 6.75%, due in 2016	6.94%	130	130
At 5.80%, due in 2018	6.02%	400	400
At 6.80%, due in 2029	7.05%	150	150
At 5.65%, due in 2035	5.88%	200	200
At 6.65%, due in 2038	6.83%	200	200
At 5.75%, due in 2039	5.88%	200	200
At 4.55%, due in 2042	4.65%	300	300
		1,580	1,580
Private debt notes			
Bonds at 3.74%, due in 2021	3.80%	160	147
Bonds at 5.40%, due in 2022	5.55%	-	4
Bonds at 5.30%, due in 2022	5.44%	-	1
Bonds at 5.00%, due in 2041	5.08%	130	119
		290	271
		1,989	1,985
Other borrowings			
Deferred debt issue costs		(12)	(13)
Total long-term loans and borrowings		1,977	1,972
Short-term loans – commercial paper	1.25%	103	-
Total Loans and borrowings		2,080	1,972
Less: current portion		117	15
		$ 1,963	$ 1,957

Obligation to the City

Debentures were issued, on behalf of the Company, pursuant to the City Bylaw authorization. The outstanding debentures are a direct, unconditional obligation of the City. The Company's obligation to the City matches the City's obligation pursuant to the debentures. The 8.50% debentures, maturing in the year 2018 and totaling $26 million, rank as subordinated debt. In the event of default on other interest obligations, the coupon and sinking fund payments on the subordinated debt may be deferred for a period of up to five years, not exceeding the maturity date. If still in default at the end of five years, all unpaid payments plus accrued interest thereon may be repaid by issuing common shares to the City. Except for the subordinated debt, the obligation to the City will rank at least equal to all future debt that may be issued by the Company.

The Company makes annual contributions into the sinking fund of the City pertaining to certain debenture issues. These payments constitute effective settlement of the respective debt as the sinking fund accumulates to satisfy the underlying

debenture maturity. For any specific City debenture sinking fund requirements, the payment obligation ceases on maturity of the debenture. The sinking fund is measured at fair value and presented net of its related debenture.

In 2009, the City transferred the Gold Bar wastewater treatment plant (Gold Bar) to EPCOR. Pursuant to the Gold Bar asset transfer agreement, EPCOR issued $112 million of long-term debt to the City representing EPCOR's proportionate share of the City's debt obligations in respect of Gold Bar assets. The remaining long-term debt bears interest at a weighted average rate of approximately 5.20%.

Public debentures

The public debentures are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The debentures are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the debenture.

Private debt notes

The private debt notes due in 2021 and 2041 were issued in U.S. dollars, are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The private debt notes are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the private debt notes.

The private debt notes due in 2022 were issued in U.S. dollars and were secured direct obligations of the Company. The notes were redeemable prior to maturity at a price specified under the terms of the private debt notes and were fully redeemed during the year ended December 31, 2014. Assets with a net book value of nil (2013 – $45 million) were pledged as security (note 17).

Commercial paper and bankers' acceptances

In the normal course of business, the Company provides financial support and performance assurances including guarantees, letters of credit and surety bonds to third parties in respect of its subsidiaries. Bank lines of credit are unsecured and are available to the Company up to an amount of $575 million (2013 – $946 million), comprised of committed amounts of $550 million (2013 – $900 million) and uncommitted amounts of $25 million (2013 – $46 million) as described in note 30. Letters of credit totaling $82 million (2013 – $100 million) have been issued under these facilities to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements. Amounts borrowed and letters of credit issued, if any, under these facilities which are not payable within one year are classified as non-current loans and borrowings.

The Company’s commercial paper program has an authorized capacity of $350 million (2013 – $500 million). At December 31, 2014 commercial paper totaling $103 million (2013 – nil) was outstanding.

21. Deferred revenue

	2014	2013
Balance, beginning of year	$ 806	$ 762
Contributions received	70	51
Acquired on business combination	-	3
Revenue recognized	(23)	(20)
Foreign currency valuation adjustments	16	10
Other	1	-
	870	806
Less: current portion	23	23
Balance, end of year	$ 847	$ 783

Contributions received include non-cash contributions of $51 million (2013 – $21 million) (note 17).

22. Provisions

	2014	2013
Contributions from customers and developers	$ 35	$ 31
Employee benefits	100	78
	135	109
Less: current portion	38	29
	$ 97	$ 80

Contributions from customers and developers

	2014	2013
Balance, beginning of year	$ 31	$ 31
Contributions received	7	1
Acquired on business combination	-	4
Contributions refunded	(3)	(4)
Non-refundable contribution transferred	-	(1)
Balance, end of year	$ 35	$ 31

Employee benefits

	2014	2013
Other short-term employee benefit obligation	$ 27	$ 21
Post-employment benefit obligation	45	34
Other long-term employee benefit obligation	28	23
	$ 100	$ 78

Other long-term employee benefits

Other long-term employee benefits consist mainly of obligations for benefits provided to employees on long-term disability leaves.

Post-employment benefits

Total cash payments for pension benefits for the year ended December 31, 2014, consisting of cash contributed by the Company to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan, were $35 million (2013 – $30 million). Total contributions expected to be paid in 2015 to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan are $35 million.

23. Derivatives

Derivative financial instruments are held for the purpose of electricity price risk management and interest rate risk management.

The derivative instruments assets and liabilities used for risk management purposes as described in note 30 consist of the following assets and liabilities:

Derivative financial liabilities

		2014		2013
Electricity price forward contracts	$	3	$	1
Interest rate swaps (note 30)		6		-
	$	9	$	1
Current	$	3	$	1
Non-current		6		-
	$	9	$	1

Electricity price forward contracts

The forward contracts used to mitigate electricity price risk management consist of the following:

		2014		2013
Derivative instruments liabilities				
Fair value	$	10	$	4
Cash paid to counterparty		(7)		(3)
Net fair value	$	3	$	1
Net notional buys				
Terawatt hours of electricity		1.3		1.1
Range of contract terms (in years)		0.1		0.1

The fair value of electricity derivative financial instruments reflects changes in the forward electricity prices, net of cash payments to or from the counterparty. During the course of the contract, regular payments are made to or received from the counterparty to settle the fair value of the contracts.

Fair value is determined based on quoted exchange index prices by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Changes in fair value on electricity derivative financial instruments are recorded in electricity purchases.

24. Other liabilities

		2014		2013
Gold Bar transfer fee payable	$	1	$	7
Customer deposits		24		21
Leasehold inducements		12		12
		37		40
Less: current portion		25		28
	$	12	$	12

25. Share capital

Authorized shares

Unlimited number of voting common shares without nominal or par value.

Issued shares

Three common shares to the City.

26. Accumulated other comprehensive income

Cash flow hedges

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred prior to the disposal of the power generation business in 2009. On any disposition of the Company's investment in Capital Power, the Company will recognize a portion of these losses in net income in proportion to the remaining interest in Capital Power sold.

Available-for-sale financial assets

This comprises the cumulative net change in the fair value of the Company's beneficial interest in the sinking fund, until the investment is derecognized or impaired.

Cumulative translation accounts

The cumulative translation accounts for foreign operations represent the cumulative portion of gains and losses on retranslation of foreign operations that have a functional currency other than Canadian dollars. The cumulative deferred gain or loss on the foreign operation is reclassified to income or loss only on disposal of the foreign operation.

Employee benefits account

The employee benefits account represents the cumulative impact of actuarial gains and losses, and return on plan assets excluding interest income from the Company's defined benefit pension plans.

Investment in Capital Power

The investment in Capital Power comprises the Company's equity share in other comprehensive income and loss of Capital Power.

27. Change in non-cash working capital

	2014	2013
Trade receivables (note 11)	$ 9	$ 11
Prepaid expenses (note 11)	-	(2)
Inventories	-	(1)
Trade and other payables (note 19)	3	(58)
	$ 12	$ (50)

	2014	2013
Included in specific items on statements of cash flows:		
Finance expenses	$ (1)	$ (2)
Income tax expense	(2)	(1)
Distributions from Capital Power	-	3
	(3)	-
Operating activities	17	(57)
Investing activities	(2)	7
	$ 12	$ (50)

28. Related party balances and transactions

Compensation of key management personnel

	2014	2013
Short-term employee benefits	$ 5	$ 4
Post-employment benefits	1	2
Other long-term benefits	2	4
Termination benefits	-	2
	$ 8	$ 12

The Company provides utility services to key management personnel as it is the sole provider of certain services. Such services are provided in the normal course of operations and are based on normal commercial rates, as approved by regulation.

Other related party transactions

The Company is 100% owned by the City. The Company provides maintenance, repair and construction services, and customer billing services to the City, and purchases printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements. Sales between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

The following summarizes the Company's related party transactions with the City:

	2014	2013
Consolidated Statements of Comprehensive Income		
Revenues (a)	$ 84	$ 83
Other raw materials and operating charges (b)	10	14
Franchise fees and property taxes (c)	88	84
Finance expense (d)	11	13

(a) Included within revenues are electricity and water sales of $4 million (2013 – $3 million), service revenue including the provision of maintenance, repair and construction services of $73 million (2013 – $73 million), and customer billing services of $7 million (2013 – $7 million).

(b) Includes certain costs of printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements.

(c) Comprised of franchise fees of $56 million at 0.72 cents per kilowatt hour of electric distribution sales volume (2013– $54 million at 0.71 cents per kilowatt hour), franchise fees of $19 million at 8% (2013 – $17 million at 8%) of qualifying revenues of water services and Gold Bar, and property taxes of $13 million (2013 – $13 million) on properties owned within the City municipal boundaries.

(d) Comprised of interest expense on the obligation to the City at interest rates ranging from 5.20% to 8.50% (2013 – 5.20% to 8.50%).

The following summarizes the Company's related party balances with the City:

	2014	2013
Consolidated Statements of Financial Position		
Trade and other receivables	$ 36	$ 42
Property, plant and equipment (e)	6	3
Trade and other payables (f)	10	8
Loans and borrowings (note 20)	119	134
Deferred revenue (g)	25	25
Other liabilities (h)	1	7
Equity attributable to the Owner of the Company	24	24

(e) Costs of capital construction for water distribution mains and infrastructure.

(f) Includes $2 million (2013 – $2 million) for drainage and construction services provided by the City.

(g) Capital contributions received for capital projects and rebates relating to maintenance, repair and construction services.

(h) Relates to a transfer fee payable to the City for Gold Bar of which $1 million (2013 – $6 million) is the current portion and nil (2013 – $1 million) is the non-current portion.

The Company has an 18% (2013 – 19%) economic interest in Capital Power. The Company provides electricity distribution and transmission services to Capital Power. Transactions are in the normal course of operations and are based on normal commercial or regulated rates.

The following summarizes the Company's related party transactions with Capital Power:

	2014	2013
Consolidated Statements of Comprehensive Income		
Revenues (i)	$ 8	$ 23
Other income (j)	22	23
Energy purchases and system access fees (k)	2	-
Other raw materials and operating charges (l)	13	9
Other administrative expenses (m)	(7)	(6)
Equity share of income of Capital Power (note 16)	15	66
Gain on dilution of interest in Capital Power (note 16)	8	-
Equity share of other comprehensive income (loss) (note 16)	10	(13)

(i) Relates to electricity distribution and transmission services provided to Capital Power by EPCOR.

(j) Relates to financing revenue on the long-term receivable.

(k) Relates to electricity and natural gas purchases by EPCOR from Capital Power under service agreements.

(l) Relates to utility bills and charges for provision of transitional services by Capital Power to EPCOR under services agreements.

(m) Relates to the provision of services by EPCOR to Capital Power under services agreements.

The following summarizes the Company's related party balances with Capital Power:

	2014	2013
Consolidated Statements of Financial Position		
Trade and other receivables (n)	$ 14	$ 14
Other financial assets (note 14)	332	340
Trade and other payables	3	2
Deferred revenue (o)	(6)	(6)

(n) Includes $6 million (2013 – $6 million) relating to the accrued interest on the long-term receivable from Capital Power (note 14).

(o) Contributions for the construction of aerial and underground transmission lines.

29. Financial instruments

Classification

The classification of the Company's financial instruments at December 31, 2014 and 2013 is summarized as follows:

	Classification				
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	Fair value hierarchy
Measured at fair value					
Beneficial interest in sinking fund (note 20)				X	Level 1
Derivatives (note 23)					
Financial electricity purchase contracts – designated	X				Level 1
Interest rate swaps – designated	X				Level 2
Measured at amortized cost					
Cash and cash equivalents (note 10)		X			Level 2
Trade and other receivables (note 11)		X			Level 3
Other financial assets (note 14)		X			Level 2
Trade and other payables (note 19)			X		Level 3
Debentures and borrowings (note 20)			X		Level 2
Customer deposits (note 24)			X		Level 3
Gold Bar transfer fee payable (note 24)			X		Level 3

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables and certain other liabilities (including customer deposits and Gold Bar transfer fee payable) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets (note 14)	$ 408	$ 443	$ 367	$ 402
Loans and borrowings (note 20)				
Debentures and borrowings	2,154	2,579	2,039	2,238
Beneficial interest in sinking fund	(74)	(74)	(67)	(67)
Derivatives (note 23)	9	9	1	1

Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

Loans and other long-term receivables

The fair value of the Company's unsecured long-term receivable from Capital Power is based on a current yield for the Company's receivable at December 31, 2014 and 2013. This yield is based on an estimated credit spread for Capital Power over the yields of long-term Government of Canada bonds that have similar maturities to the Company's receivable. The estimated credit spread is based on Capital Power's indicative spread as published by independent financial institutions.

The fair values of the Company's other long-term loans and receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at December 31, 2014 and 2013.

Loans and borrowings

The fair value of the Company's long-term loans and borrowings is based on determining a current yield for the Company's debt at December 31, 2014 and 2013. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions. The Company's long-term loans and borrowings (including the current portion) include City debentures which are offset by payments made by the Company into the sinking fund. The Company's beneficial interest in the sinking fund is a related party balance and has been recorded at fair value as it has been classified as an available-for-sale financial asset. The fair value of the beneficial interest in the sinking fund is based on quoted market values as determined by the City at or near the reporting date.

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate the fair value due to short-term nature of these financial instruments.

Derivatives

The fair value of the Company's financial electricity purchase contracts is determined based on exchange index prices in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices.

The fair value of the Company's interest rate swaps is based on valuations obtained from the counterparty. The fair value is determined by the counterparty using a discounted cash flow model. The inputs used include notional amounts, the quoted forward CDOR curve, the contractual fixed settlement rate and an applicable discount factor.

It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

30. Financial risk management

Overview

The Company is exposed to a number of different financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk which includes financial risk. Enterprise risk management is overseen by the Board of Directors and senior management is responsible for fulfilling objectives, targets, and policies approved by the Board of Directors. EPCOR's Corporate Treasurer provides the Board of Directors with an enterprise risk assessment quarterly. Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and minimize volatility in earnings and cash flow.

Financial risk management including foreign exchange risk, interest rate risk, liquidity risk, and the associated credit risk management, is carried out by a centralized Treasury function in accordance with applicable policies. The Audit Committee of the Board of Directors, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help ensure compliance.

Risks related to investment in Capital Power

Significant reliance is placed on the capacity of Capital Power to honor its back-to-back debt obligations with EPCOR. While EPCOR has a significant economic interest in Capital Power, EPCOR does not control Capital Power. Should Capital Power fail to satisfy these obligations, EPCOR's capacity to satisfy its debt obligations would be reduced and EPCOR would need to satisfy its own debt obligations by other means. The back-to-back debt obligations may be called by EPCOR for repayment as its ownership interest in Capital Power is below 20%. Repayment must occur within 180 days of notice if the principal balance outstanding is less than $200 million or within 365 days of notice if the principal balance outstanding is equal to or greater than $200 million.

In addition, EPCOR relies on the cash flow from Capital Power partnership distributions as one of the Company's funding sources. The Capital Power distributions are paid at the discretion of the general partner of Capital Power L.P., which EPCOR does not control. There can be no assurance that Capital Power L.P. will continue to pay distributions at current levels as the distributions may be reduced or eliminated entirely in the future.

Underlying these risks are the specific business risks of Capital Power. EPCOR has no ability to manage these risks directly. EPCOR, by virtue of its holdings of exchangeable units in Capital Power L.P., has two (2013 – two) elected directors on the Board of Capital Power. This does give EPCOR some input into certain of the operating and strategic decisions made by Capital Power, including risk management. EPCOR can indirectly reduce its exposure to these risks by reducing its interest in Capital Power.

Capital Power has indemnified EPCOR for any losses arising from its inability to discharge its liabilities, including any amounts owing to EPCOR in relation to the long-term loans receivable.

Market risk

Market risk is the risk of loss that results from changes in market factors such as electricity prices, foreign currency exchange rates, interest rates, and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non-trading physical asset and contract portfolios, and trading portfolios. The Company's financial exposure management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the foreign exchange risk and interest rate risk throughout the Company.

To manage the exposure related to changes in market risk, the Company may use various risk management techniques including derivative financial instruments such as forward contracts, contracts-for-differences or interest rate swaps. Such

instruments may be used for an anticipated transaction to establish a fixed price denominated in a foreign currency or electricity or to secure fixed interest rates.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these instruments. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Electricity price and volume risk

EPCOR sells electricity to regulated rate option (RRO) customers under a RRT. All electricity for the RRO customers is purchased in real time from the AESO in the spot market. Under the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by the EPSP. Under the EPSP, the Company uses financial contracts to economically hedge the RRO requirements and incorporate the price into customer rates for the applicable month. Fixed volumes of electricity are economically hedged using financial contracts-for-differences up to 120 days (2013 – 120 days) in advance of the month in which the electricity (load) is consumed by the RRO customers. The volume of electricity economically hedged in advance is based on load (usage) forecasts for the consumption month. When consumption varies from forecast consumption patterns, EPCOR is exposed to prevailing market prices when the volume of electricity economically hedged is short of actual load requirements or greater than the actual load requirements (long). Exposure to variances in electricity volume can be exacerbated by other events such as unexpected generation plant outages and unusual weather patterns. In January 2013, the Government of Alberta announced that the province will extend the purchasing window from 45 days to 120 days. As a result, EPCOR's EPSP was amended in August 2013 to extend the purchase window to 120 days.

Under contracts-for-differences the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the AESO electricity spot market price and the fixed contract price for a specified volume of electricity up to 120 days (45 days prior to August 2013) in advance of the consumption date, all in accordance with the EPSP. The contracts-for-differences are referenced to the AESO electricity spot price and any movement in the AESO price results in changes in the contract settlement amount. If the risks of the EPSP were to become untenable, EPCOR could test the market and potentially re-contract the procurement risk under an outsourcing arrangement at a certain cost that would likely increase procurement costs and reduce margins. The Company may enter into additional financial electricity purchase contracts outside the EPSP to further economically hedge the price of electricity.

At December 31, 2014, holding all other variables constant, a $5 per megawatt hour increase / decrease in the forward electricity spot price would increase / decrease net income by approximately $6 million (2013 – $6 million). In preparing the sensitivity analysis, the Company compared average AESO electricity spot prices to the forward index price for the past 24 months. Based on historical fluctuations, the Company estimates that the fair value of the contracts could increase or decrease by up to $40 million (2013 – $36 million) with a corresponding change to net income.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated future transactions' and firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign subsidiaries.

The Company's financial exposure management policy attempts to minimize material exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises on commitments denominated in U.S. dollars. The Company coordinates and manages foreign exchange risk centrally by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks.

The Company may use foreign currency forward contracts to fix the functional currency of its non-functional currency cash

flows thereby reducing its anticipated foreign currency denominated transactional exposure. The Company looks to limit foreign currency exposures as a percentage of estimated future cash flows.

At December 31, 2014, holding all other variables constant, a 10% change in exchange rate would change the private debt balance by $25 million (2013- $26 million).

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating-rate short-term loans and obligations. The Company is also exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. Interest rate risk associated with short-term loans and borrowings is immaterial due to its short term maturity. At December 31, 2014 and 2013 all long-term debt was fixed rate.

In May 2014, the Company entered into the following interest rate swaps to manage its interest rate risk in the Regina Wastewater project as described below:

Type	Range of term	Notional amount	Fixed rate	Floating rate index
Pay fixed, receive floating	August 1, 2014 – January 3, 2017	Range of $18 million – $136 million	1.55%	1-month CDOR
Pay fixed, receive floating	January 3, 2017 – June 1, 2044	$67 million	3.51%	1-month CDOR

The counterparty to the swap arrangements is a major Canadian financial institution. During their respective terms, the swaps will be net cash settled on a monthly basis. The Company does not anticipate any material adverse effect on its financial covenants resulting from its involvement in this type of swap arrangement, nor does it anticipate non-performance by the counterparty. At December 31, 2014, the maximum exposure to credit risk of the interest rate swaps is equal to their carrying amounts, which is a net liability of $6 million (note 23).

The interest rate swap at a fixed rate of 1.55% has monthly notional amounts that mirror the expected net development funding requirements over the project's construction term. The Company used the forward Canadian Dealer Offering Rate (CDOR) rate as of December 31, 2014 to determine the estimated contractual obligations of the Company due to these swaps. Future cash flows may differ from the amounts noted below due to changes in the monthly CDOR rate. At December 31, 2014, the undiscounted cash flow requirements and contractual maturities of the interest rate swaps were as follows:

Carrying value	2015	2016	2017	2018	2019	2020 and thereafter	Total contractual cash flows
Interest rate swaps – net	$ -	$ -	$ 1	$ 1	$ 1	$ 4	$ 7

At December 31, 2014, a 50 basis point increase in the forward CDOR rate would increase fair value of the interest rate swaps by a combined amount of $5 million and a 50 basis point decrease in the forward CDOR rate would decrease fair value of the interest rate swaps by a combined amount of $6 million. This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company, including payment and performance. The Company's counterparty credit risk management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of

exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis. Credit risk includes the Capital Power back-to-back debt obligations with EPCOR as described above. To manage and mitigate credit risk, the Company employs various credit mitigation practices such as master netting agreements, pre-payment arrangements from retail customers, credit derivatives and other forms of credit enhancements including cash deposits, parent company guarantees, and bank letters of credit.

*Maximum credit risk exposur*e

The Company's maximum credit exposure is represented by the carrying amount of the following financial assets:

	2014	2013
Cash and cash equivalents[1] (note 10)	$ 37	$ 130
Trade and other receivables[2] (note 11)	313	322
Finance lease receivables (note 13)	122	126
Loans and other long-term receivables (note 14)	420	397
	$ 892	$ 975

1 This table does not take into account collateral held. At December 31, 2014, the Company held cash deposits of $40 million (2013 – $43 million) as security for certain counterparty accounts receivable and derivative contracts. The Company is not permitted to sell or re-pledge this collateral in the absence of default of the counterparties providing the collateral.

2 The Company's maximum exposures related to trade and other receivables by major credit concentration is comprised of $246 million (2013 – $256 million) related to rate-regulated customer balances. At December 31, 2014, the Company held credit enhancements to mitigate credit risk on trade and other receivables in the form of letters of credit of $2 million (2013 – $1 million) and parental guarantees of $253 million (2013 – $28 million).

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade receivables associated with its water and electricity sales activities and agreements with the AESO and on electricity supply agreements with wholesale and retail customers. The Company is also exposed to credit risk from its cash and cash equivalents, derivative instruments and long-term financing arrangements receivable.

The credit quality of the Company's trade and other receivables, by major credit concentrations, and other financial assets at December 31, 2014 and 2013 was as follows:

	2014		2013	
	Investment grade or secured[1,2] %	Unrated %	Investment grade or secured[1,2] %	Unrated %
Trade and other receivables				
Rate-regulated customers[3]	-	74	-	71
Non rate-regulated customers	21	5	27	2
Total trade and other receivables	21	79	27	73
Cash and cash equivalents	100	-	100	-
Loans and other long-term receivables	100	-	100	-

1 Credit ratings are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

2 Certain trade receivables and other financial assets are considered to have low credit risk as they are either secured by the underlying assets, secured by other forms of credit enhancements, or the counterparties are local or provincial governments.

3 Rate-regulated customer trade receivables include distribution and transmission, water sales, rate-regulated and default electricity supply receivables. Under the Electric Utilities Act (Alberta), the Company provides electricity supply in its service area to residential, agricultural and small commercial customers at regulated rates, and to those commercial and industrial customers who have not chosen a competitive offer and consume electricity under default supply arrangements.

Rate-regulated customer credit risk

Credit risk exposure for residential and commercial customers under regulated electricity and water supply rates is generally limited to amounts due from customers for electricity and water consumed but not yet paid for. The Company mitigates credit risk from counterparties under RRT electricity supply rates by performing credit checks and on higher risk customers, by taking pre-payments or cash deposits. For rate-regulated customers in 2013, regulations allowed for the recovery of a percentage of unforecasted credit losses through a deferral account. Effective January 1, 2014, the deferral account used for the recovery of a percentage of unforecasted credit losses was dissolved thereby removing the recovery of a percentage of unforecasted credit loss. The Company monitors credit risk for this portfolio at the gross exposure level.

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from retail customers including commercial customers, other retailers, government-owned or sponsored entities, regulated public utility distributors, and other counterparties. Commercial customer contracts provide for performance assurances including letters of credit, irrevocable guarantees and bonds. For other retail customers, represented by a diversified customer base, credit losses are generally low and the Company provides for an allowance for doubtful accounts on estimated credit losses.

The aging of accounts receivables was as follows:

December 31, 2014	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivables
Outstanding up to 30 days	$ 282	$ -	$ 282
Outstanding 31 to 60 days	19	-	19
Outstanding 61 to 90 days	6	1	5
Outstanding more than 90 days	9	2	7
	$ 316	$ 3	$ 313

December 31, 2013	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivables
Outstanding up to 30 days	$ 282	$ -	$ 282
Outstanding 31 to 60 days	19	-	19
Outstanding 61 to 90 days	9	2	7
Outstanding more than 90 days	16	2	14
	$ 326	$ 4	$ 322

Bad debt expense of $5 million (2013 – $6 million) recognized in the year relates to customer amounts that the Company determined would not be fully collectable. Allowances for doubtful accounts are determined by each business unit considering the unique factors of the business unit's trade and other receivables. Allowances and write-offs are determined either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other accounts receivable and the related allowance for doubtful accounts are recorded when the Company has determined that recovery is not possible.

The change in the allowance for doubtful accounts was as follows:

	2014	2013
Balance, beginning of year	$ 4	$ 4
Additional allowances created	5	6
Recovery of receivables	1	1
Receivables written off	(7)	(7)
Balance, end of year	$ 3	$ 4

At December 31, 2014, the Company held $24 million (2013 – $21 million) of customer deposits for the purpose of mitigating the credit risk associated with trade and other receivables from residential and business customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Company's Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities and financings in public or private debt capital markets.

The Company has revolving extendible credit facilities, which are used principally for the purpose of backing the Company's commercial paper program and providing letters of credit, as outlined below:

December 31, 2014	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	December 2017	$ 200	$ -	$ 82	$ 118
Syndicated bank credit facility	December 2019	350	103	-	247
Total committed		550	103	82	365
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
		$ 575	$ 103	$ 82	$ 390

December 31, 2013	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2016	$ 400	$ -	$ 100	$ 300
Syndicated bank credit facility Tranche A	November 2016	250	-	-	250
Syndicated bank credit facility Tranche B	November 2018	250	-	-	250
Total committed		900	-	100	800
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Bank line of credit	November 2014	21	-	-	21
Total uncommitted		46	-	-	46
		$ 946	$ -	$ 100	$ 846

1 Restricted to letters of credit.

In December 2014, the Company established a new $350 million single tranche committed syndicated bank credit facility which replaced the previous $500 million two-tranche ($250 million per tranche) committed syndicated bank credit facility. The Company's $350 million committed syndicated bank credit facility is available and primarily used for short-term borrowing and backstopping EPCOR's $350 million commercial paper program. The Company also reduced its committed syndicated bank credit facility that is restricted to the issuance of letters of credit from $400 million to $200 million. The reduced bank credit facilities are better aligned with the needs of the business. The committed syndicated bank credit facilities cannot be withdrawn by the lenders until expiry, provided that the Company operates within the related terms and covenants. The extension feature of EPCOR's committed syndicated bank credit facilities give the Company the option each year to re-price and extend the terms of the facilities by one or more years subject to agreement with the lending syndicate. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates.

The Company has credit ratings of A- and A (low), assigned by Standard and Poor's and DBRS Limited, respectively.

The Company has a Canadian shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At December 31, 2014, the available amount remaining under this shelf prospectus was $1 billion. The shelf prospectus expires in December 2015.

The undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, are as follows:

At December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 221	$ -	$ -	$ -	$ -	$ -	$ 221
Loans and borrowings[2]	117	144	15	413	7	1,396	2,092
Interest payments on loans and borrowings	118	113	108	96	76	1,232	1,743
Other liabilities	24	1	1	1	1	8	36
Gold Bar transfer fee liability[3]	1	-	-	-	-	-	1
	$ 481	$ 258	$ 124	$ 510	$ 84	$ 2,636	$ 4,093

At December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 218	$ -	$ -	$ -	$ -	$ -	$ 218
Loans and borrowings[2]	15	15	145	15	413	1,382	1,985
Interest payments on loans and borrowings	118	117	112	108	96	1,294	1,845
Other liabilities	22	1	1	1	1	7	33
Gold Bar transfer fee liability[3]	6	1	-	-	-	-	7
	$ 379	$ 134	$ 258	$ 124	$ 510	$ 2,683	$ 4,088

1 Excluding accrued interest on loans and borrowings of $27 million (2013 – $27 million).

2 Excluding deferred debt issue costs of $12 million (2013 – $13 million).

3 In 2009, the City transferred Gold Bar to EPCOR. In exchange for the net assets transferred, EPCOR agreed to pay a total transfer fee of $75 million, of which $1 million (2013 – $7 million) remains payable.

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of $481 million (2013 – $379 million) are expected to be funded from operating cash flows, partnership distributions from Capital Power L.P., interest and principal payments related to the unsecured long-term receivable from Capital Power, commercial paper issuance and the Company's credit facilities. In addition, the Company may issue medium-term notes or sell a portion of the investment in Capital Power or other assets to fund its obligations or investments. The key factors in determining whether to issue medium-term notes or sell a portion of the investment in Capital Power are the expected interest rates for medium-term notes, the estimated demand by investors for EPCOR debt, the state of debt capital markets generally, the quoted price of Capital Power common shares, potential limits posed by the underlying agreements with Capital Power, the estimated demand by equity investors, and the state of equity capital markets.

The Company has long-term loans receivable from Capital Power which effectively match certain of the long-term loans and borrowings above. The following are the undiscounted maturities of the long-term loans receivable and interest payments from Capital Power at December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Long-term loans receivable from Capital Power (note 14)	$ 9	$ 139	$ 10	$ 174	$ -	$ -	$ 332
Interest payments on loans receivable from Capital Power	21	16	11	6	-	-	54
	$ 30	$ 155	$ 21	$ 180	$ -	$ -	$ 386

The following are the undiscounted maturities of the long-term loans receivable and interest payments from Capital Power at December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Long-term loans receivable from Capital Power (note 14)	$ 8	$ 9	$ 139	$ 10	$ 174	$ -	$ 340
Interest payments on loans receivable from Capital Power	22	21	16	11	6	-	76
	$ 30	$ 30	$ 155	$ 21	$ 180	$ -	$ 416

The payments from Capital Power fund a portion of the Company's contractual debt obligations. Should Capital Power be unable to make its scheduled payments to EPCOR or reduces its distributions, then the Company will rely more heavily on its credit facilities and its ability to issue medium-term notes or potentially sell a portion of its interest in Capital Power to fund its obligations.

31. Capital management

The Company’s primary objectives when managing capital are to safeguard the Company’s ability to continue as a going concern, pay dividends to its shareholder in accordance with the Company’s dividend policy, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the Company's growth strategy. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets. This overall objective and policy for managing capital remained unchanged in the current year from the prior year.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of long-term and short-term debt net of cash and cash equivalents and shareholder's equity. The following table represents the Company's total capital:

	2014	2013
Loans and borrowing (including current portion) (note 20)	$ 2,080	$ 1,972
Cash and cash equivalents (note 10)	(37)	(130)
Net debt	2,043	1,842
Total equity	2,340	2,262
Total capital	$ 4,383	$ 4,104

EPCOR has the following externally imposed financial covenants on its capital as a result of its credit facilities and outstanding debt:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 85%;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 70%;
- Maintenance of interest coverage ratio, as defined in the debt agreements, of not less than 1.75 to 1.00 if the Company's credit rating falls below investment grade; and
- Limitation on external debt issued by subsidiaries.

These capital restrictions are defined in accordance with the respective agreements. For the years ended December 31, 2014 and 2013, the Company complied with all externally imposed capital restrictions.

32. Commitments and contingencies

Commitments

The following represent the Company's commitments not otherwise disclosed in these financial statements:

At December 31, 2014:

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Distribution and Transmission segment capital projects[1]	$ 8	$ 37	$ 2	$ -	$ -	$ -	$ 47
Water Services segment projects[2]	87	50	-	-	-	-	137
Water purchase and transportation of water agreements[3]	7	1	-	-	1	3	12
Billing and customer care services agreement[4]	5	5	3	3	3	7	26
	$ 107	$ 93	$ 5	$ 3	$ 4	$ 10	$ 222

At December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Distribution and Transmission segment capital projects[1]	$ 18	$ -	$ -	$ -	$ -	$ -	$ 18
Water Services segment projects[2]	17	-	-	-	-	-	17
Water purchase and transportation of water agreements[3]	7	1	-	-	-	2	10
Billing and customer care services agreement[4]	5	5	4	3	3	8	28
	$ 47	$ 6	$ 4	$ 3	$ 3	$ 10	$ 73

1 The Company has committed to various Distribution and Transmission segment projects as directed by the AESO.

2 The Company has commitments to several Water Services projects in Canada through contract agreements.

3 Water Arizona maintains agreements with the Central Arizona Water Conservation District for the purchase and transportation of water. These agreements are for terms of 100 years expiring at the end of 2107. Under the terms of these agreements, certain minimum payments of approximately $0.5 million are due each year in order to maintain the agreements until they expire. The Company is committed for the amount of water ordered in the fall of each year to be purchased and transported the following year.

Water New Mexico maintains agreements with the various well owners for the purchase of water. These agreements are generally for terms of ten years. Under the terms of these agreements, certain minimum purchases are due each year in order to maintain the agreements until they expire.

4 The Company has entered into an agreement for billing and customer care services for Water Arizona and Water New Mexico. The contract term is ten years, expiring on August 31, 2021.

Contingencies

The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

33. Segment disclosures

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company.

Water Services

Water Services is primarily involved in the treatment, distribution and sale of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the maintenance and repair of the City-owned street lighting and transportation support facilities.

Energy Services

Energy Services is primarily involved in the provision of regulated tariff electricity service and default supply electricity services to residential, small commercial and agricultural customers in Alberta.

On March 1, 2014, EPCOR completed its reorganization of Energy Services. The services formerly offered directly by EPCOR Energy Alberta Inc. are now provided by EPCOR Energy Alberta Limited Partnership, through its general partner EPCOR Energy Alberta GP Inc.

In May 2014, the Company launched Encor to provide competitive electricity and natural gas products.

Corporate

Corporate reflects the costs of the Company's net unallocated corporate office expenses and financing revenues on the long-term receivable from Capital Power. Corporate holds the investment in Capital Power.

Lines of business information

Year ended December 31, 2014						
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 578	$ 401	$ 925	$ 23	$ -	$ 1,927
Inter-segment revenue	-	146	11	-	(157)	-
Total revenues and other income	578	547	936	23	(157)	1,927
Energy purchases and system access fees	-	156	846	-	(134)	868
Other raw materials and operating charges	143	39	-	1	(10)	173
Staff costs and employee benefits expenses	126	102	25	40	(1)	292
Depreciation and amortization	78	59	8	14	-	159
Franchise fees and property taxes	25	69	-	-	-	94
Other administrative expenses	23	13	23	9	(12)	56
Operating expenses	395	438	902	64	(157)	1,642
Operating income (loss) before corporate charges	183	109	34	(41)	-	285
Corporate (charges) income	(27)	(27)	(9)	63	-	-
Operating income	156	82	25	22	-	285
Finance (expenses) recoveries	(84)	(43)	(6)	14	-	(119)
Equity share of income of Capital Power	-	-	-	15	-	15
Gain on dilution of interest in Capital Power	-	-	-	8	-	8
Income tax (expense) recovery	(10)	-	(6)	18	-	2
Net income	$ 62	$ 39	$ 13	$ 77	$ -	$ 191
Total assets	$ 1,589	$ 1,012	$ 180	$ 2,971	$ (14)	$ 5,738
Investment in Capital Power	-	-	-	393	-	393
Total liabilities	983	231	168	2,030	(14)	3,398
Capital additions	175	200	2	8	-	385

Year ended December 31, 2013	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 520	$ 387	$ 1,022	$ 26	$ -	$ 1,955
Inter-segment revenue	-	152	11	-	(163)	-
Total revenues and other income	520	539	1,033	26	(163)	1,955
Energy purchases and system access fees	-	154	937	-	(141)	950
Other raw materials and operating charges	118	36	-	1	(11)	144
Staff costs and employee benefits expenses	118	101	23	38	-	280
Depreciation and amortization	72	51	7	14	1	145
Franchise fees and property taxes	23	66	-	-	-	89
Other administrative expenses	23	13	22	12	(12)	58
Foreign exchange gain	-	-	-	(1)	-	(1)
Operating expenses	354	421	989	64	(163)	1,665
Operating income (loss) before corporate charges	166	118	44	(38)	-	290
Corporate (charges) income	(26)	(28)	(12)	66	-	-
Operating income	140	90	32	28	-	290
Finance (expenses) recoveries	(78)	(31)	(8)	10	-	(107)
Equity share of income of Capital Power	-	-	-	66	-	66
Loss on sale of a portion of investment in Capital Power	-	-	-	(16)	-	(16)
Impairment of investment in Capital Power	-	-	-	(43)	-	(43)
Income tax expense	(5)	-	(6)	(4)	-	(15)
Net income	$ 57	$ 59	$ 18	$ 41	$ -	$ 175
Total assets	$ 1,503	$ 991	$ 236	$ 2,733	$ (16)	$ 5,447
Investment in Capital Power	-	-	-	385	-	385
Total liabilities	909	216	167	1,909	(16)	3,185
Capital additions	153	276	5	10	-	444

Geographic information

	Year ended December 31, 2014				Year ended December 31, 2013			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	$ 1,764	$ 163	$ -	$ 1,927	$ 1,808	$ 147	$ -	$ 1,955
Inter-segment revenues	157	-	(157)	-	163	-	(163)	-
Total revenues and other income	$ 1,921	$ 163	$ (157)	$ 1,927	$ 1,971	$ 147	$ (163)	$ 1,955

Non-current assets

	December 31, 2014	December 31, 2013
Canada	$ 4,512	$ 4,190
U.S.	842	753
	$ 5,354	$ 4,943

ATTACHMENT 5

THIS ASSET PURCHASE AGREEMENT dated November 7, 2016

BETWEEN: **NATURAL RESOURCE GAS LIMITED**, a corporation incorporated under the laws of Ontario ("**NRGL**" or the "**Vendor**")

AND: **EPCOR NATURAL GAS LIMITED PARTNERSHIP**, an Ontario limited partnership ("**EPCOR Gasco LP**" or the "**Purchaser**")

RECITALS:

1. The Vendor carries on the business of a rate regulated, natural gas distribution utility operating within the Municipalities under the name Natural Resource Gas or NRG (the "**Business**").

2. The Purchaser wishes to purchase, and the Vendor wishes to sell, the undertaking and substantially all of the property and assets of the Business upon the terms and conditions of this Agreement.

The Parties therefore agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement:

"**Accounting Records**" means all of the Vendor's books of account, accounting records and other financial information (whether in written, printed, electronic or computer printout form, or stored electronically, digitally or on computer related media);

"**Accounts Receivable**" means accounts receivable, trade accounts, bills receivable, notes receivable, book debts and other debts due or accruing due to NRGL in respect of the Business (including any interest payable thereon) and the full benefit of all security (including cash deposits), guarantees and other collateral held by NRGL in respect thereof, excluding any of the foregoing that constitute Excluded Assets;

"**Adjustment Date**" means the fifth (5th) Business Day after the Closing Asset Listing is finally determined in accordance with Section 3.4(a) or Section 3.4(b), as the case may be;

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with that other Person. For purposes of this definition, a Person "controls" another Person if that Person possesses, directly or indirectly, the power to direct the management and policies of that other Person, whether through ownership of voting securities, by contract or otherwise and "controlled by" and "under common control with" have similar meanings;

"**Agreement**" means this asset purchase agreement;

"**Applicable Laws**" means any and all applicable (i) laws, statutes, rules, regulations, by-laws, codes, treaties, constitutions and ordinances, (ii) Orders and directives of any Governmental Authority, and (iii) policies, guidelines, standards, requirements, notices and protocols of any Governmental Authority, to the extent that they have the force of law;

“**Asset Listing**” means the proforma listing of assets attached hereto as Schedule 1.1A.

"**Assumed Contracts**" means Contracts related exclusively to the Business or the Purchased Assets to which the Vendor is a party or under which it has rights or obligations, including those listed or described in any Schedule;

"**Assumed Liabilities**" has the meaning specified in Section 2.4;

“**Ayerswood**” means Ayerswood Development Corporation, an Affiliate of the Vendor;

"**Books and Records**" means the Accounting Records and all other information and data in any form, whether structured or unstructured, relating to the Business, including sales and purchase records, rate information, lists of suppliers and customers, lists of potential customers, credit and pricing information, regulatory filings and correspondence, personnel and payroll records, business reports, plans and projections, inventory reports and records, business, engineering and consulting reports, marketing and advertising materials, research and development reports and records, maps, site plans, surveys, soil, formation and substratum studies, as–built drawings, appraisals, operating, electrical and mechanical plans, studies and manuals, environmental reports, employee information and files and all other documents, files, records, correspondence, emails and other information (whether in written, printed, electronic or computer printout form, or stored electronically, digitally or on computer related media) used in or required to conduct the Business;

"**Bulk Sales Legislation**" means the *Bulk Sales Act* (Ontario) and the corresponding laws and regulations of any other jurisdiction;

"**Business**" has the meaning specified in the recitals;

"**Business Day**" means any day except Saturday, Sunday, any statutory holiday in the Province of Ontario or any other day on which the principal chartered banks in the City of Toronto are closed for business;

"**Closing**" means the completion of the purchase and sale of the Purchased Assets and all other transactions contemplated by this Agreement;

“**Closing Asset Listing**” has the meaning specified in Section 3.3(a).

"**Closing Date**" has the meaning specified in Section 7.1;

"**Closing Date Payment**" has the meaning specified in Section 3.2(b);

"**Closing Document**" means any agreement, certificate or other instrument to be executed or delivered at the Closing as contemplated by this Agreement;

“**Closing Fixed Assets**” has the meaning specified in Section 3.3(a);

“**Closing Non-Fixed Assets**” has the meaning specified in Section 3.3(a);

“**Closing NRG Assumed Liabilities**” has the meaning specified in Section 3.3(a);

"**Closing Time**" means 1:00 p.m. local time in the City of Toronto on the Closing Date or such other time on the Closing Date as the Parties may agree that the Closing will take place;

"**Collective Agreement**" means any collective agreement, letter of understanding, letter of intent or other written communication with any labour union or employee association that governs the terms and conditions of employment of any Employees and imposes obligations on the Vendor;

“**Confidentiality Agreement**” has the meaning specified in Section 5.3.1;

"**Consent**" means any approval, consent, permit, waiver, ruling, exemption, acknowledgement or similar authorization from any Person other than (i) the Vendor; or (ii) any Governmental Authority, including those required by Applicable Laws or under the terms or conditions of any Assumed Contract;

"**Contract**" means any contract, agreement, instrument or other legally binding commitment or arrangement, written or oral;

"**Contract Rights**" has the meaning specified in Section 2.3.

"**Damages**" means, whether involving a Direct Claim or Third Party Claim, any damages (available at law or in equity), losses, liabilities, claims, demands, debts, interest, charges, fines, penalties, assessments, reassessments, judgments, costs or expenses, including the costs and expenses of any Legal Proceeding or any Order, settlement or compromise relating thereto including reasonable costs, fees and expenses of legal counsel, but excluding any contingent liability until it becomes actual;

"**Deposit**" has the meaning specified in Section 3.1(b);

"**Direct Claim**" means any cause, thing, act, omission or state of facts not involving a Third Party Claim which entitles an Indemnified Person to make a claim for indemnification under Article 9 of this Agreement;

"**Employee**" means an individual who is employed by the Vendor in the Business, whether on a full-time or part-time basis or whether on a permanent, temporary, casual or provisional basis;

"**Employee Benefit Plans**" means all compensation, bonus, deferred compensation, incentive compensation, share purchase, share appreciation, share option, severance or termination pay, vacation pay, sick pay, hospitalization or other medical, health and welfare benefits, life or other insurance, dental, eye care, disability, salary continuation, supplemental unemployment benefits, profit-sharing, mortgage assistance, employee loan, employee discount, employee assistance, counselling, pension, retirement or supplemental retirement benefit plans, arrangements or agreements, including defined benefit or defined contribution pension plans and group registered retirement savings plans, and all other similar employee benefit plans, arrangements or agreements, whether oral or written, formal or informal, funded or unfunded, including all policies with respect to holidays, sick leave, long-term disability, vacations, expense reimbursements, automobile allowances and rights to company-provided automobiles and any other benefits or perquisites, that are administered, sponsored or maintained or contributed to or required to be contributed to, by the Vendor for the benefit of any of the Employees or former employees of the Business or beneficiaries of any of them, whether or not insured and whether or not subject to any Applicable Law, including those listed or described in Schedule 4.1.29, except that the term "**Employee Benefit Plan**" does not include any statutory plan with which the Vendor is required to comply, including the Canada Pension Plan, Quebec Pension Plan or any plan administered under applicable provincial health tax, workers' compensation, workers' safety and insurance and employment insurance legislation;

"**Defined Capex**" means the aggregate amount of $1,425,723 of capital expenditures, as further itemized in Schedule 1.1E.

"**Environment**" means the environment or natural environment as defined in any Environmental Law and includes soil, air, surface water, ground water, land surface, subsurface strata, any sewer system and the environment in the workplace;

"**Environmental Laws**" means Applicable Laws relating to the Environment, employee health or safety, or public health or safety, including Applicable Laws relating to (a) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and (b) the generation, manufacture, processing, distribution, use, re-use, treatment, storage, disposal, transport, labelling, handling and the like of Hazardous Substances;

"**Environmental Permits**" means all Licenses issued, granted or required under Environmental Laws in respect of the Business;

"**Equipment**" means any machinery, gathering, distribution and transmission pipes and pipelines, meters and mains, compression stations, storage facilities, distribution and connection stations, equipment (including office equipment, computer equipment and communication infrastructure), fixtures, furniture, furnishings, vehicles, accessories, tools and other tangible assets used in the Business, wherever located, including the items listed or described in Schedule 1.1B;

"**Equipment Leases**" means the leases of personal property used in the Business to which the Vendor is a party or under which it has rights or obligations, including those listed or described in Schedule 4.1.22;

"**Escrow Agent**" means Beard Winter LLP;

"**Escrow Agreement**" means the escrow agreement dated the date hereof between the Vendor, Purchaser and Escrow Agent with respect to the Deposit and if Closing shall occur, the Escrow Amount;

"**Escrow Amount**" has the meaning specified in Section 3.6(a)(i);

"**Estimated Fixed Assets**" has the meaning specified in Section 3.2(a);

"**Estimated Non-Fixed Assets**" has the meaning specified in Section 3.2(a);

"**Estimated NRG Assumed Liabilities**" has the meaning specified in Section 3.2(a);

"**Excluded Assets**" has the meaning specified in Section 2.2;

"**Financial Statements**" means the audited financial statements of NRGL relating to the Business for the fiscal years ending September 30, 2013, 2014 and 2015, the internal financial statements of NRGL relating to the Business in respect of the six months ending March 31, 2016 and the nine months ending June 30, 2016, and when the same exists, the September 30 2016 Financial Statements, in each case consisting of a balance sheet and the accompanying statements of profit and loss, retained earnings and changes in financial position for the period then ended and all notes to them, together with a report of the auditors, as applicable;

"**Fixed Assets**" means those fixed assets of NRGL as determined consistently with the Asset Listing;

"**Franchise Agreement**" means each franchise agreement to which NRGL is a party, pursuant to which NRGL is granted rights to distribute, store and transmit natural gas;

"**GPA**" has the meaning specified in Section 5.1.8;

"**Goodwill**" means:

(a) the goodwill of the Business;

(b) the exclusive right to represent oneself as carrying on the Business in continuation of, and as successor to, the Vendor and the right to use any words indicating that the Business is so carried on;

(c) any trade names used by the Vendor in the Business;

(d) all domain names or addresses and telephone numbers listed in the name of or used by the Vendor or the Business; and

(e) all restrictive agreements and negative covenant agreements which the Vendor may have with Employees, past or present;

"**Governmental Authority**" means any (i) federal, provincial, state, territorial, municipal, local or other government or governmental or public ministry, department, agency, Tribunal, commission, board, bureau or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above;

"**GST/HST**" means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;

"**GST/HST Legislation**" means the *Excise Tax Act* (Canada) and the regulations made thereunder;

"**Hazardous Substance**" means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of them that may impair the Environment, injure or damage property or plant or animal life or harm or impair the health of any individual;

"**Indemnified Person**" means any Person entitled to indemnification under Article 9 of this Agreement;

"**Indemnifier**" means any Person obligated to provide indemnification under Article 9 of this Agreement;

"**Indemnity Payment**" means the amount of any Damages required to be paid under Sections 9.2 or 9.3;

"**Independent Accountant**" has the meaning specified in Section 3.4(b);

"**Initial Outside Date**" has the meaning specified in Section 8.1(a);

"**Intellectual and Industrial Property**" means trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights and tangible or intangible property in which such rights subsist including, without limitation, rate models and methodology, ideas, formulae, algorithms, concepts, techniques, processes, procedures, approaches, methodologies, plans, systems, research, information, documentation, data, data compilations, specifications, requirements, designs, diagrams, inventions, technology, computer programs (including all related code), tools, products, knowledge, know-how and trade secrets and other similar property, whether registered or unregistered and includes software and domain names;

"**Interested Person**" means any present or former officer, director, shareholder or employee (including contract employees) of the Vendor or any Affiliate of the Vendor, or family member thereof, or any Person with which the Vendor or any of the foregoing does not deal at arm's length within the meaning of the Tax Act;

"**Interim Fixed Asset Listing**" has the meaning specified in Section 3.9(b);

"**Interim Period**" means the period from and including the time of execution of this Agreement to and including the Closing Time;

"**Inventories**" means inventories used in or produced by the Business, of every kind and nature and wherever located, including inventories of finished goods and by-products, work-in-progress, raw materials, goods in transit, spare parts, packaging and shipping materials and operating supplies, excluding any of the foregoing that constitute Excluded Assets;

"**Leased Property**" means premises other than Owned Real Property which are leased, subleased, licensed, used or occupied by the Vendor for the Business, including those listed or described in Schedule 4.1.20, and the interest of the Vendor in all plants, buildings, structures, fixtures, erections, improvements, easements, rights-of-way, spur tracks and other appurtenances situated on or forming part of those premises;

"**Leases**" means the real property leases or other rights of occupancy (including easements) relating to real property used in the Business to which the Vendor is a party or under which it has rights or obligations, whether as lessor or lessee or grantor or grantee, including those listed or described in Schedule 4.1.20;

"**Legal Proceeding**" means any litigation, action, suit, investigation, hearing, claim, complaint, grievance, application, arbitration proceeding or other proceeding and includes any appeal or review and any application for same and any application motion or proceeding before any Governmental Authority;

"**Letter of Intent**" means the letter agreement dated June 20, 2016 between EUI, NRGL, NRGC, the Wilsher Trust and Barbell Holdings Inc. regarding the potential purchase of the natural gas assets and business of NRGL and NRGC.

"**License**" means any license, permit, approval, authorization, certificate, directive, order, variance, registration, right, privilege, concession or franchise issued, granted, conferred or otherwise created by any Governmental Authority;

"**Licensed IP**" has the meaning specified in Subsection 4.1.25;

"**Lien**" means any lien, mortgage, charge, pledge, hypothec, security interest, assignment, option, conditional sale, warrant, lease, sublease, easement, restrictive covenant, title retention agreement, statutory or deemed trust, adverse claim, royalty, overriding royalty or net profit arrangement or other encumbrance of any kind, whether registered or unregistered, which secures payment or performance of an obligation or otherwise affects the right, title or interest in or to any particular property;

"**Material Adverse Effect**" means any change, event, occurrence or effect (without giving effect to this Agreement and the transactions contemplated by this Agreement) that is, or could reasonably be expected to be, material and adverse to the operations, condition (financial or otherwise), properties, assets, liabilities (contingent or otherwise), cash flow or prospects of the Business taken as a whole;

"**Material Contracts**" has the meaning specified in Subsection 4.1.23;

"**Multiplier**" means one point six six zero eight (1.6608);

"**Municipalities**" means those municipalities in which NRGL conducts its gas distribution business being the Town of Aylmer, the County of Middlesex, the Municipality of Central Elgin, the City of London, the Township of Malahide, Norfolk Country, the Township of South-West Oxford, the Municipality of Bayham, the Municipality of Thames Centre and the County of Elgin;

"**Non-Assigned Contract**" has the meaning specified in Section 2.3;

"**Non-Fixed Assets**" means those the accounts receivable, inventory and recoverable-through-rates assets of NRGL as determined consistently with Asset Listing;

"**Notice of Acceptance**" has the meaning specified in Section 3.4(a);

"**Notice of Objection**" has the meaning specified in Section 3.4(a);

"**NRG Assumed Liabilities**" means those specific liabilities of the Vendor to be assumed on Closing as determined consistently with the Asset Listing;

"**NRGC**" means NRG Corp., an Affiliate of the Vendor;

"**Order**" means any order, directive, judgment, decree, award or writ of any Tribunal;

"**Owned IP**" has the meaning specified in Subsection 4.1.25;

"**Owned Real Property**" means the real property used in the Business and owned by the Vendor, including that listed or described in Schedule 4.1.19, and includes all plants, buildings, structures, erections, improvements, appurtenances and fixtures situated on or forming part of that property;

"**Outside Date**" has the meaning specified in Section 8.1(a);

"**Parties**" means the Vendor and the Purchaser and "**Party"** means any one of them;

"**Permitted Liens**" means:

(a) Liens for Taxes and utilities which are not due or in arrears;

(b) easements, encroachments and other minor imperfections of title which do not, individually or in the aggregate, materially detract from the value of or impair the use or marketability of any real property;

(c) construction, mechanics', carriers', workers', repairers', storers' or other similar Liens (i) that, individually or in the aggregate, are not material, (ii) that arose or were incurred in the ordinary course of business, (iii) that are related to obligations not due or in arrears, (iv) that have not been registered or filed under Applicable Laws, and (v) for which notice in writing has not been given to the Vendor; and

(d) the Liens listed or described in Schedule 1.1D but only to the extent those Liens conform to their description in Schedule 1.1D;

"**Person**" includes any individual, body corporate, unlimited liability company, limited liability corporation, partnership, limited liability partnership, sole proprietorship, firm, joint stock company, joint venture, trust, unincorporated association, unincorporated organization, syndicate, Governmental Authority and any other entity or organization of any nature whatsoever;

"**Personal Information**" means any information in the possession or control of the Vendor about an identifiable individual other than the name, title or business address or telephone number of an Employee;

"**Post-Closing Adjustment Amount**" has the meaning specified in Section 3.5(a);

"**Prepaid Expenses**" means all prepaid expenses and deposits relating to the Business or the Purchased Assets, other than those relating to Excluded Assets;

"**Prime Rate**" for any day means the rate of interest expressed as a rate per annum that the Bank of Montreal establishes as the reference rate of interest that it will charge on that day for Canadian dollar demand loans to its customers in Canada and which it refers to as its prime rate;

"**Purchase Price**" has the meaning specified in Section 3.1(a);

"**Purchased Assets**" has the meaning specified in Section 2.1;

"**Purchaser's Indemnified Persons**" means the Purchaser, its Affiliates and their respective Affiliates, directors, officers, employees and agents;

"**Qualifying Claim"**" has the meaning specified in Section 9.16(c);

"**Rate Model**" means the regulatory rate financial model used by the Vendor in connection with its August 2016 cost of service rate application to the Ontario Energy Board, which for greater certainty is owned by Ayerswood;

"**Regulatory Approval**" means any approval, consent, permit, waiver, ruling, exemption, acknowledgement or similar authorization from any Governmental Authority, including those required by Applicable Laws or under the terms or conditions of any Contract, License or Order;

"**Release**" means any release or discharge of any Hazardous Substance, including any burial, incineration, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leaching, migration, dispersal, dispensing or disposal;

"**Representatives**" means, in respect of a Party, that Party's directors, officers, employees, agents, solicitors, accountants, professional advisors and other representatives involved in the transactions contemplated by this Agreement;

"**Retained Liabilities**" has the meaning specified in Section 2.5;

"**Review Period**" has the meaning specified in Section 3.3(b);

"**September 30 2016 Financial Statements**" means the audited financial statements of NRGL relating to the Business for the fiscal year ending September 30, 2016, consisting of a balance sheet and the accompanying statements of profit and loss, retained earnings and changes in financial position for the year then ended and all notes to them, together with a report of the auditors, BDO Accounting LLP;

"**Target Fixed Assets**" has the meaning specified in Section 3.2(b)(ii);

"**Target Non-Fixed Assets**" has the meaning specified in Section 3.2(b);

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), the *Income Tax Application Rules*, R.S.C. 1985, c. 2 (5th Supp.), and the *Income Tax Regulations*, C.R.C., c. 945, in each case as amended to the date of this Agreement;

"**Tax Legislation**" means the Tax Act and all federal, provincial, territorial, municipal, foreign, or other statutes imposing a tax, including all treaties, conventions, case law, interpretation bulletins, circulars and releases, rules, regulations, orders, and decrees of any jurisdiction;

"**Tax Returns**" means all reports, elections, returns, and other documents required to be filed under the provisions of any Tax Legislation and any tax forms required to be filed, whether in connection with a Tax Return or not, under any provisions of any applicable Tax Legislation;

"**Tax**" **or** "**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation, including, Canadian federal, provincial, territorial, municipal and local, foreign or other income, capital gains, goods and services, sales, use, ad valorem consumption, excise, value-added, business, real property, personal property, transfer, franchise, withholding, payroll and employee withholding, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, provincial pension plan contributions or premiums, employment insurance premiums, and provincial workers' compensation payments, including any interest, penalties and fines associated therewith, and any liability for any of the foregoing as a transferee, successor, guarantor or surety or in a similar capacity under any contract, agreement, commitment or arrangement, written or oral, or by operation of law;

"**Third Party Claim**" means any claim or Legal Proceeding that is instituted or asserted by any Person who is not a Party against an Indemnified Person which entitles the Indemnified Person to make a claim for indemnification under Article 9 of this Agreement;

"**Tribunal**" means any court (including a court of equity), arbitrator or arbitration panel or any body exercising adjudicative, regulatory, judicial or quasi-judicial powers, including any stock exchange and the Ontario Energy Board;

"**TSA**" has the meaning specified in Section 5.1.8;

"**Vendor's Indemnified Persons**" means the Vendor, its Affiliates and their respective directors, officers, employees and agents; and

"**Vendor's Intellectual and Industrial Property**" means any Intellectual and Industrial Property used, in whole or in part, in or required by the Vendor for the carrying on of the Business, both domestic and foreign, whether or not that Intellectual and Industrial Property is registered.

1.2 Certain Rules of Interpretation

In this Agreement:

(a) **Accounting Principles** – Unless otherwise specified, any reference in this Agreement to "generally accepted accounting principles" or "GAAP" is to the generally accepted accounting principles in effect in Canada at the date of determination as recommended in Part II – Accounting Standards for Private Enterprises of the CPA Canada Handbook – Accounting of the Chartered Professional Accountants of Canada and consistently applied.

(b) **Currency** – Unless otherwise specified, all dollar amounts in this Agreement, including the symbol "$", refer to Canadian currency.

(c) **Gender and Number** – In this Agreement, unless the context requires otherwise, any reference to gender includes all genders and words importing the singular number only include the plural and vice versa.

(d) **Headings, etc.** – The division of this Agreement into Articles, Sections and other subdivisions and the inclusion of headings and a table of contents are provided for convenience only and do not affect the construction or interpretation of this Agreement.

(e) **Including** – In this Agreement, the words "include" or "including" mean "include (or including) without limitation" and the words following "include" or "including" are not to be considered an exhaustive list.

(f) **Knowledge** - Where any representation or warranty is expressly qualified by reference to "the knowledge of the Vendor" or similar words, it refers to the knowledge actually known to Anthony Graat, Brian Lippold and Laurie O'Meara and the Vendor hereby confirms that it has made due inquiries of all those individuals.

(g) **References to Persons** – Unless the context otherwise requires, any reference in this Agreement to a Person includes successors and permitted assigns.

(h) **References to this Agreement** – The words "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement as a whole and not to any particular section or portion of it.

(i) **Statutory References** – Unless otherwise specified, any reference in this Agreement to a statute includes all rules and regulations made under it and all applicable guidelines, bulletins or policies made in connection with it and which are legally binding, in each case as it or they may have been, or may from time to time be, amended or re-enacted.

(j) **Time** – Time is of the essence of this Agreement, and no extension or variation of this Agreement will operate as a waiver of this provision.

(k) **Time Periods** – Unless otherwise specified, a period of days will be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Toronto time) on the last day of the period. If a period of time is to expire on any day that is not a Business Day, the period will be deemed to expire at 5:00 p.m. (Toronto time) on the next succeeding Business Day.

(l) **Trade Terms** – Unless otherwise defined in this Agreement, words or abbreviations which have well-known trade meanings are used in this Agreement with those meanings.

1.3 Schedules and Exhibits

The following Schedules and Exhibits form an integral part of this Agreement:

Schedule 1.1A	Asset Listing
Schedule 1.1B	Equipment
Schedule 1.1D	Permitted Liens
Schedule 1.1E	Defined Capex
Schedule 1.1F	TSA Term Sheet
Schedule 4.1.6	Transaction Regulatory Approvals (Vendor)
Schedule 4.1.7	Consents
Schedule 4.1.10	Ordinary Course
Schedule 4.1.12	Required Regulatory Approvals, License and Orders
Schedule 4.1.15	Financial Statements
Schedule 4.1.17	Banking Information
Schedule 4.1.18	Financial Commitments
Schedule 4.1.19	Owned Real Property
Schedule 4.1.20	Leases and Leased Property
Schedule 4.1.22	Equipment Leases
Schedule 4.1.23	Material Contracts
Schedule 4.1.25	Vendor’s Intellectual and Industrial Property
Schedule 4.1.28	Employees
Schedule 4.1.29	Employee Benefit Plans
Schedule 4.1.30	Environmental Matters
Schedule 4.1.31	Insurance Policies
Schedule 4.1.32	Legal Proceedings
Schedule 4.2.3	Regulatory Approvals (Purchaser)
Schedule 5.1.3	Conduct of the Business
Schedule 5.2.1	Employees to be Offered Employment
Schedule 6.1.14	Notices re Easements

ARTICLE 2
PURCHASE AND SALE OF ASSETS AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of Purchased Assets

Subject to the terms and conditions of this Agreement, at the Closing Time the Vendor shall sell to the Purchaser, and the Purchaser shall purchase from the Vendor, as a going concern with all related goodwill, the undertaking, property and assets of the Business (excluding the Excluded Assets) of every kind and description and wherever located (collectively, the "**Purchased Assets**"). The Purchased Assets include the Vendor's right, title, benefit and interest in the following assets of the Business:

(a) the Owned Real Property;

(b) the Equipment including the tangible assets comprising the gas distribution and/or transmission system ;

(c) the Inventories;

(d) the Accounts Receivable;

(e) all prepaid expenses;

(f) the Assumed Contracts, including:

(i) the Material Contracts;

(ii) the Equipment Leases; and

(iii) the Leases;

(g) any right that NRGL has to construct or operate works for the distribution of natural gas in the Municipalities;

(h) the Vendor's Intellectual and Industrial Property, including the operating control system for the Business, all software associated therewith and any computer hardware used in connection with the use or operation of any of the foregoing;

(i) copies of or where originals are available, executed Contracts or Licenses and copies or originals of the other Books and Records relating to the Purchased Assets;

(j) all Licenses issued to the Vendor relating to the Business or any of the Purchased Assets

(k) the Goodwill; and

(l) all other property and assets, real or personal, tangible or intangible, used in connection with the Business, including without limiting any of the foregoing, the Fixed Assets, the Non-Fixed Assets (including all regulatory deferral amounts or accounts) and the Defined Capex;

except to the extent that any of the foregoing constitute Excluded Assets.

2.2 Excluded Assets

Notwithstanding Section 2.1, the Purchased Assets do not include any of the following (collectively, the "**Excluded Assets**"):

(a) cash on hand or in banks or other depositories (including term deposits, guaranteed investment certificates and similar cash items);

(b) marketable securities;

(c) the Rate Model;

(d) the interest of the Vendor in any insurance policies, including the cash surrender value thereof, and the proceeds of any claims under those policies except as provided under Section 6.4(b);

(e) refundable Taxes paid by the Vendor prior to the Closing;

(f) refunds in respect of assessments or reassessments for Taxes paid by the Vendor;

(g) the corporate, financial and Tax records of the Vendor not relating to the Business;

(h) the interest of the Vendor in the Legal Proceedings listed or described in Schedule 4.1.32 and the proceeds of any Order issued or made in respect thereof;

(i) Contracts and Books and Records relating exclusively to the foregoing;

(j) all Contracts of employment with Employees, provided that it is understood and agreed that the Purchaser, or its Affiliate(s), will offer employment on terms substantially similar in the aggregate as those under with which the Employees were employed by the Vendor on the date hereof, to all of the Employees, excepting Anthony Graat, Sherrie Graat and Robert Hutton, prior to or concurrent with Closing;

(k) any agreements between the Vendor and NRGC; and

(l) the Vendor's rights under this Agreement.

2.3 Treatment of Contracts If Consent Not Obtained Prior to Closing

If any rights, benefits or remedies under any Assumed Contract (the "**Contract Rights**") are not assignable to the Purchaser without the Consent of the other party or parties to that Contract (or a third party) and that Consent is not obtained by the Closing Time, and if the Purchaser waives the conditions under Subsection 6.1.4 that Consent be obtained and the Closing occurs, then from and after the Closing Time:

(a) each such Assumed Contract (a "**Non-Assigned Contract**") will be deemed not to have been assigned by the Vendor to the Purchaser under this Agreement;

(b) the Vendor shall hold such contract for the exclusive benefit of the Purchaser;

(c) the Vendor shall, at the request and expense and under the direction of the Purchaser, acting reasonably, do all things or cause all things to be done that the Purchaser, acting reasonably, considers necessary or desirable to perform the obligations of the Vendor under the Non-Assigned Contracts in a manner that preserves the value of the Contract Rights, ensures that those Contract Rights will enure to the benefit of the Purchaser, and ensures that all amounts receivable under the Non-Assigned Contracts will be received by the Purchaser;

(d) the Vendor shall promptly pay over to the Purchaser all amounts collected by the Vendor under the Non-Assigned Contracts;

(e) the Vendor and the Purchaser shall continue to make reasonable efforts and cooperate with each other in good faith to obtain the necessary Consents under the Non-Assigned Contracts; and

(f) if the Vendor obtains the necessary Consent under a Non-Assigned Contract in form satisfactory to the Purchaser, effective as of the date the Purchaser receives a copy of that Consent from

the Vendor, that Non-Assigned Contract will be deemed to have been assigned and transferred by the Vendor to the Purchaser and the Vendor and the Purchaser will be relieved of any further obligations under any agreement made between them in respect of that Non-Assigned Contract (including under this Subsection 2.3).

Nothing in this Subsection 2.3 will relieve the Vendor of its obligations under Subsections 5.1.2, 5.1.6 or 5.3.5 or relieve the Purchaser of its obligations under Subsections 5.2.2 or 5.3.5.

2.4 Assumption of Assumed Liabilities

Subject to the terms and conditions of this Agreement, at the Closing Time the Purchaser shall assume and become liable for the following liabilities and obligations of the Vendor (collectively, the "**Assumed Liabilities**") and no others:

(a) all liabilities relating to the Business from and after the Closing Time which are not related to any act, matter, thing or default occurring or existing at, prior to or as a consequence of the Closing, including any and all future abandonment, decommissioning, restoration, remediation or reclamation liabilities in respect of or relating to the Purchased Assets except where such liabilities relate to the same subject matter which is the subject of a representation and warranty provided by the Vendor pursuant to this Agreement which proves to be untrue;

(b) all obligations and liabilities of the Vendor under the Assumed Contracts that by the terms and conditions of those Assumed Contracts are to be observed, paid, discharged or performed from and after the Closing Time and arise out of events occurring after the Closing Time and not related to any matter, thing or default existing at, prior to or as a consequence of Closing;

(c) the obligations and liabilities of the Vendor, including, without limitation, recognition of periods of service for purposes of determining future notice and/or severance obligations, relating to Employees that are offered and accept an offer of employment from the Purchaser or an Affiliate with respect to all periods from and after the Closing Time; and

(d) the NRG Assumed Liabilities.

The Purchaser shall, from and after the Closing Time, observe, pay, discharge or perform the Assumed Liabilities in the ordinary course of business.

2.5 Retained Liabilities

For greater certainty, the Assumed Liabilities exclude any and all (i) liabilities of or claims against the Vendor or the Business for any breach of contract, breach of warranty, tort, violation of law, Licenses or matters relating to the Environment arising or originating prior to the Closing Date, and (ii) claims made by the Purchaser against the Vendor, and without derogation to the foregoing, the Purchaser will not assume and will not be liable for:

(a) except to the extent specifically included in the NRG Assumed Liabilities, any obligations, commitments and liabilities of and claims against the Vendor or for any obligations, commitments or liabilities of the Business, including Employees (whether for severance, termination pay, unpaid wages, salaries, bonuses, holiday pay or other compensation, benefits and entitlements, whether arising due to termination, resignation or otherwise), and abandonment, decommissioning, restoration, remediation and reclamation obligations, commitments and liabilities, in each case relating to the period up to the Closing Date (contingent or otherwise);

(b) any obligation, commitments and liabilities that are not Assumed Liabilities; or

(c) without derogation to (a) above, any obligation, commitments or liabilities relating to any Employees that do not at the Closing Time become employees of the Purchaser, whether for severance, termination pay, unpaid wages, salaries, bonuses, holiday pay or other compensation, benefits and entitlements, whether arising due to termination, resignation or otherwise,

(collectively, the "**Retained Liabilities**"), and all such Retained Liabilities shall remain that of the Vendor.

ARTICLE 3
PURCHASE PRICE AND RELATED MATTERS

3.1 Amount of Purchase Price and Deposit

(a) Subject to adjustment in accordance with this Article 3, the consideration payable by the Purchaser to the Vendor for the Purchased Assets (the "**Purchase Price**"), exclusive of all applicable sales and transfer taxes, is $21,000,000.

(b) The Vendor acknowledges that the Purchaser has on the date hereof paid an amount of one million dollars ($1,000,000) (the "**Deposit**") to the Escrow Agent as partial security for the payment of the Purchase Price, which amount shall be:

(i) applied towards the payment of the Purchase Price on Closing in accordance with the terms of this Agreement;

(ii) paid by the Escrow Agent to the Vendor where this Agreement is validly terminated by the Vendor pursuant to Section 8.1(b)(ii),

and in all other circumstances repaid by the Escrow Agent to the Purchaser on the earlier of the Outside Date and the date of termination, expiry or other event that results in the transactions contemplated by this Agreement being no longer reasonably capable of consummation by the Outside Date, subject always to the terms of the Escrow Agreement.

3.2 Closing Date Payment

(a) As soon as practicable prior to the Closing Time, but in no event later than five (5) Business Days prior to the Closing Date, the Vendor, acting reasonably and at its expense, shall provide to the Purchaser an estimate of the net book value of each of the Closing Non-Fixed Assets, the Closing Fixed Assets and the Closing NRG Assumed Liabilities (the "**Estimated Non-Fixed Assets**", the "**Estimated Fixed Assets**" and the "**Estimated NRG Assumed Liabilities**", respectively), all prepared in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements.

(b) On the Closing Date, the Purchase Price will be adjusted as follows:

(i) if the Estimated Non-Fixed Assets are:

(A) more than one million, five hundred and eighty-four thousand, three hundred and ninety-two dollars ($1,584,392) (the "**Target Non-Fixed Assets**"), the Purchase Price will be increased, dollar for dollar, by the amount of the difference; or

(B) less than the Target Non-Fixed Assets, the Purchase Price will be decreased, dollar for dollar, by the amount of the difference;

(ii) if the Estimated Fixed Assets are:

(A) more than twelve million nine hundred ninety-five thousand three hundred and thirty-one ($12,995,331) (the "**Target Fixed Assets**"), the Purchase Price will be increased by, the amount of the difference multiplied by the Multiplier; or

(B) less than the Target Fixed Assets, the Purchase Price will be decreased by, the amount of the difference multiplied by the Multiplier; and

(iii) the Defined Capex of one million, four hundred twenty-five thousand, seven hundred and twenty-three ($1,425,723) dollars will be added to the Purchase Price on a dollar for dollar basis,

The Purchase Price, as adjusted in this paragraph (b), minus the Estimated NRG Assumed Liabilities referred to as the "**Closing Date Payment**".

3.3 Preparation of the Closing Asset Listing and Determination of Closing Non-Fixed Assets, Closing Fixed Assets and Closing NRG Assumed Liabilities

(a) Within ninety (90) days following the Closing Date, the Purchaser shall prepare, at the Purchaser's expense, and deliver to the Vendor an asset listing (structured in the same manner as the Asset Listing) (the "**Closing Asset Listing**") listing the net book value of the Non-Fixed Assets, Fixed Assets and NRG Assumed Liabilities in each case as at the Closing Date, (the "**Closing Non-Fixed Assets**", "**Closing Fixed Assets**" and "**Closing NRG Assumed Liabilities**", respectively), all prepared in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements. With respect to the Closing Fixed Assets, the Purchaser agrees that, if agreed to by the Parties pursuant to Section 3.9, the Fixed Assets as at September 30, 2016, shall form the basis for the later determination of the Closing Fixed Assets, provided that the Parties acknowledge and agree that as the Closing will occur after September 30, 2016, the Closing Fixed Assets will be different compared to any such values agreed pursuant to Section 3.9, to take into account factors such as, without limitation, depreciation and ongoing capital expenditures between September 30, 2016 and the Closing Date.

(b) Following receipt of the Closing Asset Listing, the Vendor will have thirty (30) days to review them (the "**Review Period**"). During the Review Period, the Purchaser shall ensure that, upon every reasonable request, the Vendor and its Representatives shall have access to the Books and Records and all working papers of the Purchaser created in connection with the preparation of the Closing Asset Listing, to verify the accuracy, presentation and other matters relating to the preparation of the Closing Asset Listing and the calculation of the Closing Non-Fixed Assets, Closing Fixed Assets and Closing NRG Assumed Liabilities and to enable the Vendor to exercise its rights under Section 3.4.

(c) The Purchaser and the Vendor shall each bear its own fees and expenses, including the fees and expenses of their respective auditors, in preparing or reviewing, as the case may be, the Closing Asset Listing. If a dispute regarding the Closing Asset Listing is submitted for determination to the Independent Accountant under Section 3.4(b), the fees and expenses of the Parties and the Independent Accountant will be paid in accordance with Section 3.4(b).

3.4 Acceptance or Dispute of the Closing Asset Listing

(a) Following receipt of the Closing Asset Listing as contemplated by Section 3.3, if the Vendor objects in good faith to any item on the Closing Asset Listing, the Vendor shall so notify the Purchaser by delivering to the Purchaser a written notice to that effect (the "**Notice of Objection**") prior to the end of the Review Period, provided that each of the Vendor and the

Purchaser agrees that it may not object to that portion of the Closing Fixed Assets consisting of the Fixed Assets as at September 30, 2016, if previously agreed to pursuant to Section 3.9. The Notice of Objection must set out the reasons for the Vendor's objection, the amount in dispute and reasonable details of the calculation of that amount. If the Vendor does not object to any item on the Closing Asset Listing, the Vendor may so notify the Purchaser by delivering a written notice to that effect (the "**Notice of Acceptance**"). If the Vendor does not deliver a Notice of Objection or Notice of Acceptance to the Purchaser prior to the end of the Review Period, the Vendor will be deemed to have delivered a Notice of Acceptance to the Purchaser on the last day of the Review Period and the Closing Asset Listing will be deemed to be final and binding for purposes of the adjustments referred to in Section 3.5. (For greater certainty, neither Party may attempt to dispute, recover, duplicate or adjust any amount which that Party is required to pay or entitled to receive as a result the adjustments referred to in Section 3.5 by making a claim for Damages under Article 9.)

(b) If the Vendor delivers a Notice of Objection in accordance with Section 3.4(a), the Parties shall work expeditiously and in good faith to resolve all of the items in dispute set out in the Notice of Objection within thirty (30) days following delivery of the Notice of Objection. Any items in dispute that are not resolved by the end of that thirty (30) day period will be submitted by the Parties for determination to an independent accounting firm mutually agreed to by the Parties or, if the Parties are unable to agree on the independent accounting firm within a further 10 day period, to PricewaterhouseCoopers LLP, or if that accounting firm is unable to act, to Deloitte LLP. In making its determination, the selected accounting firm (the "**Independent Accountant**") will act as expert and not as arbitrator, must only consider the items in dispute submitted to it, and must make reasonable efforts to determine the items in dispute within thirty (30) days following the date of submission. The determination of the Independent Accountant will be final and binding upon the Parties and will not be subject to appeal, absent manifest error, and the Closing Non-Fixed Assets, Closing Fixed Assets and Closing NRG Assumed Liabilities as determined by the Independent Accountant will be final and binding for purposes of the adjustments referred to in Section 3.5. (For greater certainty, neither Party may appeal a determination made by the Independent Accountant or attempt to dispute, recover, duplicate or adjust any amount which that Party is required to pay or entitled to receive as a result of that determination or the adjustments referred to in Section 3.5 by making a claim for Damages under Article 9.) The Purchaser and the Vendor shall each pay one-half of the fees and expenses of the Independent Accountant, but shall each bear their own costs in presenting their respective cases to the Independent Accountant.

(c) Notwithstanding Article 9 and Section 10.7, the procedure set out in this Section 3.4 for resolving disputes with respect to the Closing Asset Listing is the sole and exclusive method of resolving those disputes, absent manifest error. However, this Section 3.4(c) will not:

(i) prohibit either Party from commencing litigation to compel specific performance of this Section 3.4 or to enforce the determination of the Independent Accountant; or

(ii) prohibit either Party from exercising its rights under Section 9.2 or Section 9.3, as the case may be, if the basis of the dispute could also entitle that Party to make a claim for Damages under clause 9.2(a)(i) or 9.3(a)(i), as the case may be, and (a) that claim is not discovered until after the delivery of the Closing Asset Listing under Section 3.3(a), or (b) that claim involves the fraudulent act or fraudulent misrepresentation of the other Party.

3.5 Post-Closing Adjustments

(a) Following the Closing and the determination of the Closing Asset Listing as contemplated by Section 3.4:

(i) the Purchase Price will be adjusted as follows:

(A) if the Closing Non-Fixed Assets, as finally determined in accordance with Section 3.4 are:

(1) more than the Estimated Non-Fixed Assets, the Purchase Price will be increased, dollar for dollar, by the amount of the difference; or

(2) less than the Estimated Non-Fixed Assets, the Purchase Price will be decreased, dollar for dollar, by the amount of the difference;

(B) if the Closing Fixed Assets, as finally determined in accordance with Section 3.4 are:

(1) more than Estimated Fixed Assets, the Purchase Price will be increased by, the amount of the difference multiplied by the Multiplier; or

(2) less than the Estimated Fixed Assets, the Purchase Price will be decreased by, the amount of the difference multiplied by the Multiplier.

(b) if the Closing NRG Assumed Liabilities, as finally determined in accordance with Section 3.4, are:

(A) more than the Estimated NRG Assumed Liabilities, the cash payable to the Vendor in respect of the Purchase Price will be decreased, dollar for dollar, by the amount of the difference; or

(B) less than the Estimated NRG Assumed Liabilities, the cash payable to the Vendor in respect of the Purchase Price will be increased, dollar for dollar, by the amount of the difference.

(c) The net amount by which the Purchase Price and the cash payable to the Vendor in respect of the Purchase Price is to be adjusted as described in Section 3.5(a) and 3.5(b) is referred to as the "**Post-Closing Adjustment Amount**". If the Post-Closing Adjustment Amount is a positive number, the Purchaser shall pay the Post-Closing Adjustment Amount together with interest on that amount as provided in Section 3.5(d) to the Vendor. If the Post-Closing Adjustment Amount is a negative number, the Vendor shall pay the Post-Closing Adjustment Amount together with interest on that amount as provided in Section 3.5(d) to the Purchaser. The Purchaser or the Vendor, as the case may be, shall pay the Post-Closing Adjustment Amount together with interest on that amount as provided in Section 3.5(d) on the Adjustment Date by certified cheque, bank draft or wire transfer of immediately available funds to or to the order of the payee.

(d) The Post-Closing Adjustment Amount will be paid together with interest on that amount calculated from the Closing Date to the date of payment at the Prime Rate plus five percent (5%).

3.6 Payment of Purchase Price

(a) The Purchase Price will be paid and satisfied, subject to adjustment in accordance with this Article 3, as follows:

(i) at the Closing Time, the Purchaser shall assume the Assumed Liabilities;

(ii) at the Closing Time, the Purchaser shall pay an amount equal to the Closing Date Payment minus the sum of one million dollars ($1,000,000) (the "**Escrow Amount**") by certified cheque, bank draft or wire transfer of immediately available funds to or to the order of the Vendor; and

(iii) on the Adjustment Date, the Purchaser or the Vendor, as the case may be, shall pay the Post-Closing Adjustment Amount, if any, in accordance with Section 3.5.

(b) At the Closing Time, the Purchaser shall direct the Escrow Agent to continue to hold the Deposit in escrow which amount shall become payable to the Parties and distributed in accordance with the provisions of the Escrow Agreement and the Parties agree that the Deposit shall at such time constitute the Escrow Amount.

3.7 Taxes

(a) The Vendor and the Purchaser shall make joint elections under Subsection 167(1) of the GST/HST Legislation in connection with the purchase and sale of the Purchased Assets, using the prescribed form and including the prescribed information, and the Purchaser shall file such election(s) with the appropriate Governmental Authorities in accordance with the requirements of GST/HST Legislation. If requested by the Purchaser, the Vendor shall execute and deliver to the Purchaser an authorization authorizing the Purchaser or the Purchaser's accountants to file that election on behalf of the Vendor.

(b) If the Closing occurs, the Purchaser will be liable for and shall pay, directly to the appropriate Governmental Authorities, as required, all land transfer, retail sales and other similar Taxes payable in connection with the transfer of the Purchased Assets to the Purchaser or its nominee, including GST/HST (if applicable) but excluding any income taxes payable by the Vendor or any other Person as a result of the completion of the transactions contemplated by this Agreement.

3.8 Accounts Receivable Election

If the Closing occurs, the Vendor and the Purchaser shall execute and file, in the prescribed form and within the prescribed time, the appropriate elections in respect of the Accounts Receivable under Section 22 of the Tax Act or that may be required under any other Tax Legislation.

3.9 September 30 2016 Financial Statements and Interim Fixed Asset Listing

(a) The Vendor agrees to commence as soon as possible the preparation of the September 30 2016 Financial Statements and deliver same to the Purchaser by November 15, 2016.

(b) Concurrently with the delivery of the September 30 2016 Financial Statements to the Purchaser, the Vendor shall prepare, at the Vendor's expense, and deliver to the Purchaser an asset listing (structured in the same manner as the Asset Listing) listing the Fixed Assets in each case as at September 30, 2016, directly derived from the September 30 2016 Financial Statements (the "**Interim Fixed Asset Listing**") prepared in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements.

(c) Following receipt of the Interim Fixed Asset Listing, the Purchaser will have thirty (30) days to review it. During such thirty (30) day period, the Vendor shall ensure that, upon every reasonable request, the Purchaser and its Representatives shall have access to the Books and Records, all working papers created in connection with the preparation of the September 30

2016 Financial Statements and the Interim Fixed Asset Listing and such other information that the Purchaser shall request (acting reasonably), to verify the accuracy, presentation and other matters relating to the preparation of the September 30 2016 Financial Statements and Interim Fixed Asset Listing. The Purchaser and the Vendor shall thereafter in good faith attempt to mutually agree on the net book value of the Fixed Assets as of September 30, 2016, in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements and, if in agreement, shall reduce same to writing.

(d) In the event the Parties are unable to resolve any items in dispute with respect to the Interim Asset Listing within sixty (60) days of the delivery by the Vendor of the September 30 2016 Financial Statements and Interim Asset Listing to the Purchaser as described above, such dispute shall not be subject to the dispute resolution provisions of this Agreement and neither Party shall have any further obligation under this Section 3.9. The foregoing is without prejudice to each Party's rights obligations under Section 3.4 and Section 3.5.

(e) The Purchaser and the Vendor shall each bear its own fees and expenses, including the fees and expenses of their respective auditors or advisors, in preparing or reviewing, as the case may be, the September 30 2016 Financial Statements and Interim Fixed Asset Listing pursuant to this Section 3.9.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser as set out in this Section 4.1 and acknowledges that the Purchaser are relying on those representations and warranties in entering into this Agreement and completing the transactions contemplated by it. No investigations made by or on behalf of the Purchaser will have the effect of waiving, diminishing the scope of, or otherwise affecting any representation or warranty made by the Vendor.

4.1.1 Organization, Qualification and Authorization

The Vendor is a corporation incorporated and existing under the laws Ontario and has the full right, capacity, power and authority to enter into and perform its obligations under this Agreement and each of the Closing Documents to which it is or is to become a party. The execution and delivery, and performance by the Vendor of this Agreement and each of the Closing Documents to which it is or is to become a party and the completion of the transactions contemplated by it have been duly authorized by all necessary corporate action on behalf of the Vendor. This Agreement and each of the Closing Documents to which the Vendor is or is to become a party has been or will be duly and validly executed and delivered by the Vendor and is or will be legal, valid and binding obligations of the Vendor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

4.1.2 No Solvency or Reorganization Proceedings

The Vendor is not insolvent and no proceedings have been taken or authorized by the Vendor with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of the Vendor or with respect to any amalgamation, merger, consolidation, arrangement, receivership or reorganization of, or relating to, the Vendor or the Purchased Assets nor, to the knowledge of the Vendor, have any such proceedings been taken, authorized or threatened by any other Person. No encumbrancer has taken

possession of any of the Purchased Assets and no execution or distress has become enforceable or levied upon any of the Purchased Assets.

4.1.3 Title to Purchased Assets

The Vendor is the sole legal and beneficial (and where its interests are registered, the sole registered) owner of all the Purchased Assets (whether real, personal or mixed and whether tangible or intangible), with good title thereto, free and clear of all Liens other than Permitted Liens. There are no Liens measured by way of the value or quantity of production exists over any of the Purchased Assets nor is there in existence any agreement or commitment to create the same. The Vendor has the exclusive right to possess, use, occupy and dispose of all the Purchased Assets. At the Closing Time, the Vendor will have the full legal right, power and authority to sell, transfer and assign all of the Purchased Assets to the Purchaser, and the Purchaser will acquire good and valid title to the Purchased Assets, free and clear of all Liens other than Permitted Liens.

4.1.4 No Agreements or Options

Except for the Purchaser's rights in this Agreement, no Person has any written or oral agreement or option or any right or privilege capable of becoming any right of ownership of or an agreement or option for the purchase or other acquisition from the Vendor of any of the Purchased Assets, and the Vendor has not assigned, subletted or granted any license (of occupation or otherwise) in respect of any of the Purchased Assets to any Person.

4.1.5 No Conflicts

Subject to obtaining the Regulatory Approvals described in Schedule 4.1.6 and the Consents described in Schedule 4.1.7, the execution and delivery of and performance by the Vendor of this Agreement and each of the Closing Documents to which it is or is to become a party do not and will not (with or without the giving of notice, the lapse of time or the happening of any other event or condition):

(a) result in the breach of, or conflict with, or allow any Person to exercise any rights under, or cause the Vendor to be bound by any additional or more onerous obligation under, any of the terms or provisions of:

(i) the articles, by-laws or any resolutions of the board of directors or shareholders of the Vendor; or

(ii) any Contract to which the Vendor is a party or by which any of the Purchased Assets may be affected;

(b) result in the breach of, or cause the termination, amendment or revocation of, any Consent or License held by the Vendor or necessary to the ownership of the Purchased Assets or the operation of the Business;

(c) result in the violation of any Applicable Law;

(d) result in the creation of any Lien on any of the Purchased Assets.

4.1.6 Transaction Regulatory Approvals

There is no requirement on the part of the Vendor to obtain any Regulatory Approval or make any filing with or give notice to any Governmental Authority in connection with the lawful completion of the transactions contemplated by this Agreement or to maintain in full force and effect after Closing any Assumed Contract, Regulatory Approval, Order or License in respect of the Business or the Purchased

Assets, except for the filings, notifications and Regulatory Approvals described in Schedule 4.1.6 (the "**Transaction Regulatory Approvals**").

4.1.7 Required Consents

There is no requirement on the part of the Vendor to obtain any Consent in connection with the lawful completion of the transactions contemplated by this Agreement or to maintain in full force and effect after Closing any Assumed Contract, Order or License in respect of the Business or the Purchased Assets, except for the Consents described in Schedule 4.1.7.

4.1.8 Residence of Vendor

The Vendor is not a "non-resident" of Canada within the meaning of the Tax Act.

4.1.9 Asset Listing

The Asset Listing has been prepared in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements.

4.1.10 Business Carried on in Ordinary Course

Except as disclosed in Schedule 4.1.10, since the date of the most recent Financial Statements, the Vendor has carried on the Business in the ordinary course, consistent with past practice, including, without limiting the generality of the foregoing the Vendor has not:

(a) sold or otherwise disposed of any of its assets used in the Business except for inventory sold in the ordinary course of business;

(b) suffered any damage, destruction or loss in respect of the Business, whether or not covered by insurance;

(c) made any material change to any method of management, operation or accounting in respect of the Business or otherwise conducted the Business in a way inconsistent with any applicable Regulatory Approval, Order or License applicable to NRGL;

(d) waived or cancelled any material rights or claims relating to the Business;

(e) compromised or settled any Legal Proceeding pending against or involving the Vendor in respect of the Business or any of the Purchased Assets;

(f) written off any accounts receivable relating to the Business other than in the ordinary course of business;

(g) terminated or modified any employment Contract or employment terms; increased the rate of wages, salaries or bonuses of any Employees except as required under the terms of any Contract or consistent with past practice; or increased the benefits to which Employees and former employees are entitled under any Employee Benefit Plan or created any new Employee Benefit Plan;

(h) terminated, discontinued, closed or disposed of any plant, facility or operation of the Business; or

(i) authorized, agreed or become bound to do any of the foregoing.

4.1.11 Compliance with Applicable Laws

The Vendor has conducted and is conducting Business and operates and maintains the properties and assets used in the Business in compliance with Applicable Laws, except for any non-compliance or breach which, individually or in the aggregate, has not had, and which could not be reasonably expected to have, a Material Adverse Effect and the Vendor has not received any notice of any alleged violation of any Applicable Law that has not been remedied or rectified

4.1.12 Required Regulatory Approvals, Orders and Licenses

The Vendor possesses all Regulatory Approvals, Orders and Licenses required under Applicable Laws to conduct the Business and to construct, own, use and operate the properties and assets used in the Business. Schedule 4.1.12 is a complete and accurate list of all those Regulatory Approvals, Orders and Licenses. True and complete copies of all Licenses listed in Schedule 4.1.12 have been made available to the Purchaser for inspection and those Licenses are valid and subsisting and in good standing, there is no default under any of them, and no proceeding is pending or threatened and no grounds exist to revoke or amend any of them.

4.1.13 No Material Adverse Effect

Since September 30, 2016, there have been no changes in the Business, the Purchased Assets or the operations, affairs, prospects or condition (financial or otherwise) of the Business, in each case other than changes in the ordinary course of the Business, which do not, individually or in the aggregate, constitute a Material Adverse Effect.

4.1.14 Books and Records

All Books and Records have been properly, fully and accurately kept in all material respects and in accordance with Applicable Laws and contain full and accurate records of all material matters relating to the Business. All financial transactions relating to the Business have been accurately recorded in the Accounting Records in accordance with generally accepted accounting principles.

4.1.15 Financial Statements

The Financial Statements have been prepared in accordance with generally accepted accounting principles and present fully, fairly and accurately:

(a) the assets, liabilities and financial condition of the Business; and

(b) the revenues, earnings and results of operations of the Business,

in each case as of the date and throughout the period indicated. True, correct and complete copies of the Financial Statements are attached as Schedule 4.1.15.

4.1.16 No Liabilities

There are no liabilities of any nature whatsoever relating to the Business and no event has occurred or circumstance exists prior to Closing which may give rise after Closing to any liability of any nature whatsoever relating to the Business, except for, in either case:

(a) liabilities reflected or reserved against in the Financial Statements;

(b) liabilities disclosed in this Agreement.

4.1.17 Banking Information and Powers of Attorney

Schedule 4.1.17 is a complete and accurate list of (i) the name and location (including municipal address) of each bank, trust company or similar institution in which the Vendor has an account or safe deposit box relating to the Business which is to be transferred to the Purchaser, the number or designation of each such account and safe deposit box and the name of each Person authorized to draw thereon or have access thereto; and (ii) the name of each Person holding a power of attorney from the Vendor relating to the Business, if any, and a summary of its terms. True and complete copies of all powers of attorney listed in Schedule 4.1.17 have been made available to the Purchaser for inspection.

4.1.18 Sufficiency and Location of Assets

The Purchased Assets constitute all of the property and assets necessary to carry on the Business after the Closing in substantially the same manner as carried on before the Closing. All tangible assets included in the Purchased Assets, other than inventory, motor vehicles, equipment in transit and tangible assets located in municipal highways pursuant to rights in any Franchise Agreement, are located on the Owned Real Property or Leased Property. Except as disclosed in Schedule 4.1.18, there are no financial commitments pertaining to the Purchased Assets under which expenditures in excess of fifty thousand dollars ($50,000) are or may be required following Closing to comply with Applicable Laws.

4.1.19 Owned Real Property

(a) Schedule 4.1.19 is a complete and accurate list of all of the Owned Real Property and sets out the municipal address and legal description for each separate parcel of Owned Real Property.

(b) The Vendor is the legal and beneficial owner of the Owned Real Property with good and marketable title thereto in fee simple and free of all Liens other than Permitted Liens. True and complete copies of all documents creating those Permitted Liens have been made available to the Purchaser for inspection.

4.1.20 Leases and Leased Property

(a) Schedule 4.1.20 is a complete and accurate list of all of the Leases. True and complete copies of all of the Leases, including any amendments to those Leases, have been made available to the Purchaser for inspection. The Leases are in full force and effect and in good standing with no amendments except as disclosed in Schedule 4.1.20.

(b) All payments required to be made by the Vendor under the Leases have been paid, there are no outstanding defaults or violations under any of those Leases on the part of the Vendor or, to the knowledge of the Vendor, on the part of any other party to any of those Leases, there are no disputes between the Vendor and any other party to any of those Leases, and the Vendor has not sublet, assigned, licensed or otherwise conveyed any rights in the Leases or the Leased Property to any other Person.

4.1.21 Real Property Generally

(a) None of the buildings and structures situated on or forming part of the Owned Real Property or the Leased Property, or the use, operation or maintenance thereof, violates any restrictive covenant or any Applicable Law or encroaches on any property owned by others. All accounts for material, work, services and utilities with respect to the Owned Real Property and the Leased Property have been fully paid and satisfied and no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or any similar applicable legislation in any other jurisdiction against the Owned Real Property or the Leased Property.

(b) No part of the Owned Real Property or the Leased Property has been taken or expropriated by any Governmental Authority or other body having power of expropriation, nor has any Legal Proceeding or notice in respect of any such expropriation been commenced, given or threatened.

4.1.22 Equipment Leases

Schedule 4.1.22 is a complete and accurate list of all of the Equipment Leases, true and complete copies of which, including any amendments to those Equipment Leases, have been made available to the Purchaser for inspection. Those Equipment Leases are in full force and effect and in good standing with no amendments except as disclosed in Schedule 4.1.22, and there are no outstanding defaults or violations under any Equipment Leases on the part of the Vendor or, to the knowledge of the Vendor, on the part of any other party to any of those Equipment Leases. All payments due under the Equipment Leases have been duly and punctually paid.

4.1.23 Material Contracts and Franchise Agreements

(a) Except for the Contracts listed in Schedule 4.1.23 (the "**Material Contracts**"), the Vendor is not a party to or bound by any Contract relating to the Business nor has the Vendor made any offer to a third party that, if accepted, would result in such a Contract. True and complete copies of all the Material Contracts listed in Schedule 4.1.23, including any amendments to those Material Contracts, have been made available to the Purchaser for inspection. The Material Contracts listed in Schedule 4.1.23 are in full force and effect and in good standing with no amendments except as disclosed in Schedule 4.1.23 and there are no outstanding defaults or violations under any of those Material Contracts on the part of the Vendor or, to the knowledge of the Vendor, on the part of any other party to any of those Material Contracts. Except as disclosed in Schedule 4.1.23, there are no current or pending negotiations or notices received or given with respect to the renewal or non-renewal, repudiation or amendment of any of the Material Contracts listed in Schedule 4.1.23.

(b) The list of Material Contracts in Schedule 4.1.23 includes a list of all of the Franchise Agreements and such Franchise Agreements are the only franchise agreements necessary to operate the Business. Each Franchise Agreement has been unconditionally approved by the Ontario Energy Board. None of the Municipalities has alleged any deficiency in the gas distribution service provided by NRGL and NRGL is not aware of any circumstances likely to give any of the Municipalities cause to make such allegation.

4.1.24 Accounts Receivable

The Accounts Receivable listed in the Asset Listing and Closing Asset Listing (a) are reflected in the Financial Statements and the Accounting Records, (b) arose in the ordinary course of the Business, (c) are *bona fide* and, (d) subject to a reasonable allowance for doubtful accounts that has been reflected in the Financial Statements and Accounting Records in accordance with generally accepted accounting principles, are collectible without defence, set-off or counterclaim.

4.1.25 Intellectual and Industrial Property

(a) Schedule 4.1.25 contains a complete and accurate list and description of all of the Vendor's Intellectual and Industrial Property and specifies, for each item, whether the Vendor's Intellectual and Industrial Property is owned by the Vendor ("**Owned IP**") or used by the Vendor under a license agreement or arrangement from another Person ("**Licensed IP**"). The Owned IP is solely owned by the Vendor and there are no other claims, Liens or rights of third parties relating thereto.

(b) The conduct of the Business by the Vendor and its use of the Owned IP and the Licensed IP do not conflict with, infringe upon or violate and are not alleged by any Person to conflict with, infringe upon or violate the Intellectual and Industrial Property Rights of any other Person. The Vendor has not misappropriated, infringed, used or disclosed without authorization any Intellectual and Industrial Property Rights of any third person.

(c) Schedule 4.1.25 lists all third party software used in the conduct of the Business. All such third party software which the Vendor is, at the date of this Agreement, using or contemplating licensing for use and an estimate of applicable license and maintenance fees, if any, is identified in Schedule 4.1.25. The Vendor does not use any open source or free software.

4.1.26 Inventories

The Inventories are at a level consistent with the level of inventories that has been maintained in the operation of the Business prior to the date of this Agreement in accordance with normal business practice**.**

4.1.27 Customers and Suppliers

There has been no termination or modification of the relationship of the Vendor or the terms of any Contract with any major customer or supplier of the Business, nor has the Vendor received any communication of an intention to terminate or modify the relationship of the Vendor or the terms of any Contract with any such customer or supplier. Integrated Grain Processor's Cooperative has not provided any notice or made any statement to the Vendor that its Contract with the Vendor will not be renewed following expiry of the current term or otherwise terminated.

4.1.28 Employees

(a) Schedule 4.1.28 contains a list of the names and titles or positions of all Employees and their date of hire, the location of their employment and hours of work, a list of all written Contracts with Employees, a complete and accurate summary of the terms of all oral Contracts with Employees, a list of all Collective Agreements, and a complete and accurate list of the remuneration of, and Employee Benefit Plans applicable to, each Employee. Schedule 4.1.28 also contains a list of all persons receiving compensation for work or services provided to the Vendor in respect of the Business who are not Employees and particulars of their terms of engagement.

(b) Except as disclosed in Schedule 4.1.28, the Vendor is not a party to or bound by or subject to any Collective Agreement, has not made any commitment to, or conducted any negotiation or discussion with, any labour union or employee association with respect to any future agreement or arrangement, is not required to recognize any labour union or employee association representing its employees or any agent having bargaining rights for its employees and, to the knowledge of the Vendor, there is no current attempt to organize, certify or establish any labour union or employee association with respect to Employees nor has there been any attempt to do so during the period of 3 years preceding the date of this Agreement.

4.1.29 Employee Benefit Plans

(a) Schedule 4.1.29 contains a complete and accurate list and description of each Employee Benefit Plan in which Employees and former employees of the Business participate. Copies of each written Employee Benefit Plan, as amended to the date of this Agreement, as well as summary descriptions of the Employee Benefit Plans provided to Employees and former employees, the most recent actuarial reports, annual information reports and investment reports and any Employee Benefit Plan financial statements and statements of investment policies and

procedures have been provided to or made available to the Purchaser. There are no unwritten Employee Benefit Plans.

(b) There have been no promised improvements, increases or changes to the benefits provided under any Employee Benefit Plan. None of the Employee Benefit Plans provides post-retirement benefits or requires or permits a retroactive increase in premiums or payments, and the level of insurance reserves, if any, under any insured or self-insured Employee Benefit Plan is reasonable and sufficient to provide for all incurred but unreported claims. There are no and have never been any pension plans, registered or unregistered, under which the Employees accrue pension benefits or under which benefits are provided to former employees

(c) Each Employee Benefit Plan has been administered in compliance with Applicable Laws. Where Applicable Laws require an Employee Benefit Plan to be funded or insured, each such Employee Benefit Plan is fully funded or fully insured on both an on-going and solvency basis.

(d) All employee data necessary to administer each Employee Benefit Plan is in the possession or control of the Vendor, and is complete, correct and in a form which is sufficient for the lawful administration of the Employee Benefit Plans.

(e) Neither the execution of this Agreement nor the completion of any of the transactions contemplated by this Agreement will:

(i) result in any payment (including bonus, golden parachute, retirement, severance, unemployment compensation, or other benefit or enhanced benefit) becoming payable under any Employee Benefit Plan;

(ii) increase any benefits otherwise payable under any Employee Benefit Plan;

(iii) entitle any Employee to any job security or similar benefit or any enhanced benefits;

(iv) result in the termination of any Employee Benefit Plan or payroll service Contract; or

(v) result in the acceleration of the time of payment or vesting of any benefits otherwise payable under any Employee Benefit Plan, or result in any Employee Benefit Plan becoming terminable other than at the sole and unfettered discretion of the Vendor.

4.1.30 Environmental Matters

(a) Except as disclosed in Schedule 4.1.30, the Vendor has, to the Vendor's knowledge, been at all times in compliance with all applicable Environmental Laws and is in possession of, and in compliance with, all Environmental Permits relating to Environmental Laws necessary or legally required to carry on and conduct the Business as presently conducted, and a complete list of such Permits is listed in Schedule 4.1.30

(b) Except as disclosed in Schedule 4.1.30, to the Vendor's knowledge, the Vendor has not caused or permitted the Release of any Hazardous Substance except in compliance with Environmental Laws and with Environmental Permits held by the Vendor. To the Vendor's knowledge, all Hazardous Substances and all other wastes used by or on behalf of the Vendor in or resulting from the Business have been disposed of and stored in compliance with Environmental Laws and Environmental Permits held by the Vendor and have not been disposed of by the Vendor outside of Canada.

(c) Except as disclosed in Schedule 4.1.30, the Vendor has not received any notice and, to the knowledge of the Vendor, there are no facts that could give rise to any notice, that the Vendor is potentially responsible for any remedial or other corrective action or any work, repairs,

construction or capital expenditures to be made under any Environmental Law in relation to the Business.

(d) The Vendor has provided the Purchaser with copies of all analyses and monitoring data for soil, groundwater and surface water, air, noise and all other reports pertaining to any environmental assessments or audits relating to the Business that were obtained by, or are or with reasonable efforts could be in the possession or control of, the Vendor.

(e) Except as disclosed in Schedule 4.1.30, to the Vendor's knowledge no underground or above-ground storage tanks are or have been located on any Owned Real Property or Leased Property and no building, structure, equipment or improvement owned, leased, occupied, or used by the Vendor in the Business contains any friable asbestos, urea formaldehyde foam insulation, radioactive substances or polychlorinated biphenyls.

(f) To the knowledge of the Vendor, there is no Hazardous Substance originating from any adjoining or neighbouring properties which has, or is suspected to be, migrating into or under the Owned Real Property or Leased Property or otherwise affecting the Business.

4.1.31 Insurance

(a) Schedule 4.1.31 contains a complete and accurate list and description of all insurance policies currently maintained by the Vendor relating to the Business and the Purchased Assets, including a brief description of the type of insurance, the name of the insurer, policy number, coverage limits, expiration date and annual premiums, true and complete copies of which have been made available to the Purchaser for inspection. Each of those insurance policies is valid and subsisting and in good standing and there is no default under any of them. All claims under the Vendor's insurance policies arising from events or circumstances occurring prior to the date hereof have been paid in full or adequate reserves therefore are recorded in the Financial Statements The Vendor has not failed to give any notice or present any claim under any of those insurance policies in due and timely fashion.

4.1.32 Legal Proceedings

(a) Except as disclosed in Schedule 4.1.32, there is no Legal Proceeding (whether or not purportedly on behalf of the Vendor) in progress, pending or, to the knowledge of the Vendor, threatened against or affecting the Business or the Purchased Assets before or by any Tribunal. There is no Order outstanding against or affecting the Vendor relating to the Business or the Purchased Assets or which would adversely affect the ability of the Vendor to enter into this Agreement or perform its obligations under this Agreement, or adversely affect the title of the Vendor to any of the Purchased Assets.

4.1.33 Tax Matters

(a) The Vendor has paid all Taxes due and payable in connection with the Business and the Purchased Assets, including all Taxes shown on its Tax Returns as being due and payable, and all Taxes payable under any assessment or reassessment.

(b) The Vendor has withheld from each payment made by it the amount of all Taxes and other deductions required under any applicable Tax Legislation to be withheld therefrom and has remitted all those amounts withheld and paid all instalments of Taxes due and payable before the date of this Agreement to the relevant Governmental Authority within the time prescribed under any applicable Tax Legislation.

(c) The Vendor has complied with all registration, reporting, collection and remittance requirements under GST/HST Legislation and the *Retail Sales Tax Act* (Ontario)) and under all other federal or provincial Tax Legislation regarding sales or transfers taxes, including goods and services, harmonized sales and provincial or territorial sales taxes. The Vendor has provided to the Purchaser all invoices, purchase orders, and all those other documents as are necessary to report any claim for input tax credits or refunds claimed or to be claimed under GST/HST Legislation.

(d) The Vendor is registered for purposes of the GST/HST Legislation and its registration number is 103839106RT0001. Following the Closing, the Purchaser will have ownership, possession or use of all or substantially all of the property that can reasonably be regarded as being necessary for the Purchaser to be able to carry on the Business.

4.1.34 Personal Information

(a) The Vendor has a written privacy policy which governs the collection, use and disclosure of Personal Information and is in compliance in all material respects with such policy. To the knowledge of the Vendor, no misuse or misappropriation of Personal Information has occurred in respect of the Business. No claims of any misuse or, misappropriation of Personal Information have been made or asserted in respect of the operations of the Business. All Consents required to be obtained under Applicable Laws for the purpose of disclosing Personal Information to the Purchaser and its advisors in connection with their evaluation of the transactions contemplated by this Agreement have been obtained

4.1.35 Compliance with Trade Laws

(a) The Vendor is aware of Canadian and United States Applicable Laws pertaining to trade, including import and export controls, customs laws, international trade laws, economic sanctions, and anti-corruption or anti-bribery laws (collectively, "**Trade Laws**"). The Vendor and Business are in compliance with Trade Laws and none of the Vendor's past acts or omissions would subject the Purchaser or any of its Affiliates to any liability or loss.

(b) Neither the Vendor nor the Business is under investigation or being audited under any Trade Law nor, to the knowledge of the Vendor, is any investigation or audit of the Vendor or Business pending or threatened. During the last five years, the Vendor has not received any written or oral communication from any Governmental Authority or other Person alleging non-compliance by the Vendor or the Business with any Trade Law or asserting an obligation on the Vendor to undertake or bear the costs of any remedial action under any Trade Law.

4.1.36 No Broker

No Person acting on behalf of the Vendor is or will be entitled to any brokerage, finder's or financial advisory fee, commission or other like payment from the Purchaser.

4.1.37 Defined Capex

The Defined Capex was incurred by October 31, 2016 and is properly considered as capital expenditures and the assets constructed or installed through the expenditure of the Defined Capex are properly considered fixed assets in accordance with generally accepted accounting principles, applying the same significant accounting policies and practices as applied to the Financial Statements, and are capable of being added to the rate base of the Business in accordance with Applicable Laws.

4.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor as set out in this Section 4.2 and acknowledges that the Vendor is relying on those representations and warranties in entering into this Agreement and completing the transactions contemplated by it. No investigations made by or on behalf of the Vendor will have the effect of waiving, diminishing the scope of, or otherwise affecting any representation or warranty made by the Purchaser.

4.2.1 Organization, Qualification and Authorization

The Purchaser is a limited partnership formed and existing under the laws of Ontario and has the power to purchase the Purchased Assets from the Vendor and to enter into and perform its obligations under this Agreement and each of the Closing Documents to which it is or is to become a party. The execution and delivery of, and performance by the Purchaser of, this Agreement and each of the Closing Documents to which it is or is to become a party and the completion of the transactions contemplated by them have been duly authorized by all necessary action on behalf of the Purchaser. This Agreement and each of the Closing Documents to which the Purchaser is or is to become a party have been or will be duly and validly executed and delivered by the Purchaser and is or will be legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

4.2.2 No Conflicts

Subject to obtaining the Regulatory Approvals described in Schedule 4.2.3, the execution and delivery of and performance by the Purchaser of this Agreement and each of the Closing Documents to which it is or is to become a party do not and will not (with or without the giving of notice, the lapse of time or the happening of any other event or condition):

(a) result in the breach of, or conflict with, or allow any Person to exercise any rights under, or cause the Purchaser to be bound by any additional or more onerous obligation under, any of the terms or provisions of:

(i) the articles, by-laws or any resolutions of the board of directors or shareholders of the Purchaser; or

(ii) any Contract to which the Purchaser is a party; or

(b) result in the violation of any Applicable Law.

4.2.3 Required Regulatory Approvals

There is no requirement on the part of the Purchaser to obtain any Regulatory Approval or make any filing with or give notice to any Governmental Authority in connection with the lawful completion of the transactions contemplated by this Agreement, except for the filings, notifications and Regulatory Approvals described in Schedule 4.2.3.

4.2.4 Investment Canada Act

The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).

4.2.5 GST/HST Status of Purchaser

The Purchaser will be registered for purposes of the GST/HST Legislation by the Closing Date and will provide its registration number forthwith upon obtaining.

4.2.6 No Broker

No Person acting on behalf of the Purchaser is or will be entitled to any brokerage, finder's or financial advisory fee, commission or other like payment from the Vendor.

ARTICLE 5
COVENANTS OF THE PARTIES

5.1 Interim Period Covenants of the Vendor

The Vendor hereby covenants as set out in this Section 5.1.

5.1.1 Investigations and Availability of Records

During the Interim Period, the Vendor shall permit the Purchaser and its advisors to have access to the Purchased Assets, the Books and Records and the senior Employees, to make such confirmatory investigations of the Business and the Purchased Assets (including their legal, financial and tax condition and their compliance with Applicable Laws) as the Purchaser deems necessary or desirable, it being understood that those investigations will be carried out during normal business hours and without undue interference with the operations of the Business, and the Vendor shall reasonably co-operate in facilitating those investigations and furnish copies of all documents and materials relating to those matters as may be reasonably requested by or on behalf of the Purchaser.

5.1.2 Efforts regarding Consents and Transaction Regulatory Approvals

Commencing immediately after the date of this Agreement, the Vendor shall make all reasonable efforts to obtain, at or prior to the Closing Time, all Consents described in Schedule 4.1.7. and Transaction Regulatory Approvals on terms satisfactory to the Purchaser, acting reasonably.

5.1.3 Conduct of the Business

(a) During the Interim Period, the Vendor shall conduct the Business in the ordinary course, consistent with past practice. Without limiting the generality of the foregoing, unless otherwise contemplated by the provisions of this Agreement, the Vendor shall:

(i) carry on the Business in compliance with Applicable Laws and perform its obligations under all Contracts, Orders and Licenses in respect of the Business or the Purchased Assets and maintain its books, records and accounts in the ordinary course consistent with past practice;

(ii) preserve the Business and the Purchased Assets and the goodwill of suppliers, customers and others having business relations with the Vendor in connection with the Business;

(iii) make and prosecute, pursue and defend, as the case may be, in the ordinary course, consistent with past practice, all existing and to be filed regulatory and other applications and filings before the Ontario Energy Board and any other relevant Governmental Authority;

(iv) take all reasonable steps to retain the services of the present executives, Employees, consultants and advisors of or to the Vendor;

(v) maintain in full force and effect all policies of insurance maintained by or for the benefit of the Vendor in respect of the Business and the Purchased Assets and give all notices and present claims under those policies in a timely fashion; and

(vi) pay, satisfy and discharge its obligations and liabilities in the ordinary course of the Business, consistent with past practice.

(b) Notwithstanding paragraph (a) above, during the Interim Period, the Vendor shall not (unless otherwise contemplated by the provisions of this Agreement), without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld or delayed:

(i) become a party to or bound by any new material agreement or arrangement or any new agreement or arrangement with any Interested Person relating to the Business or amend or concur in the amendment of any such existing agreement or arrangement or

(ii) make or authorise any capital expenditure relating to the Business, except:

(A) pursuant to its capital expenditure plan attached at Schedule 5.1.3, provided that in no case can such expenditures exceed the lesser of (i) the aggregate of the depreciation applicable to the Fixed Assets between the date hereof and the Closing Date, and (ii) the amount which would cause the Closing Fixed Assets to exceed the Target Fixed Assets, or

(B) for expenditures which are necessarily incurred for the urgent protection of property, life and/or the environment which is outside of the ordinary course of Business,

and which in each case would be reasonably deemed to be expenditure prudently incurred in accordance with Ontario regulatory principles for gas utilities;

(iii) become a party to or bound by any new agreement or arrangement with respect to Employee Benefits (other than an employment or personal services agreement or arrangement which is terminable by the Vendor without liability or any termination or similar payment on no more than thirty (30) days' notice) or amend or concur in the amendment of or increase any payment or obligation under any existing agreement or arrangement with respect to Employee Benefit Plans other than as contemplated by an existing policy or practice as to periodic review of Employee Benefit Plans;

(iv) take any step to dissolve, wind-up or otherwise affect its continuing corporate existence or amalgamate or merge with any Person or amend its articles or by-laws;

(v) purchase, sell, lease, surrender or abandon any of the Purchased Assets other than in the ordinary course of business;

(vi) cancel, waive or vary the terms of any debt owing to or any claim or right of the Vendor in respect of the Business;

(vii) incur any obligation or liability relating to the Business except in the ordinary course of business or make, authorize or accept any early payment of any such existing obligation or liability or create or permit the creation of any new Lien on any of the Purchased Assets (except for any Permitted Lien) or amend or concur in the amendment of any such existing Lien;

(viii) change or alter the physical content or character of any Inventories so as to materially affect the nature of the Business or materially and adversely change the value of the Inventories from that reflected in the Financial Statements;

(ix) take any other action that would cause any of the representations and warranties of the Vendor under this Agreement or any Closing Document to not be true and correct at the Closing Time as if they were made at and as of that time,

or agree or become bound to do any of the foregoing.

5.1.4 Tax Matters

During the Interim Period, the Vendor shall, in respect of the Business and the Purchased Assets:

(i) duly pay, within the prescribed time, all Taxes that become due and payable on or before the Closing Date;

(ii) make adequate provision in the Books and Records for the Taxes that relate to any period ending on or before the Closing Date (including as a consequence of the Closing) but that are not yet due and payable and for which Tax Returns are not yet required to be filed;

(iii) withhold from each payment made by the Vendor the amount of all Taxes and other deductions required under any applicable Tax Legislation to be withheld therefrom and pay all those amounts to the relevant Governmental Authority within the time prescribed under any applicable Tax Legislation;

(iv) refrain from entering into any arrangements to provide for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by the Vendor, without the prior written consent of the Purchaser; and

(v) except as may be required by generally accepted accounting principles or Applicable Laws, not make any material change in the Tax, financial or accounting policies or practices applied in the preparation of the Financial Statements, including any material change in credit, collection or payment policies, procedures or practices or the method of determining reserves.

5.1.5 [INTENTIONALLY DELETED.]

5.1.6 Actions to Satisfy Closing Conditions

During the Interim Period, the Vendor shall take all such actions as are within its power to control, and use its reasonable efforts to cause other actions to be taken which are not within its power to control, to ensure compliance with all of the conditions set out in Section 6.1, including ensuring that during the Interim Period and at the Closing Time, there is no incorrectness in or breach of any of its representations and warranties.

5.1.7 Notice of Untrue Representation and Warranty

During the Interim Period, the Vendor shall promptly notify the Purchaser in writing upon any representation or warranty made by it contained in this Agreement or any Closing Document becoming untrue or incorrect. Any such notice will set out particulars of the untrue or incorrect representation or warranty and details of any actions being taken by the Vendor to rectify the matter. Notifying the Purchaser will not relieve the Vendor of its obligations under Subsection 5.1.7.

5.1.8 Efforts regarding TSA and GPA

(a) During the Interim Period, the Vendor shall cause Ayerswood to negotiate in good faith and at Closing enter into a regulatory transition services agreement (the "**TSA**") with the Purchaser substantially on the terms set forth in the term sheet attached at Schedule 1.1F.

(b) During the Interim Period, the Vendor shall cause NRGC to negotiate in good faith and at Closing enter into a gas purchase agreement (the "**GPA**") with the Purchaser on terms agreeable to such parties, acting reasonably.

5.1.9 Oxford County Franchise Agreement

The Purchaser will use its best efforts to obtain a renewal of its franchise agreement with the municipality of Oxford County by the Closing Date, including without limitation, pursuant to an application to the Ontario Energy Board pursuant to Section 10 of the *Municipal Franchise Act* (Ontario).

5.2 Interim Period Covenants of the Purchaser

The Purchaser hereby covenant as set out in this Section 5.2.

5.2.1 Employees to be Offered Employment

The Purchaser shall make offers of employment to, and, if such offers are accepted, continue to employ, effective as of the Closing Time, the employees listed in Schedule 5.2.1 on terms substantially similar in aggregate as the terms and conditions of employment as exist for those Employees as at the Closing Time.

5.2.2 Actions to Satisfy Closing Conditions

During the Interim Period, the Purchaser shall take all such actions as are within its power to control, and use its reasonable efforts to cause other actions to be taken which are not within its power to control, to ensure compliance with all of the conditions set out in Section 6.2, including ensuring that during the Interim Period and at the Closing Time, there is no incorrectness in or breach of any of its representations and warranties.

5.2.3 Notice of Untrue Representation and Warranty

During the Interim Period, the Purchaser shall promptly notify the Vendor in writing upon any representation or warranty made by it contained in this Agreement or any Closing Document becoming untrue or incorrect. Any such notification will set out particulars of the untrue or incorrect representation or warranty and details of any actions being taken by the Purchaser to rectify the matter. Notifying the Vendor will not relieve the Purchaser of its obligations under Subsection 5.2.2.

5.3 Additional Interim Period Covenants of the Parties

Each Party hereby covenants as set out in this Section 5.3.

5.3.1 Confidentiality

(a) Except as modified herein, the Parties hereto acknowledge affirm and adopt the Two Confidentiality Agreement dated May 13, 2016 between EPCOR Utilities Inc., the indirect parent of the Purchaser, and NRGL (the "**Confidentiality Agreement**") and further agree and acknowledge that the terms and conditions of this Agreement shall constitute "Confidential Information" of each party thereunder. The Parties further agree that term of the provisions of the Confidentiality Agreement shall continue to apply for five (5) years following the later of the termination of this Agreement and the Closing Date.

(b) From and after the Closing, the confidentiality obligations of the Purchaser under the Confidentiality Agreement shall terminate with respect to all Confidential Information that relate exclusively to the Business and Purchased Assets, but not with respect to the terms and conditions of this Agreement or any of the other business or operations of the Vendor.

(c) Notwithstanding this Section 5.3.1, nothing in this Agreement or in the Confidentiality Agreement shall restrict the right of the Parties to disclose any information to any Governmental Authority to the extent reasonably required in connection with seeking any required Regulatory Approval, provided that the Party seeking to disclose first reasonably consults with the other Parties in relation thereto.

5.3.2 Communication with Municipalities, Customers, Suppliers, etc.

Forthwith following the execution of this Agreement, the Parties will cooperate to jointly approach the Municipalities and customers, suppliers and any other persons related to the Business for the purposes of advising such parties of the transactions contemplated by this Agreement, including without limitation, advising the Municipalities of the assignment of the Franchise Agreements by NRGL to the Purchaser.

5.3.3 Communications with Employees

The Parties shall co-operate to develop an employee communication plan regarding the transactions contemplated by this Agreement, including that forthwith upon the execution of this Agreement and the Vendor's announcement of same to the Employees, the Purchaser will be permitted to make initial contact and communicate with the Employees. Throughout the Interim Period, the Purchaser, acting reasonably and without undue disruption to the Business, shall be permitted to communicate with the Employees to be offered employment for the purposes of discussing such employment and matters related thereto including benefits and benefit enrollment and the Vendor will reasonably cooperate to facilitate such communications.

5.3.4 Transaction Regulatory Approvals

(a) As soon a reasonably practicable after the date of this Agreement, the Purchaser and Vendor shall jointly make all notifications, filings, applications and submissions with or to Governmental Authorities required to obtain the Transaction Regulatory Approvals.

(b) Without limiting the generality of Section 5.3.4(a), as soon as reasonably practicable after the date of this Agreement:

(i) the Parties acknowledge and agree that although all applications for the Transaction Regulatory Approvals may be required to be filed by the Vendor, where permissible, the Purchaser shall be identified as joint applicants; and

(ii) the Vendor shall prepare the first draft of the applications for the Regulatory Approvals following consultation with the Purchaser and thereafter provide such applications to the Purchaser for review, revision and addition of such documentation and information that is required, or is the opinion of the Purchaser advisable in connection with obtaining the Transaction Regulatory Approvals and once such applications are agreed, the Vendor shall file with the relevant Governmental Authorities the applications, forms and supporting materials to obtain the Transaction Regulatory Approvals.

(c) Each Party shall:

(i) cooperate with and keep one another fully informed as to the status of and the processes and proceedings relating to obtaining the Transaction Regulatory Approvals and shall promptly notify each other of any communication from any Governmental Authority in respect of the applications for the same; and

(ii) not make any submissions to or filings with any Governmental Authority related to the applications for the Transaction Regulatory Approvals or participate in any meetings or any material conversations with any Governmental Authority in respect of any filings,

submissions, investigations or other inquiries or matters related to a Transaction Regulatory Approval without providing the other Parties with the opportunity to participate in or approve such submissions, filings, meetings or conversations.

(d) The Parties shall request that the Transaction Regulatory Approvals be processed by the applicable Governmental Authority on an expedited basis and, to the extent that a public hearing is held (it being agreed that in the first instance a written hearing shall be requested by the Parties), the Parties shall request the earliest practicable hearing date for the consideration of the Transaction Regulatory Approvals.

(e) If any objections are asserted with respect to the transactions contemplated by this Agreement under any Applicable Law, or if any proceeding is instituted or threatened by any Governmental Authority challenging or which could lead to a challenge of any of the transactions contemplated by this Agreement as not in compliance with Applicable Law or as not satisfying any applicable legal test under an Applicable Law necessary to obtain the Transaction Regulatory Approvals, the Parties shall use all commercially reasonably efforts consistent with the terms of this Agreement to resolve such proceeding prior to the Closing.

5.3.5 Cooperation and IT Transition

(a) The Parties shall co-operate fully in good faith with each other and their respective Representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement and to prepare for the transfer and transition of the Purchased Assets and Business to the Purchaser.

(b) Without limiting the generality of paragraph (a), during the Interim Period, the Vendor shall co-operate with the information technology personnel of the Purchaser with respect to transferring all information technology hardware and software and all Books and Records, including all data, information and records, to be transferred to the Purchaser hereunder.

5.4 Post-Closing Covenants of the Parties

Each Party hereby covenants as set out in this Section 5.4.

5.4.1 Vendor's Access to Books and Records

For a period of five (5) years from and after the Closing Date, the Purchaser shall retain all Books and Records in respect of the Business delivered to the Purchaser relating to any period ending on or before the Closing Date. So long as those Books and Records are retained by the Purchaser under the provisions of this Agreement, the Vendor may inspect, at the expense of the Vendor, during normal business hours and upon reasonable notice, those Books and Records that are reasonably required for the purpose of the Vendor contesting or responding to any assessment or reassessment for Tax.

5.4.2 Non-Solicitation and Non-Interference

During the Interim Period and for a period of three (3) years following the Closing Date, none of the Vendor, its Affiliates or their respective directors, officers, employees or representatives acting on their behalf shall directly or indirectly (a) solicit for employment, hire or retain any Employee who is hired by the Purchaser or its Affiliates as contemplated herein, or (b) induce or attempt to induce any supplier, consultant, contractor, licensee, customer or other business relation of the Business to cease doing business with the Business or in any way interfere with the relationship between the Purchaser and such Persons or any Governmental Authority, provided that (a) will not apply to any general solicitations for employment or restrict the Vendor's right to employ any person that the Vendor has not solicited.

5.4.3 Additional Post-Closing Covenants of the Vendor

After the Closing Date, the Vendor shall:

(a) if requested by the Purchaser, execute and deliver, or cause to be executed and delivered, all additional conveyances, transfers and other assurances as may be reasonably necessary or desirable to carry out the intent of this Agreement and transfer the Purchased Assets to the Purchaser; and

(b) not do anything that may diminish the goodwill of the Business.

5.4.4 Bank Accounts; Post-Closing Receipts

Vendor and Purchaser both acknowledge and agree that, following the Closing, it is anticipated that the Accounts Receivable will be paid to a bank account to be transferred to the Purchaser. Notwithstanding the foregoing, in the event the bank account described in Schedule 4.1.17 is not transferred to the Purchaser at Closing or if following the Closing Date the Vendor receives, or comes into possession of, any of the Purchased Assets or any receipts, proceeds, cheques, securities or other property of any kind comprising, arising out of, or derived from, the Purchased Assets (and all cheques, notes or cash in payment of any Accounts Receivable or other intangible constituting part of the Purchased Assets), the Vendor shall immediately deliver the same to the Purchaser, with such endorsements, transfers or assignments as may be necessary or desirable to ensure that the Purchaser receives the immediate and full benefit thereof.

ARTICLE 6
CONDITIONS OF CLOSING

6.1 Conditions for the Benefit of the Purchaser

The transactions contemplated by this Agreement, including the sale and purchase of the Purchased Assets, are subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the conditions in this Section 6.1, each of which is for the exclusive benefit of the Purchaser and may be waived, in whole or in part, by the Purchaser in its sole discretion.

6.1.1 Representations, Warranties and Covenants of the Vendor

(a) All representations and warranties of the Vendor contained in this Agreement will have been true and correct on the date of this Agreement and will be true and correct at the Closing Time with the same force and effect as if those representations and warranties had been made at and as of that time and the Vendor will have executed and delivered certificates of a senior officer of the Vendor to that effect. The receipt of these certificates and the Closing will not constitute a waiver (in whole or in part) by the Purchaser of, any of the representations and warranties of the Vendor contained in this Agreement. Upon the delivery of these certificates, the representations and warranties of the Vendor in Section 4.1 will be deemed to have been made at and as of the Closing Time with the same force and effect as if made at and as of that time.

(b) The Vendor will have performed or complied with all obligations and covenants contained in this Agreement to be performed or complied with by it at or prior to the Closing Time, and the Vendor will have executed and delivered certificates of a senior officer of the Vendor to that effect. The receipt of these certificates and the Closing will not constitute a waiver (in whole or in part) by the Purchaser of any of the covenants or obligations of the Vendor contained in this Agreement.

6.1.2 Deliveries of the Vendor

At the Closing Time, the Vendor will have delivered to the Purchaser the following in form and substance satisfactory to the Purchaser acting reasonably:

(i) all deeds, conveyances, bills of sale, assurances, transfers and assignments and other documents to transfer effectively to the Purchaser good title to the Purchased Assets free and clear of all Liens other than Permitted Liens;

(ii) evidence, satisfactory to the Purchaser, acting reasonably, of the discharge of all Liens other than Permitted Liens made against the Vendor and the Purchased Assets or that such registrations do not attach to any of the Purchased Assets;

(iii) certified copies of (i) resolutions of the board of directors and shareholders of the Vendor authorizing the entering into and completion of the transactions contemplated by this Agreement, and (ii) a list of the directors and officers of the Vendor authorized to sign agreements together with their specimen signatures;

(iv) a certificate of status, compliance, good standing or like certificate with respect to the Vendor, issued by the appropriate Governmental Authority in its jurisdiction of incorporation;

(v) the TSA, duly executed by Ayerswood;

(vi) the GPA, duly executed by NRGC;

(vii) the certificates referred to in paragraphs 6.1.1(a) and 6.1.1(b);

(viii) the notices referred to in Section 6.1.14 duly executed by the Vendor; and

(ix) all other documentation and evidence reasonably requested by the Purchaser in order to establish the due authorization and completion of and effectively implement the transactions contemplated by this Agreement.

6.1.3 No Material Adverse Effect

Since the date of this Agreement there will have been no Material Adverse Effect.

6.1.4 Consents

All Consents described in Schedule 4.1.7 will have been made, given or obtained on terms satisfactory to the Purchaser, acting reasonably.

6.1.5 Acknowledgements re: Leases / Material Contracts

The lessors under the Leases for the Leased Property or other parties under specified Material Contracts will have delivered acknowledgements in a form satisfactory to the Purchaser acting reasonably that those Leases or Material Contracts are in good standing, that all rents or other amounts due and payable under those Leases or Material Contracts have been paid in full and that the Vendor is not in breach of any of its obligations or in default under those Leases or Material Contracts.

6.1.6 Regulatory Approvals

All filings, notifications and the Transaction Regulatory Approvals will have been made, given or obtained on terms satisfactory to the Purchaser, acting reasonably, and all applicable appeal periods related thereto shall have expired.

6.1.7 Retail Sales Tax Compliance

The Purchaser will have received evidence satisfactory to it acting reasonably that, in respect of the purchase and sale of the Purchased Assets, the Vendor has complied with Section 6 of the *Retail Sales Tax Act* (Ontario) and any equivalent or corresponding provision under any other applicable Tax Legislation.

6.1.8 WSIB Purchase Certificate

The Purchaser will have received from the Vendor a valid and current Workplace Safety and Insurance Board Purchase Certificate or letter in respect of the Business.

6.1.9 No Legal Proceedings

No Order will have been made, and to the Vendor's knowledge no Legal Proceeding is pending or threatened, which is likely to result in a decision or ruling imposing any limitations or conditions which could reasonably be expected to have a Material Adverse Effect on the completion of the transactions contemplated by this Agreement, or on the right of the Purchaser to own the Purchased Assets.

6.1.10 Due Diligence

The Purchaser will have completed its investigations into the Purchased Assets and the Business, the Books and Records, the Vendor's title to the Purchased Assets and all other matters relating to its purchase of the Purchased Assets and that investigation will not have disclosed any matter which the Purchaser, acting reasonably, consider to be materially adverse to the Purchased Assets, the Business or the Purchaser's decision to acquire the Purchased Assets. This condition must be satisfied or waived by the Purchaser on or before March 31, 2017.

6.1.11 Employment Agreements

The Purchaser or its Affiliates will have entered into employment agreements in form and substance satisfactory to it with each of [redacted] and [redacted]. The Purchaser or its Affiliates, as applicable, shall settle upon terms of employment with [redacted] and [redacted], or waive this condition, on or before March 31, 2017.

6.1.12 Completion of OEB Payment when Due and Payable

The Vendor will have satisfied, or will have made an agreement to settle payment of, all amounts owing and all other obligations and liabilities owing as a result of the Decision and Order of the Ontario Energy Board in combined proceedings EB-2014-0053, EB-2014-0361 and EB-2015-0044 and the Decision and Order in proceeding EB-2014-0154, when due and payable. In no circumstance shall any amounts owing as a result of the aforementioned order become the liability of the Purchaser.

6.1.13 Environmental Insurance Policy

The Vendor, at the Purchaser's expense, will have obtained an extended reporting period in the minimum amount of eighteen (18) months from its insurer in respect of its existing environmental liability insurance policy.

6.1.14 Notices re Easements

At or before Closing, the Vendor will provide to the Purchaser, notices of assignment duly executed by the Vendor, in forms acceptable to the Purchaser, acting reasonably, in respect of the easements described in Schedule 6.1.14 and the Vendor authorizes the Purchaser to deliver such notices to the addressees thereof following the Closing.

6.2 Conditions for the Benefit of the Vendor

The transactions contemplated by this Agreement, including the sale and purchase of the Purchased Assets, are subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the conditions in this Section 6.2, each of which is for the exclusive benefit of the Vendor and may be waived, in whole or in part, by the Vendor in its sole discretion.

6.2.1 Representations, Warranties and Covenants of the Purchaser

(a) All representations and warranties of the Purchaser contained in this Agreement will have been true and correct on the date of this Agreement and will be true and correct at the Closing Time with the same force and effect as if those representations and warranties had been made at and as of that time, and the Purchaser will have executed and delivered certificates of a senior officer of the Purchaser to that effect. The receipt of these certificates and the Closing will not constitute a waiver (in whole or in part) by the Vendor of any of the representations and warranties of the Purchaser contained in this Agreement. Upon the delivery of these certificates, the representations and warranties of the Purchaser in Section 4.2 will be deemed to have been made at and as of the Closing Time with the same force and effect as if made at and as of that time.

(b) The Purchaser will have performed or complied with all obligations and covenants contained in this Agreement to be performed or complied with by it at or prior to the Closing Time, and the Purchaser will have executed and delivered certificates of a senior officer of the Purchaser to that effect. The receipt of these certificates and the Closing will not constitute a waiver (in whole or in part) by the Vendor of any of the covenants or obligations of the Purchaser contained in this Agreement.

6.2.2 Deliveries of the Purchaser

At the Closing Time, the Purchaser will have delivered to the Vendor the following in form and substance satisfactory to the Vendor, acting reasonably:

(i) all transfers, assignments and documents delivered under this Agreement at the Closing Time which require execution and delivery by the Purchaser;

(ii) an assumption agreement under which the Purchaser assumes and agrees to satisfy, perform and discharge the obligations of the Vendor in respect of the Assumed Liabilities;

(iii) certified copies of (i) the articles and extracts from the by-laws of the Purchaser relating to the execution of documents, (ii) resolutions of the board of directors and/or shareholders of the Purchaser authorizing the entering into and completion of the transactions contemplated by this Agreement, and (iii) a list of the directors and officers authorized to sign agreements together with their specimen signatures;

(iv) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser, issued by the appropriate Governmental Authority in its jurisdiction of incorporation;

(v) the TSA and the GPA, duly executed by the Purchaser;

(vi) the certificates referred to in paragraphs 6.2.1(a) and 6.2.1(b); and

(vii) all other documentation and evidence reasonably requested by the Vendor in order to establish the due authorization and completion of and effectively implement the transactions contemplated by this Agreement.

6.2.3 Regulatory Approvals

All filings, notifications and Regulatory Approvals described in Schedule 4.2.3, will have been made, given or obtained on terms satisfactory to the Purchaser acting reasonably.

6.2.4 No Legal Proceedings

No Order will have been made, and no Legal Proceeding will be pending or threatened, which is likely to result in a decision or ruling imposing any limitations or conditions which could reasonably be expected to have a Material Adverse Effect on the completion of the transactions contemplated by this Agreement, on the title of the Vendor to the Purchased Assets or on the ability of the Vendor to sell the Purchased Assets.

6.3 Waiver of Conditions

Any Party may waive, in whole or in part, at any time by notice in writing to the other Parties, any condition in Section 6.1 or Section 6.2 which is for its benefit. No waiver by a Party of any condition, in whole or in part, will operate as a waiver of any other condition or of that Party's rights of termination in the event of non-fulfilment of any other condition, in whole or in part. The waiver, in whole or in part, by a Party of any condition requiring the accuracy of a representation or warranty or the performance of any covenant will be without prejudice to the right of that Party to indemnification under Article 9 based upon that representation or warranty or covenant.

6.4 Damage or Expropriation

If, prior to the Closing Time, all or a material part of the Purchased Assets are destroyed or materially damaged by fire or any other hazard or are expropriated or seized by any Governmental Authority, the Purchaser will have the option, exercisable by notice in writing to the Vendor given prior to the Closing Date:

(a) to not complete the transactions contemplated by this Agreement, in which case this Agreement will terminate immediately upon the Purchaser giving notice as required under this Section 6.4, except that each Party's respective obligations under Subsection 5.3.1, Section 10.2, Section 10.4 and Section 10.5 will continue indefinitely; or

(b) to complete the transactions contemplated by this Agreement with a reduction of the Purchase Price by an amount equal to the cost of repair, or, if destroyed or damaged beyond repair or expropriated, by an amount equal to the replacement cost of the Purchased Assets so damaged, destroyed, expropriated or seized, after taking into account all proceeds of any insurance or compensation for that damage, destruction, expropriation or seizure received by the Vendor and assigned to and received by the Purchaser, whether such amounts are received prior to or following Closing; for clarity, amounts received by the Purchaser from its insurer(s) or Governmental Authority following Closing in respect of damage or destruction existing at or expropriation or seizure having occurred prior to Closing shall be payable to the Vendor within ten (10) Business Days of receipt by the Purchaser, and shall be treated as an adjustment to the Purchase Price provided an amount equal to such insurance proceeds or expropriation or seizure compensation was at Closing deducted from the Purchase Price.

ARTICLE 7
CLOSING ARRANGEMENTS

7.1 Date, Place and Time of Closing

The Closing will take place at the offices of Dentons Canada LLP, 77 King Street West, Suite 400, Toronto Ontario commencing at the Closing Time on the last day of the month in which the day that is thirty-one (31) days after the date on which the last of the conditions set forth in Article 6 (other than (a) the conditions contained in Sections 6.1.10 and 6.1.11 which must be satisfied or waived by the dates described in such sections; and (b) any such conditions which by their nature are not capable of being satisfied until the Closing Date) is satisfied or waived by the relevant Party falls, or on such other date and at such other time as may be agreed upon in writing by the Parties.

7.2 Deliveries at the Closing

At the Closing Time, subject to satisfaction of all the conditions in Article 6 that have not been waived in writing by the Purchaser or the Vendor, as applicable,

(i) the Vendor shall deliver to the Purchaser actual possession of the Purchased Assets and the Leased Property;

(ii) the Vendor shall deliver those Closing Documents as are required to be delivered by the Vendor under this Agreement, including the items listed in Section 6.1.2;

(iii) the Purchaser shall deliver those Closing Documents as are required to be delivered by the Purchaser under this Agreement, including the items listed in Section 6.2.2; and

(iv) the Purchaser shall pay or direct to be paid the Closing Date Payment and the Escrow Amount in the manner provided in Section 3.6.

ARTICLE 8
TERMINATION

8.1 Termination Rights

(a) The Parties agree that they are targeting Closing to occur as soon as possible and prior to August 31, 2017 (the "**Initial Outside Date**"). In the event that Closing has not occurred by the Initial Outside Date, but a written or oral hearing of the applications to the Ontario Energy Board referred to in Schedule 4.1.12 has commenced by such date. then either Party may by written notice to the other Party, delivered prior to the expiry of the Outside Date, extend it by two (2) months or such other period as the Parties agree, acting reasonably (the Initial Outside Date as extended referred to as the "**Outside Date**"), provided always that a Party may not extend the Initial Outside Date if the reason Closing has not occurred is due to the fault of such Party or its breach or failure to perform any of its obligations hereunder.

(b) Subject to Section 8.2, this Agreement may be terminated:

(i) by the Purchaser giving written notice to the Vendor if there has been a material breach of this Agreement caused by the actions or omissions of the Vendor and that breach has not been cured by the Vendor within thirty (30) days after written notice of such breach or has not been waived by the Purchaser;

(ii) by the Vendor giving written notice to the Purchaser if there has been a material breach of this Agreement by the Purchaser and that breach has not been cured by the Purchaser within thirty (30) days after written notice of such breach or has not been waived by the Vendor;

(iii) by the Vendor or the Purchaser giving notice (the Party giving notice referred to as the "first Party" for the purposes of this Section 8.1) to the other Party if the Closing has not occurred on or before the Outside Date unless the Closing has not occurred by the Outside Date because there has been a breach of this Agreement by the first Party.

(c) This Agreement may also be terminated by mutual written agreement of the Vendor and the Purchaser upon the terms of that agreement.

8.2 Effect of Exercise of Termination Rights

(a) If a Party exercises its right of termination under Section 8.1(b), immediately upon the Party giving notice as required under Section 8.1(b) the Parties will be discharged from any further obligations under this Agreement, except that each Party's respective obligations under Section 5.3.1, Section 10.2, Section 10.4 and Section 10.5 will continue indefinitely.

(b) If a Party exercises its right of termination under Section 8.1(b) because of a material breach of this Agreement by the other Party or because a condition for the benefit of the terminating Party has not been satisfied because the other Party failed to perform any of its material obligations or covenants under this Agreement, any rights, remedies or causes of action the terminating Party may have based upon the other Party's breach will continue unimpaired, [redacted]

(i) [redacted]

(ii) [redacted]

[redacted]

ARTICLE 9
SURVIVAL AND INDEMNIFICATION

9.1 Survival of Representations, Warranties and Covenants

(a) The representations and warranties of each Party contained in this Agreement and in the certificates to be delivered under Sections 6.1.1(a) and 6.2.1(a) and in any other Closing Document will not merge on and will survive the Closing and will continue in full force and effect, notwithstanding the Closing or any investigation or knowledge acquired by or on behalf of the other Parties.

(b) The covenants of each Party contained in this Agreement and in any Closing Document will survive the Closing and, notwithstanding the Closing, will continue in full force and effect for the benefit of the other Parties in accordance with the terms of this Agreement or that Closing Document, as the case may be.

9.2 Indemnification by the Vendor

(a) Subject to Section 9.4, the Vendor shall indemnify and save each of the Purchaser's Indemnified Persons fully harmless against, and will reimburse them for, any Damages suffered by or asserted against it or any of them, directly or indirectly, arising from, in connection with or related to:

(i) any incorrectness in or breach of any representation or warranty of the Vendor contained in this Agreement or in the certificate to be delivered under Section 6.1.1(a) or in any other Closing Document;

(ii) any breach or non-fulfilment of any covenant or obligation on the part of the Vendor contained in this Agreement or in any Closing Document; and

(iii) the Retained Liabilities or Excluded Assets;

(iv) any non-compliance with Bulk Sales Legislation, it being understood that the Vendor shall not be responsible for any Damages incurred by the Purchaser by reason of the Purchaser's failure to satisfy, discharge, perform or fulfil the Assumed Liabilities; and

(v) any Third Party claim brought or imposed at any time arising out of any non-compliance by the Vendor, prior to the Closing Date, with Environmental Laws.

(b) The rights to indemnification of the Purchaser's Indemnified Persons under this Section 9.2 will apply notwithstanding (i) the Closing, (ii) the delivery of the certificates under Sections 6.1.1(a) and 6.1.1(b); or (iii) any investigation or knowledge acquired by or on behalf of any of the Purchaser's Indemnified Persons prior to the Closing.

9.3 Indemnification by the Purchaser

(a) Subject to Section 9.4, the Purchaser shall indemnify and save each of the Vendor's Indemnified Persons fully harmless against, and will reimburse them for, any Damages suffered by or asserted against it or any of them arising from, in connection with or related to:

(i) any incorrectness in or breach of any representation or warranty of the Purchaser contained in this Agreement or in the certificate to be delivered under Section 6.2.1(a) or in any other Closing Document;

(ii) any breach or non-fulfilment of any covenant or obligation on the part of the Purchaser contained in this Agreement or in any Closing Document; and

(iii) the Assumed Liabilities.

(b) The rights to indemnification of the Vendor's Indemnified Persons under this Section 9.3 will apply notwithstanding (i) the Closing, (ii) the delivery of the certificates under Sections 6.2.1(a) and 6.2.1(b); or (iii) any investigation or knowledge acquired by or on behalf of any of the Vendor's Indemnified Persons prior to the Closing.

9.4 Time Limits for Claims for Breaches of Representations and Warranties

(a) The Vendor has no obligation to make any payment for Damages in respect of a claim (for indemnification or otherwise) under Section 9.2(a)(i) unless written notice of that claim is delivered to the Vendor on or before the following dates:

(i) with respect to the representations and warranties set out in Section 4.1.1, Section 4.1.2, Section 4.1.3, Section 4.1.4, Section 4.1.5, Section 4.1.6 and Section 4.1.7 and the corresponding representations and warranties contained in the certificate to be delivered under Section 6.1.1(a), at any time after the Closing Date;

(ii) with respect to the representations and warranties set out in Section 4.1.33 and the corresponding representations and warranties set out in the certificate to be delivered under Section 6.1.1(a), on or before the ninetieth (90th) day after the expiration of the last applicable limitation period under any applicable Tax Legislation with respect to any taxation year to which those representations and warranties relate;

(iii) with respect to any representation or warranty involving the fraudulent act or fraudulent misrepresentation of the Vendor, at any time after Closing; and

(iv) with respect to all other representations and warranties, on or before the date that eighteen (18) months after the Closing Date.

The Vendor will have no further liability with respect to any representation or warranty made by the Vendor in this Agreement or in the certificate to be delivered under Section 6.1.1(a) or in any other Closing Document after the expiry of the applicable time period specified in this Section 9.4(a), except in respect of claims for which written notice has been given at or prior to the expiry of the applicable time period. This Section 9.4(a) will not be construed to impose any time limit on the assertion of a right to indemnification under Sections 9.2(a)(ii) through 9.2(a)(v) whether or not the basis on which the right is asserted could also entitle any of the Purchaser's Indemnified Persons to exercise its right under Section 9.2(a)(i).

(b) The Purchaser has no obligation to make any payment for Damages in respect of a claim (for indemnification or otherwise) under Section 9.3(a)(i) unless notice of that claim is delivered to the Purchaser on or before the following dates:

(i) with respect to the representations and warranties set out in Section 4.2.1, and Section 4.2.2 and the corresponding representations and warranties contained in the certificate to be delivered under Section 6.2.1(a), at any time after the Closing Date;

(ii) with respect to any representation or warranty involving the fraudulent act or fraudulent misrepresentation of the Purchaser, at any time after Closing; and

(iii) with respect to all other representations and warranties, on or before the date that is eighteen (18) months after the Closing Date.

The Purchaser will have no further liability with respect to any representation or warranty made by the Purchaser in this Agreement or in the certificate to be delivered under Section 6.2.1(a) or in any other Closing Document after the expiry of the applicable time period specified in this Section 9.4(b), except for claims relating to representations or warranties for which written notice has been given at or prior to the end of the applicable time period. This Section 9.4(b) will not be construed to impose any time limit on the assertion of a right to indemnification under Sections 9.3(a)(ii) and 9.3(a)(iii), whether or not the basis on which the right is asserted could also entitle any of the Vendor's Indemnified Persons to exercise its right under Section 9.3(a)(i).

9.5 Notice of Claim

(a) If a Third Party Claim is instituted or asserted against an Indemnified Person, the Indemnified Person shall promptly notify the Indemnifier in writing of the Third Party Claim. The notice will describe the Third Party Claim in reasonable detail and indicate, if reasonably practicable, the nature and amount of the potential Damages arising therefrom.

(b) If an Indemnified Person becomes aware of a Direct Claim, the Indemnified Person shall notify the Indemnifier in writing of that Direct Claim. The notice will describe the Direct Claim in reasonable detail and indicate, if reasonably practicable, the nature and amount of the potential Damages arising therefrom.

(c) Notice to an Indemnifier of a Third Party Claim or Direct Claim under this Section 9.5 will constitute assertion of a claim for indemnification against the Indemnifier under this Article 9 and upon receipt of notice, the provisions of Sections 9.6 to 9.8 will apply to any Third Party Claim and the provisions of Section 9.9 will apply to any Direct Claim.

(d) Failure by an Indemnified Person to give timely notice of a Third Party Claim or Direct Claim will not relieve an Indemnifier from the obligation to indemnify the Indemnified Person, unless the

Indemnified Person gives notice after the expiration of the time periods under Section 9.4 or the failure to notify materially prejudices the ability of the Indemnifier to exercise its rights under Sections 9.6 to 9.8 with respect to a Third Party Claim.

9.6 Defence of Third Party Claims

With respect to a Third Party Claim, the Indemnifier may participate in or, by giving notice to that effect to the Indemnified Person not later than sixty (60) days after receipt of notice with respect to that Third Party Claim and, subject to the rights of any insurer or other third party having potential liability therefor, elect to assume the control of the defence of the Third Party Claim at the Indemnifier's own expense and by the Indemnifier's own counsel, and the Indemnified Person may participate in the defence of any Third Party Claim assisted by counsel of its choice at its own expense. If the Indemnifier does not give notice within sixty (60) days after receipt of notice of the Third Party Claim that it has elected to assume the control of the defence of the Third Party Claim, the Indemnified Person may, at its option and assisted by counsel of its choice, assume the defence of or settle or compromise the Third Party Claim without prejudice to its right of indemnification under this Agreement. If the Indemnifier elects to assume the defence of a Third Party Claim under this Section 9.6, the Indemnifier shall not have the right thereafter to contest its liability for that claim with respect to the Indemnified Person.

9.7 Assistance for Third Party Claims

The Indemnifier and the Indemnified Person shall make all reasonable efforts to make available to the Party which is undertaking and controlling the defence of any Third Party Claim (the "**Defending Party**"),

(i) those employees whose assistance, testimony or presence is necessary to assist the Defending Party in evaluating and in defending any Third Party Claim; and

(ii) all documents, records and other materials in the possession of that Party reasonably required by the Defending Party for its use in defending any Third Party Claim,

and shall otherwise co-operate in good faith with the Defending Party. The Indemnifier shall be responsible for all reasonable expenses associated with making those documents, records and materials available and for all reasonable expenses of any employees made available by the Indemnified Person to the Indemnifier hereunder.

9.8 Settlement of Third Party Claims

(a) If an Indemnifier elects to assume the defence of any Third Party Claim as provided in Section 9.6, the Indemnifier shall diligently proceed with the defence and shall not, without the prior written consent of the Indemnified Person, not to be unreasonably withheld, enter into any compromise or settlement of the Third Party Claim or consent to the entry of any judgment, which in any case would lead to liability or create any other obligation, financial or otherwise, on the Indemnified Person.

(b) If an Indemnifier elects to assume the defence of any Third Party Claim as provided in Section 9.6, the Indemnifier will not be liable for any legal expenses subsequently incurred by the Indemnified Person in connection with the defence of that Third Party Claim. However, if the Indemnifier fails to take reasonable steps necessary to defend diligently that Third Party Claim within thirty (30) days after receiving notice from the Indemnified Person that the Indemnified Person believes on reasonable grounds that the Indemnifier has so failed to take reasonable steps, the Indemnified Person may, at its option and assisted by counsel of its choice, defend, settle or compromise the Third Party Claim without prejudice to its right of indemnification hereunder, it being understood that the Indemnified Person shall not, without the prior written consent of the Indemnifier, not to be unreasonably withheld, enter into any compromise or settlement of the Third Party Claim or consent to the entry of any judgment. The Party

controlling the defence of the Third Party Claim shall keep the other Party advised of the defence of the Third Party Claim and consider in good faith recommendations made by the other Party with respect thereto.

9.9 Direct Claims

With respect to a Direct Claim, the Indemnified Person shall give notice of the Direct Claim to the Indemnifier. Upon receipt of that notice, the Indemnifier will then have a period of sixty (60) days within which to respond in writing to the Direct Claim. The Indemnified Person shall make available to the Indemnifier the information relied upon by the Indemnified Person to substantiate its right to be indemnified, together with all other information as may be reasonably requested by the Indemnified Person. If the Indemnifier does not respond within that sixty (60) day period, the Indemnifier will be deemed to have rejected that Direct Claim and the Indemnified Person may pursue any remedies available to it.

9.10 Reductions and Subrogation

If the amount of Damages incurred by an Indemnified Person at any time subsequent to the making of an Indemnity Payment is reduced by any recovery, settlement or otherwise under any insurance coverage or under any claim, recovery, settlement or payment by or against any other Person, the Indemnified Person shall promptly repay to the Indemnifier the amount of the reduction (less any costs, expenses (including Taxes) or premiums incurred in connection therewith). Upon making a full Indemnity Payment, the Indemnifier will, to the extent of that Indemnity Payment, be subrogated to all rights of the Indemnified Person against any third party that is not an Affiliate of the Indemnified Person in respect of the Damages to which the Indemnity Payment relates. Until the Indemnified Person recovers full payment of its Damages, any and all claims of the Indemnifier against any such third party on account of that Indemnity Payment will be postponed and subordinated in right of payment to the Indemnified Person's rights against that third party.

9.11 Tax Effect

If any Indemnity Payment received by an Indemnified Person would constitute taxable income to that Indemnified Person, the Indemnifier shall pay to the Indemnified Person at the same time and on the same terms, as to interest and otherwise, as the Indemnity Payment an additional amount sufficient to place the Indemnified Person in the same after-Tax position as it would have been if the Indemnity Payment had been received tax-free.

9.12 Payment and Interest

All amounts to be paid by an Indemnifier under this Article 9 will bear interest at a rate per annum equal to the Prime Rate, calculated and payable monthly, both before and after judgment, with interest on overdue interest at the same rate, from the date that the Indemnified Person gave notice of a claim to the date of payment by the Indemnifier to the Indemnified Person.

9.13 Agency for Indemnified Persons

The Vendor accepts each indemnity made by the Purchaser under this Article 9 in favour of each of the Vendor's Indemnified Persons as agent and trustee of that Indemnified Person and may enforce an indemnity in favour of any of the Vendor's Indemnified Persons on behalf of that Indemnified Person. The Purchaser accepts each indemnity made by the Vendor under this Article 9 in favour of each of the Purchaser's Indemnified Persons as agent and trustee of that Indemnified Person and may enforce an indemnity in favour of any of the Purchaser's Indemnified Persons on behalf of that Indemnified Person.

9.14 Remedies

Except as otherwise provided in this Section 9.14, if the Closing occurs, the indemnities provided in Section 9.2 and Section 9.3 will, notwithstanding Section 10.7, constitute the only remedy of the Purchaser (or any of the Purchaser's Indemnified Persons) or the Vendor (or any of the Vendor's Indemnified Persons), respectively, against a Party in respect of a breach of any representation, warranty, covenant or agreement of that Party under this Agreement. However, if after Closing a Party makes a claim for indemnification in accordance with Section 9.2 or Section 9.3, as the case may be, and the other Party refuses to make payment for Damages or otherwise provide satisfaction in respect of that claim, then the Party making the claim for indemnification may bring a Legal Proceeding to seek a remedy for that refusal. The Parties may also exercise their rights under Section 9.15 and the Parties may exercise their rights under paragraph 3.4(c)(i), Article 8 and Section 10.5. The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement or in any Closing Document may give rise to irreparable injury to a Party inadequately compensable in damages. Accordingly, a Party may seek to enforce the performance of this Agreement by injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damage (and without the requirement of posting a bond or other security). Each Party expressly waives, from and after the Closing, any other remedies whatsoever, whether at law or in equity, which it would otherwise be entitled to as against a Party.

9.15 Set Off

The Purchaser may set off and deduct from any amounts payable by the Purchaser to the Vendor under this Agreement or the TSA the amount of Damages for which the Purchaser's Indemnified Persons are entitled to be indemnified by the Vendor under this Article 9. To assert its right to set off under this Section 9.15, the Purchaser must, in the written notice of claim to be provided to the Vendors under Section 9.5, notify the Vendors of its claim for set off. If, at the time an amount becomes due and payable by the Purchaser to the Vendor, the Purchaser has so notified the Vendor, the Purchaser may set off the amount of Damages referred to in the written notice of claim from the amount payable to the Vendor.

9.16 Limitation on Claims

The respective indemnification obligations of the Vendor and Purchaser are subject to the following limitations:

(a) the maximum aggregate liability of the Vendor for Damages suffered by any and all Purchaser's Indemnified Persons in respect of matters described in Section 9.2(a)(i), but excluding those representations and warranties described in Section 9.4(a)(i) shall in no event exceed [redacted];

(b) the maximum aggregate liability of the Purchaser for Damages suffered by any and all Vendor's Indemnified Persons in respect of matters described in Section 9.3(a)(i) but excluding those representations and warranties described in Section 9.4(b)(i) shall in no event exceed [redacted]; and

(c) no Party shall have any obligation to make any payment for Damages (for indemnification or otherwise) to the other Party or its Indemnified Persons for any single claim that does not exceed [redacted] (a "**Qualifying Claim**"). No Party has any obligation to make payment to the other Party or its Indemnified Persons for any Qualifying Claims until the aggregate amount of Damages with respect to such Qualifying Claims exceeds [redacted] at which time the relevant indemnifying Party shall be fully liable for all Qualifying Claims back to the first dollar both below and above the threshold.

ARTICLE 10
MISCELLANEOUS

10.1 Notices

(a) Any notice, direction or other communication (in this Section 10.1, a "notice") regarding the matters contemplated by this Agreement must be in writing and must be delivered personally, sent by courier or transmitted by facsimile (but not by electronic mail), as follows:

(i) in the case of the Vendor, to:

P.O. Box 3117, Terminal A
London, Ontario N6A 4J4
Attention: Anthony Graat

Fax No.: 519-433-6132

with a copy to:

Lenczner Slaght Royce Smith Griffin LLP
Attention: Lawrence Thacker
130 Adelaide St. W, Suite 2600
Toronto, Ontario M5H 3P5

Fax No.: 416-865-9010

(ii) in the case of the Purchaser, at:

EPCOR Natural Gas Limited Partnership
Attention: Senior Vice-President, Commercial Services
2000 – 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Fax No.: 780-441-7118

with a copy to:

EPCOR Utilities Inc.
Attention: Associate General Counsel
2000 – 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Fax No.: 780-441-7118

with a copy to:

Dentons Canada LLP
77 King Street West, Suite 400
Toronto, Ontario M5K 0A1

Fax No.: 416-863-4592

(b) A notice is deemed to be delivered and received (i) if delivered personally, on the date of delivery if delivered prior to 5:00 p.m. (recipient's time) on a Business Day and otherwise on the next Business Day; (ii) if sent by same-day courier, on the date of delivery if delivered prior to 5:00 p.m. (recipient's time) on a Business Day and otherwise on the next Business Day; (iii) if sent by overnight courier, on the next Business Day; or (iv) if transmitted by facsimile, on the

Business Day following the date of confirmation of transmission by the originating facsimile. Any Party may also give any notice using any other means, but no such notice shall be deemed to have been properly received unless and until it is actually delivered to and received by the individual for whom it is intended.

(c) A Party may change its address for service from time to time by notice given in accordance with the foregoing provisions.

10.2 Public Announcements

No press release, public statement or announcement or other public disclosure regarding this Agreement or the transactions contemplated by this Agreement may be made without the prior written consent and joint approval of the Vendor and the Purchaser, except if required by Applicable Laws or a Governmental Authority; if disclosure is required by Applicable Laws or a Governmental Authority, the Party that is required (or whose Affiliate may be required) to make the disclosure shall, without unreasonable delay, notify the other Party of the request or requirement before any disclosure is made and make all reasonable efforts to obtain the approval of the other Party as to the form, nature and extent of the disclosure, provided that at or after the Closing, the Purchaser may make a press release, public statement or announcement that the Closing has occurred provided that the Purchaser has first reasonably consulted with the Vendor as to the content.

10.3 Further Assurances

Each Party shall from time to time, before or after the Closing Time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered all further acts, documents and instruments as may be reasonably necessary or desirable in order to give full effect to this Agreement or any provision of it.

10.4 Costs and Expenses

Unless otherwise expressly specified herein, each Party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by it in connection with this Agreement and the transactions contemplated by it.

10.5 Brokers

The Vendor shall indemnify and save harmless the Purchaser from and against any claims for any commission, fee or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Vendor. The Purchaser shall indemnify and save harmless the Vendor from and against any claims for any commission, fee or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Purchaser. These indemnities are not subject to any of the limitations in Article 9.

10.6 Waiver of Rights

Any waiver of any of the provisions of this Agreement or any Closing Document will be binding only if it is in writing and signed by the Party to be bound by it, and only in the specific instance and for the specific purpose for which it has been given. The failure or delay of any Party in exercising any right under this Agreement will not operate as a waiver of that right. No single or partial exercise of any right will preclude any other or further exercise of that right or the exercise of any other right, and no waiver of any of the provisions of this Agreement or any Closing Document will constitute a waiver of any other provision (whether or not similar).

10.7 Remedies Cumulative

Unless otherwise specified, the rights and remedies of a Party under this Agreement are cumulative and in addition to and without prejudice to any other rights or remedies available to that Party at law, in equity or otherwise, and unless otherwise specified, no single or partial exercise by a Party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that Party may be entitled.

10.8 Severability

If any provision of this Agreement or its application to any Party or circumstance is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, it will be ineffective only to the extent of its illegality, invalidity or unenforceability without affecting the validity or the enforceability of the remaining provisions of this Agreement and without affecting its application to other parties or circumstances.

10.9 Assignment

(a) Except as provided in this Section 10.9, neither this Agreement nor any of the rights, benefits or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of other Parties.

(b) The Purchaser may assign this Agreement or any of its rights, benefits or obligations under this Agreement to an Affiliate provided that the Purchaser will not be relieved of its liability under this Agreement and the assignee(s) will become jointly and severally liable with the Purchaser, as a principal and not as surety, with respect to all of the obligations of the Purchaser, including the representations, warranties, covenants, indemnities and agreements of the Purchaser.

10.10 Successors and Assigns

This Agreement will enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

10.11 Third Parties

Unless otherwise specified in Section 9.2 and Section 9.3, this Agreement does not and is not intended to confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. Except for the Indemnified Persons, no Person other than the Parties will be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

10.12 Registration of Agreement

The Purchaser acknowledges that this Agreement shall not be registered against title of any of the Vendor's assets, and hereby nominates, constitutes and appoints the Vendor, or the Vendor's nominee(s), as its authorized representative for the purposes of removing any such registration from title.

10.13 Entire Agreement

This Agreement, together with the Confidentiality Agreement and the Closing Documents, constitutes the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all other understandings, agreements, representations (including misrepresentations, negligent or otherwise), negotiations, communications and discussions, written or oral, made by the Parties or their affiliates with respect thereto (including the Letter of Intent). There are no representations, warranties, terms, conditions, covenants or other understandings, express or

implied, collateral, statutory or otherwise, between the Parties, except as expressly stated in this Agreement or any Closing Document. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement and the Closing Documents.

10.14 Amendment

This Agreement may not be amended, supplemented or otherwise modified in any respect except by written agreement signed by the Parties.

10.15 Governing Law; Attornment

This Agreement will be construed, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of Ontario.

10.16 Counterparts and Delivery by Facsimile

This Agreement may be executed in any number of counterparts (including counterparts by facsimile or electronic scan), each of which will be deemed to be an original and all of which, taken together, will be deemed to constitute one and the same instrument. Delivery by facsimile or by electronic transmission of an executed counterpart of this Agreement is as effective as delivery of an originally executed counterpart of this Agreement. Any Party delivering an executed counterpart of this Agreement by facsimile or by electronic transmission shall also deliver an originally executed counterpart of this Agreement, but the failure to deliver an originally executed copy does not affect the validity, enforceability or binding effect of this Agreement.

10.17 English Language

The parties confirm that it is their wish that this Agreement and any other documents delivered or given under this Agreement, including notices, have been and will be in the English language only. *Les parties aux présentes confirment leur volonté que cette convention ainsi que tous les documents s'y rattachant, y compris les avis, soient rédigés dans la langue anglaise seulement.*

[*SIGNATURE PAGE FOLLOWS*]

THIS AGREEMENT has been executed by the Parties on the date first noted above.

NATURAL RESOURCE GAS LIMITED

By: 

Name: Anthony Graat
Title President

By: _____

Name: _____
Title _____

EPCOR NATURAL GAS LIMITED PARTNERSHIP, by its general partner EPCOR ONTARIO UTILITIES INC.

By: _____
Stuart Lee
President and Chief Executive Officer

By: _____
Guy Bridgeman
Senior Vice-President and Chief Financial Officer

THIS AGREEMENT has been executed by the Parties on the date first noted above.

NATURAL RESOURCE GAS LIMITED

By: _____

Name: Anthony Graat
Title President

By: _____

Name: _____
Title _____

EPCOR NATURAL GAS LIMITED PARTNERSHIP, by its general partner EPCOR ONTARIO UTILITIES INC.

By: _____
Stuart Lee
President and Chief Executive Officer

By: _____
Guy Bridgeman
Senior Vice-President and Chief Financial Officer

SCHEDULE 1.1 A

ASSET LISTING

	Net Book Value
Accounts Receivable	
A/R - Natural Gas	984,751
A/R - Non Gas Customers	54,427
A/R - Gas Sales Accrual	566,211
A/R - Work Orders	1,702
A/R - Allowance for Doubtful Accounts	(207,016)
	1,400,075
Inventory	
Inventory - Pipeline	**68,672**
Recoverable thru Rates	
PGCVA	(292,977)
PGCVA-Interest	69,315
Gas Purchase Rebalancing Account	143,237
Gas Purchase Rebalancing Account-Interest	2,803
REDA-Requesting Cost Recovery in our Rates Case	132,117
REDA-DSM	3,532
REDA-SNC Lavalin Study 2016 expenses	3,558
Regulatory Expense Deferral Account - Interest	2,602
Rates Application (current)	39,397
Rates Application (2 year extension)	282,977
Rates Application amortization	(282,977)
Deferred Promotional Rebates	151,364
Deferred Promotional Rebates - Accum. Amort.	(139,303)
	115,645
Fixed Assets NBV (Rate Base)	
Land	86,700
Building	442,409
Furniture & Fixtures	29,257
Computer Hardware	14,077
Computer Software	217,061
Machinery & Equipment	180,841
Communication Equipment	44,371
Automotive Equipment	119,378
Meters	1,349,261
Regulators	323,060
Plastic Mains	5,787,921
Steel Mains	0
Ethanol Pipeline - IGPC Project	2,821,235
Plastic Service Lines	1,136,380
Franchises and Consents	443,380
	12,995,331

NRG Assumed Liabilities

Vacation/Banked Time Liability – Transferring Employees
Accrued Bonus Liability – Transferring Employees
Prepaid - Property Tax
PGTVA - Current
PGTVA - Current - Interest
IGPC- PGTVA
IGPC - PGTVA- Interest
Security Deposits
Security Deposits - Interest

SCHEDULE 1.1 B

EQUIPMENT

1. Vehicles

	Truck #	Vehicle Description	Use	Year	Colour	Fuel Type	VIN
1	16	Ford F350 Diesel	Construction	2007	white	D	[redacted]
3	22	Chev Cargo Van	Service	2009	white	NG/G	[redacted]
4	11	Ford E250 3/4 Tonne Cargo Van	Construction	2009	white	NG/G	[redacted]
5	14	Ford F250 3/4 Tonne 4x4 Truck	Service	2010	white	NG/G	[redacted]
6	13	Ford F150 1/2 Tonne 4x4 Truck	Sales	2010	white	NG/G	[redacted]
7	9	Ford E250 3/4 Tonne Cargo Van	Service	2011	white	NG/G	[redacted]
8	5	CHEV Silverado 1/2 Tonne 4x4	Supervisor	2013	white	NG/G	[redacted]
9	7	GMC Savana 3/4 Tonne Cargo Van	Service	2015	white	NG/G	[redacted]
10	6	Sierra 2500 3/4 Tonne 4x4 Truck	Service	2016	white	NG/G	[redacted]
11	23	Tandom Brine Trailer	Corp	2011	blue	n/a	[redacted]
12	654	Intruder Trailer - Enclosed	Service	2006	white	n/a	[redacted]
13	2	Berkelman Trailer - Galv. Flatbed	Construction	2006	silver	n/a	[redacted]
14		Hydro Vac Trailer (included in Equipment)	Service/ER	2016	silver	n/a	[redacted]

2. Other Equipment

Index ##	Emergency Response Equipment	Quantity	Serial Number
***	1986 Health Flame Ionization Detecto-Pac	1	
***	Metrotech Locator 1	1	
***	2000 Field Locators	2	
***	RD700 Locator	1	
***	Surveyor- First Responder 1	5	
3	GDU First Responder testing station	1	
***	Central Electro Fusion Machine System	1	
***	2 inch PE Squeeze off tool	7	
***	4 inch PE Squeeze off tool	2	
***	Semiconductor Probe	2	
4	PS200 Testing (GAS volume) stations	1	
***	PS200 Oxygen Indicators (PPE)	3	
	Construction Equipment		
5	Atlas XAS185 CFM Air Compressor	1	[redacted]
6	Kubota KX41-2 Excavator	1	[redacted]
7	Rigid Industrial Pipe Threader Reamer	1	[redacted]
8	Stand-up Shoptool Compressor	1	[redacted]
9	2014 Vermeer LM42 Plow/Tractor/Trencher	1	[redacted]
10	2002 Cliffside Rocket - Bore Machine	1	[redacted]
11	Honda Generator	1	[redacted]
12	Briggs and stratton Generator	1	[redacted]
13	2009 Vermeer LM40 Plow/Tractor/Trencher/Bore	1	[redacted]
14	Ditch Witch - Hydrovac Trailer/Skid Vac	1	[redacted]
15	Pipe Reel Trailer - Blue Custom	1	[redacted]

Index ##	Emergency Response Equipment	Quantity	Serial Number
	Building Assets		
16	Bauer NG Compressor - Vehicle Fill Station	1	
17a,b	1979 Massey Ferguson Tractor/Forklift	2	
***	14 Office Workstations	1	
18	Fridge, Microwave, Water Cooler	1	
	Various Computer Assets/IT Hardware		
19a,b,c	Laptops (2013 Lenovo/2014 Lenovo/2014 Asus)	3	
20a-i	Desktop (include towers, Assessories and monitors)	9	
21	Konica Minolta Printer fax copier (2015)	1	
22	Toshiba OE Printer Copier (2008)	1	
23	HP M806 Commercial Printer	1	
24	Brother MFC Fax/Printer	1	
25	HP Laserjet Pro 400	1	
26	MS 2010 Sequel Servers + routers and b/u	1	
***	Samsung Galaxy Note 8.3) 2015 Field Tablets	8	
***	Polycom Desktop Phones	12	
	General Inventory Pictures		
27	Residential Meters	n/a	
28	Large commercial Meters	n/a	
29	Residential Gas line - interior (non utility)	n/a	
30	Fittings Shelves - Utility inventory	n/a	

*** Small items found in technician vehicles or generic office items.

3. Stations and Pipes

Please refer to attached map.

4. Meters

Approximately 17,766 residential and commercial meters in service. In addition to meters in service, the Company holds approximately 150 residential meters and approximately 10 commercial meters in inventory.

SCHEDULE 1.1D

PERMITTED LIENS

Nil.

SCHEDULE 1.1E

DEFINED CAPEX

	Net Book Value
Land	15,000
Building	1
Furniture & Fixtures	1,541
Computer Hardware	1,434
Computer Software	21,719
Machinery & Equipment	41,833
Communication Equipment	-
Automotive Equipment	6,859
Meters	81,593
Regulators	3,107
Plastic Mains	1,151,904
Steel Mains	0
Ethanol Pipeline - IGPC Project	0
Plastic Service Lines	86,744
Franchises and Consents	13,989
	1,425,724

SCHEDULE 1.1F

TSA TERM SHEET

This term sheet (the "**Term Sheet**") outlines the key terms intended to form the framework for a Transitional Regulatory Services agreement (the "**TRS**") to be entered into between the Parties detailing the services to be provided during the Term (as hereinafter defined). In addition to the provisions outlined in this Term Sheet, the TRS will contain other terms that are customary in transitional services agreements.

Item	**Description**
1. Parties	Ayerswood Development Corp. ("**ADC**") as service provider and EPCOR Natural Gas Limited Partnership or an affiliate thereof (together "**EPCOR**") as purchaser of the services. Together ADC and EPCOR are the ("**Parties**")
2. Background	• EPCOR is proposing to acquire the gas distribution assets of Natural Resource Gas Limited ("**NRGL**") (the "**Acquisition**"). • NRGL recently filed a full cost of service rate application with the Ontario Energy Board (OEB). • Currently, NRGL receives services from ADC necessary to complete its various regulatory filings including developing and defending rate case filings. • The Parties anticipate that should the Acquisition be approved by the OEB in the near future, EPCOR will be required to assume or re-submit the rate application • The Parties have recognized the need to enter into a TRS to help ensure a seamless transition of the rate filing application and ensure the integrity of the filings.
3. TRS	The Parties will enter in a TRS conditional and effective upon the closing of the Acquisition (the "**TRS Effective Date**"), which includes the satisfaction of certain conditions, including without limitation receipt of required regulatory approvals related to the Acquisition.
4. Term	The term of the TRS would commence on the TRS Effective Date and continue for eighteen (18) months (the "**Term**").
5. Services Included	The Parties agree that the services to be provided by ADC under the TRS will be directly comparable to those currently provided by ADC to NRGL. These include without limitation: a) Providing background, details and support for NRGL's previous filings (including the most recent rate case) as necessary. b) Assisting and supporting in development, filing, conduct, management and defence of EPCOR's first rate case application including assisting with interrogatory responses, preparation of written submissions, preparation of witnesses and general assistance with written and/or oral hearings and settlement discussions and conferences, if any. c) Access to and use of ADC's rates model, including provision of assistance in understanding and modifying the model for the purpose of (re)filing the

Item	Description
	rates application. For clarity, the revised rates model will be the property of EPCOR and may be used and exploited by EPCOR without restriction. d) Providing assistance in EPCOR understanding and modifying as necessary the rates model. e) Providing other documentation, calculations, position papers, opinions etc obtained in relation to NRGLs' regulatory filings. f) Transferring or facilitating the transfer of operating knowledge and know-how to assist with the continual, seamless operation of the NRGL distribution business within the Ontario regulatory environment in the manner previously operated. g) Providing ongoing clarifications and background with respect to past NRGL business matters to assist EPCOR in gaining clarity, understanding and rationale of NRGL's past business practices. h) Providing such other documentation, calculations, position papers, etc., related to NRGL's past regulatory filings and other general advice as may be reasonably requested by EPCOR in relation to compliance with the regulatory framework within which the NRGL distribution business operates, including assistance with such regulatory filings and applications EPCOR may make during the Term (for instance QRAMs), in addition to the first rate case application.
6. Access to Specified Individuals	ADC will provide the Services through its staff who are the most knowledgeable and familiar with NRG's past regulatory filings and matters, acceptable to EPCOR, acting reasonably. The Parties, acting reasonably, will agree to a tentative schedule detailing times during which such persons will be available during the Term.
7. Pricing	The total compensation payable by EPCOR to ADC for the Services will be $[redacted] plus applicable taxes. Such amount will be paid into escrow upon the closing of the Acquisition and then released to ADC on the same or substantially the same terms as contemplated by the purchase and ancillary agreements related to the Acquisition. ADC will responsible for all of its own expenses and costs in providing the Services. EPCOR will not be responsible for any costs incurred by ADC in providing the Services.
8. Other Provisions	a) The Services will be provided in a timely and professional manner in a manner consistent with past practice and ADC will exercise the degree of care, diligence and skill that a reasonably prudent operator would exercise. b) EPCOR will have ownership of any work product or other intellectual property that results from provision of the Services.

SCHEDULE 4.1.6

TRANSACTION REGULATORY APPROVALS (Vendor)

1. Required approvals from the Ontario Energy Board:
    a. An order, pursuant to subsection 43 of the *Ontario Energy Board Act, 1998*, granting leave to transfer, to the Purchaser, the Vendor's distribution system in its entirety.
    b. An order, pursuant to section 18 of the *Ontario Energy Board Act, 1998*, granting leave to transfer to the Purchaser, the following Ontario Energy Board orders previously issued to the Vendor :
        i. Decision and Order EB-2015-0115 (2016 IRM rate adjustment);
        ii. Decision and Order EB-2016-0266 (order approving quarterly rate adjustment for the period October, 2016 to December 31, 2016);
        iii. the following Certificates of Public Convenience and Necessity issued pursuant to section 8 of the *Municipal Franchises Act*:

            1. E.B.C.111 and 119, dated May 5, 1982
            2. E.B.C. 239, dated October 16, 1995
            3. E.B.C. 212, dated February 9, 1996
            4. E.B.C., 242, dated September 6, 1996; and

        iv. the following franchise agreements and Orders issued pursuant to sections 9 and 10 of the *Municipal Franchises Act*:

            1. EB-2012-0072 (Town of Aylmer)
            2. EB-2012-0447 (Municipality of Bayham)
            3. EB-2012-0446/EB-2014-0186 (Municipality of Central Elgin)
            4. EB-2015-0205 (Township of Malahide)
            5. EB-2012-0475 (Township of South-West Oxford)
            6. EB-2012-0444/EB-2014-0153 (Municipality of Thames Centre)
            7. EB-2012-0445/EB-2014-0188 (City of London)
            8. EB2012-0476/EB-2014-0207 (County of Norfolk)
            9. EB-2015-0307 (Elgin County)
            10. EB-2016-0145 (Middlesex County);

2. The following registration and licences issued by the Technical Standards and Safety Authority:

    a. Registration as a Fuels Safety Contractor issued to carry on business as a Heating Fuels Contractor;
    b. Fuels Safety Licence issued to operate a Compressed Natural Gas – Self Serve – Fast Fill;
    c. Fuels Safety Licence issued to operate a Natural Gas Pipeline – Transmission – 100 to <1,000; and
    d. Fuels Safety Licence issued to operate a Natural Gas Pipeline Distribution <10,000 users.

SCHEDULE 4.1.7

CONSENTS

1. Consent is required, pursuant to Section 14 of a certain License of Occupation between Oxford Communications Ltd. and NRGL dated July 1, 2012 relating to the right to attend on a certain property located at 55720 Jackson Line, Elgin County.

2. Consent is required pursuant to the following agreements between Union Gas Limited and NRGL:

   (a) Bundle T Agreement with Union Gas Limited dated May 26, 2016 for the period from July 1, 2016 through June 30, 2017 for the south delivery area, under Contract ID SA8937-10.

   (b) Bundle T Agreement with Union Gas Limited dated November 1, 2016 for the period from November 1, 2016 through October 31, 2017 for the western delivery area, under Contract ID SA918-29.

   (c) M9 Contract with Union Gas Limited dated May 26, 2016 under Contract ID SA8936-10, for the period from July 1, 2016 through July 1, 2017.

   (d) M9 Contract with Union Gas Limited dated November 1, 2016 under Contract ID SA1550-19, for the period from November 1, 2016 through November 1, 2017.

   (e) M9 Contract with Union Gas Limited dated November 1, 2016 under Contract ID SA25050, for the period from November 1, 2016 through November 1, 2017

3. Consent is required, pursuant to Section 11.2(d) of a certain Pipeline Cost Recovery Agreement between Integrated Grain Processors Co-operative Inc. (IGPC) and NRGL: dated January 31, 2007 relating to the construction of 28.53 km of steel pipeline connecting IGPC facilities with Union Gas facilities.

4. Consent is required, pursuant to Section 6 of a certain Enterprise Customer Agreement between Rogers Communications Partnership and NRGL relating to cellular phone contracts.

5. Consent is required, pursuant to Section 12.1 of a Software License Agreement between Continental Utility Solutions, Inc. and NRGL dated April 15, 2016 relating to the use/licensing of mapping software.

6. Prior written notice is required, pursuant to Section 12.1 of a Software License Agreement between Novotx, LLC and NRGL dated April 15, 2016 relating to the use/licensing of mapping software.

7. Consent is required, pursuant to Section 10 of a certain Agreement between The Corporation of the Town and Aylmer and NRGL dated April 11, 2016 relating to radio and receiving transmission equipment on top of the Aylmer water tower.

8. The Irrevocable Standby Letter of Credit under Reference No. P436644T04117 from Royal Bank of Canada dated as of November 4, 2013, in favour of NRGL in support of certain obligations of IGPC's obligations to the NRGL, in the principal amount of $232,666.84, is not transferable, and would accordingly require the consent of Royal Bank of Canada and/or IGPC to any proposed assignment.

9. The Irrevocable Standby Letter of Credit under Reference No. P436644T04117 from Royal Bank of Canada dated as of November 9, 2015, in favour of NRGL in support of certain obligations of IGPC's obligations to the NRGL, in the principal amount of $3,491,731.00, is not transferable, and would accordingly require the consent of Royal Bank of Canada and/or IGPC to any proposed assignment.

10. Consent is required pursuant to Section 16 of the indenture granted to NRGL by The Hydro-Electric Power Commission of Ontario registered as E389111 on October 19, 1998.

SCHEDULE 4.1.10

ORDINARY COURSE

Nil.

SCHEDULE 4.1.12

REQUIRED REGULATORY APPROVALS, LICENSES AND ORDERS

1. Registration as a Fuels Safety Contractor issued to carry on business as a Heating Fuels Contractor, pursuant to the *Technical Standards and Safety Act, 2000*.

2. Fuels Safety Licence issued to operate a Compressed Natural Gas – Self Serve – Fast Fill, issued pursuant to the *Technical Standards and Safety Act, 2000*.

3. Fuels Safety Licence issued to operate a Natural Gas Pipeline Transmission – 100 to <1,000, issued pursuant to the *Technical Standards and Safety Act, 2000*.

4. Fuels Safety Licence issued to operate a Natural Gas Pipeline Distribution <10,000 users, issued pursuant to the *Technical Standards and Safety Act, 2000*.

5. The Company is a registrant with Measurement Canada, under registration number 60254.

6. All Regulatory Approvals listed in Schedule 4.1.6.

SCHEDULE 4.1.15

FINANCIAL STATEMENTS

Please find attached the following financial statements:

Audited

- September 30, 2015
- September 30, 2014
- September 30, 2013

Unaudited

- March 2016
- June 2016

SCHEDULE 4.1.17

BANKING INFORMATION

The following account will be assigned to the Purchaser with a Bank Balance of $10.00

Bank: [redacted]

Address: [redacted]

Branch: [redacted]

Institution Bank No.: [redacted]

Account Number: [redacted]

Servicing Branch: [redacted]

[redacted]

Signing Authority: [redacted]

Powers of Attorney: Nil.

SCHEDULE 4.1.18

FINANCIAL COMMITMENTS

None, save existing commitments under the Defined Capex.

SCHEDULE 4.1.19

OWNED REAL PROPERTY

1. 39 Beech St. E, Aylmer Ontario
   PIN 35304-0036(LT)
   PT BLK 1 E/S John St, 2 E/S John St, 3 E/S John St PL 164 Aylmer PT 4, 5, 6 11R-7646; Aylmer

2. **PIN 08193-0078(LT)**
   PT LT 13, Con 6, SRT Designated As PT 3 & 4, 33R-11783; North Dorchester Township

3. **PIN 35296-0018(R)**
   PT LT 5, PL 89, Aylmer as in E225630 (PCL 3); Alymer

4. 2789 Bradley Avenue, Thames Centre, Ontario
   PIN 08197-0200(LT)
   PT LT 1, Concession 2 Westminster Designated as Part 2, Plan 33R-17226; Municipality of Thames Centre

SCHEDULE 4.1.20

LEASES AND LEASED PROPERTY

REAL PROPERTY LEASES

Nil

EASEMENTS

1. **PIN 35303-0105(LT):** Pt Blk 1 E/s John St, 2 E/s John St, 3 E/s John St Pl 164 Aylmer Pt 4, 5, 6 11r7646; Aylmer

   Interest: Instrument No. E425613 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

2. **PIN 35303-0106(LT):** Pt Lt 3 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer; Pt Lt 4 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer As In E349184; S/t E425608; Aylmer.

   Interest: Instrument No. E425608 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

3. **PIN 35303-0107(LT):** Pt Lt 3 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer; Pt Lt 4 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer As In E396089; S/t E425605; Aylmer.

   Interest: Instrument No. E425605 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

4. **PIN 35303-0108(LT):** Lot 2 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Plan 74, Part Lot 1 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Plan 74, Part Lot 3 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Plan 74 As In E304668; S/t E304668; S/t E425610; Aylmer.

   Interest: Instrument No. E425610 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

5. **PIN 35303-0101(LT):** Pt Lt 1 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer; Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E378536; S/t E256493; S/t E425601; Aylmer.

   Interest: Instrument No. E425601 registered on May 16, 2003 being an Easement.

Registered Owner: [redacted]

6. **PIN 35304-0104(LT):** Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E354690; S/t E425599; Aylmer.

   Interest: Instrument No. E425599 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

7. **PIN 35304-0107(LT):** Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E281416; S/t E425611; Aylmer.

   Interest: Instrument No. E425609 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

8. **PIN 35304-0108(LT):** Pt Lt 4 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E228239; S/t E425604; Aylmer.

   Interest: Instrument No. E425604 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

9. **PIN 35303-0109(LT):** Pt Lt 4 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E312216; S/t E425612; Aylmer.

   Interest: Instrument No. E425612 registered on May 16, 2003 being an Easement.

   Registered Owner: [redacted]

10. **PIN 35304-0110(LT):** Part Of Lot 4 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Plan 74 Designated As Parts 1 & 2, 11r5666; S/t E425607; Aylmer.

    Interest: Instrument No. E425607 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

11. **PIN 35301-0111(LT):** Pt Lt 4 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E128067; S/t E425614; Aylmer.

    Interest: Instrument No. E425614 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

12. **PIN 35304-0112(LT):** Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E281416; S/t E425611; Aylmer.

    Interest: Instrument No. E425598 registered on May 16, 2003 being an Easement.

Registered Owner: [redacted]

13. **PIN 35304-0113(LT):** Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E281416; S/t E425611; Aylmer.

    Interest: Instrument No. E425597 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

14. **PIN 35315-0007(LT):** PCL 3-1 Sec Mal-1; Pt Lt 3 Con 1 Malahide Pt 1, 11r4856; Except Pt 5, 6, 11r7986 S/t Pt 1 11r4856 In Favour Of Pt 1 11r2051 As In E319540; Reserving A Right Of Way Over Pt 4 11r7986, For The Benefit Of Pt 2 & 3 11r7986; S/t Lt48306; Malahide.

    Interest: Instrument No. LT048306 registered on June 4, 2004 being an Easement.

    Registered Owner: [redacted]

15. **PIN 35297-0022(LT):** Pt Lt 1 S/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Wellington St Pl 74 Aylmer As In E293825; S/t E425600; Aylmer.

    Interest: Instrument No. E425600 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

16. **PIN 35297-0020(LT):** Pt Lt 1 S/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Wellington St Pl 74 Aylmer As In E358172 T/w E358172; S/t E425602; Aylmer.

    Interest: Instrument No. E425602 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

17. **PIN 35297-0021(LT):** Pt Lt 1 S/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Wellington St Pl 74 Aylmer As In E350801; S/t E425606; Aylmer.

    Interest: Instrument No. E425606 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

18. **PIN 35280-0126(LT):** Pt N1/2 Lt 9 Con 9 South Dorchester; Pt S1/2 Lt 9 Con 9 South Dorchester; Pt Lt 10 Con 9 South Dorchester As In E310403; S/t E123233, E389110; Malahide.

    Interest: Instrument No. E389110 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

19. **PIN 35280-0127(LT):** Pt N1/2 Lt 9 Con 9 South Dorchester; Pt Lt 10 Con 9 South Dorchester Pt 1 To 3 11r4018; S/t E123233, E389108; Malahide.

    Interest: Instrument No. E389108 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

20. **PIN 35280-0142(LT):** Pt Lt 10 Con 10 South Dorchester Pt 1, 2 11r7241; S/t E389110; Malahide.

    Interest: Instrument No. E389110 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

21. **PIN 35281-0146(LT):** Pt N1/2 Lt 10 Con 8 South Dorchester Pt 1 11r2250; S/t E389107; Malahide.

    Interest: Instrument No. E389107 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

22. **PIN 35280-0148(LT):** Pt N1/2 Lt 10 Con 8 South Dorchester As In E290384; S/t E123235, E389109; Malahide.

    Interest: Instrument No. E389109 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

23. **PIN 35281-0176 (LT):** Part Of S1/2 Lot 10 Con 8 South Dorchester As In E375776; Save & Except Part 1, 11r9041; S/t E389112 Township Of Malahide.

    Interest: Instrument No. E389112 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

24. **PIN 35300-0216(LT):** Pt Lt 82-83 Con Ntr Malahide As In Ml34662, Ml34729; S/t Ml34729e Transferred By E389111; Malahide.

    Interest: Instrument No. E389111 registered on October 19, 1998 being an Easement.

    Registered Owner: [redacted]

25. **PIN 35304-0106(LT):** Pt Lt 3 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E112537, E132953; S/t E425603; Aylmer.

    Interest: Instrument No. E425603 registered on May 16, 2003 being an Easement.

    Registered Owner: [redacted]

26. **PIN 35316-0153(LT):** Pt Lt 4 Con 1 Malahide Pt 1, 2 11r6651, Pt 1, 2 11r5122, Pt 2, 3, 4 11r5590; S/t E380411; S/t E316341, E358662, E412261; Malahide.

    Interest: Instrument No. E412261 registered on November 6, 2001 being an Easement.

    Registered Owner: [redacted]

27. **PIN 35317-0206(LT):** Pt Harbour Company Rd Pl 55 Malahide; Pt Lt 6 Con 1 Malahide As In E172665(firstly) S Of County Rd 73 Except Pt 1 11r3253; Pt Parklt 2 Pl 55 Malahide; Pt Rdal Btn Lt 5 And 6 Con 1 Malahide Closed By E334987 Pt 4 To 5 11r4725; S/t E149138, E411228, Ml25337; Malahide.

    Interest: Instrument No. E411228 registered on September 25, 2001 being an Easement.

    Registered Owner: [redacted]

28. **PIN 35317-0206(LT):** Pt Harbour Company Rd Pl 55 Malahide; Pt Lt 6 Con 1 Malahide As In E172665(firstly) S Of County Rd 73 Except Pt 1 11r3253; Pt Parklt 2 Pl 55 Malahide; Pt Rdal Btn Lt 5 And 6 Con 1 Malahide Closed By E334987 Pt 4 To 5 11r4725; S/t E149138, E411228, Ml25337; Malahide.

    Interest: Instrument No. E411228 registered on September 25, 2001 being an Easement.

    Registered Owner: [redacted]

29. **PIN 35303-0103(LT):** Pt Lt 4 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer As In E359818; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Herman Kolke dated March 25, 2002.

    Registered Owner: [redacted]

30. **PIN 35303-0104(LT):** Pt Lt 4 N/s Talbot St And W/s Aylmer And Port Bruce Gravel Rd Pl 74 Aylmer As In E225419; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Haralbos Kaldis, George Kaldis and Louis Kiriakopoulos dated March 25, 2002.

    Registered Owner: [redacted]

31. **PIN 35304-0104(LT):** Pt Lt 1 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer; Pt Lt 2 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer Pt 2 11r5387; T/w E347086; Aylmer.

Interest: Agreement to Grant Easement and Right of Way dated March 7, 2002 between NRGL and Lawrence Allan Orser.

Registered Owner: [redacted]

32. **PIN 35304-0114(LT):** Pt Lt 6 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E154243; S/t Debts In E154243; S/t E154243; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Jai Yuen Jung dated March 8, 2002.

    Registered Owner: [redacted]

33. **PIN 35304-0115(LT):** Pt Lt 6 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E344473; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Lois Elora McBride dated March 8, 2002.

    Registered Owner: [redacted]

34. **PIN 35304-0116(LT):** Pt Lt 6 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer; Pt Lt 7 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer Pt 1, 2 11r4586; T/w E369736; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Myung Won Lee dated March 8, 2002.

    Registered Owner: [redacted]

35. **PIN 35304-0117(LT):** Pt Lt 7 N/s Talbot St Btn Aylmer And Port Bruce Gravel Rd And Queen St Pl 74 Aylmer As In E319872; S/t & T/w E319872; Aylmer.

    Interest: Agreement to Grant Easement and Right of Way between NRGL and Hamilton, Ward and Cathers Insurance Service Limited dated October 27, 2005.

    Registered Owner: [redacted]

36. **PIN 08193-0079 (LT):** Easement in the Township of North Dorchester, County of Middlesex, Province of Ontario and being composed of Part Lot 13, Concession 6, South of the River Thames being Parts 3 and 4 on Reference Plan 33R-11783. Subject to an easement over Part 4, Plan 33R-11783 as in 260726. As previously described in Instrument No. LT423424

SCHEDULE 4.1.21

REAL PROPERTY GENERALLY - EXCEPTIONS

Nil.

SCHEDULE 4.1.22

EQUIPMENT LEASES

1. Postage meter lease agreement with Pitney Bowes dated as of March 30, 2015 under Contract #0000846075.

SCHEDULE 4.1.23

MATERIAL CONTRACTS

1. License of Occupation between Oxford Communications Ltd. and NRGL dated July 1, 2012 relating to the right to attend on a certain property located at 55720 Jackson Line, Elgin County.

2. Agreement between The New York Central Railroad Company and the Central Pipe Line Company Limited dated February 5, 1938 permitting the laying and maintaining of gas pipe.

3. Bundle T Agreement with Union Gas Limited dated May 26, 2016 for the period from July 1, 2016 through June 30, 2017 for the south delivery area, under Contract ID SA8937-10.

4. Bundle T Agreement with Union Gas Limited dated November 1, 2016 for the period from November 1, 2016 through October 31, 2017 for the western delivery area, under Contract ID SA918-29.

5. M9 Contract with Union Gas Limited dated May 26, 2016 under Contract ID SA8936-10, for the period from July 1, 2016 through July 1, 2017.

6. M9 Contract with Union Gas Limited dated November 1, 2016 under Contract ID SA1550-19, for the period from November 1, 2016 through November 1, 2017.

7. M9 Contract with Union Gas Limited dated November 1, 2016 under Contract ID SA25050, for the period from November 1, 2016 through November 1, 2017

8. Letter agreement between Union Gas Limited and NRGL dated April 7, 2016 relating to New Union Gas Facilities at the Bradley Station.

9. Bundled T-Service Receipt Contract between NRGL and Canadian Energy Strategies Inc. dated October 31, 2016.

10. Bundled T-Service Receipt Contract between NRGL and e2 Energy Inc. dated October 28, 2016.

11. Bundled T-Service Receipt Contract between NRGL and Blackstone Energy Services Inc. dated October 31, 2016.

12. Bundled T-Service Receipt Contract between NRGL and AG Energy Co-Operative Ltd. dated October 31, 2016.

13. Bundled T-Service Receipt Contract between NRGL and Delta Energy Services LLC dated as of October 31, 2016.

14. Bundled T-Service Receipt Contract between NRGL and ECNG Energy L.P. dated as of October 31, 2016.

15. Pipeline Cost Recovery Agreement between Integrated Grain Processors Co-operative Inc. (IGPC) and NRGL: dated January 31, 2007 relating to the construction of 28.53 km of steel pipeline connecting IGPC facilities with Union Gas facilities.

16. Enterprise Customer Agreement between Rogers Communications Partnership and NRGL relating to cellular phone contracts.

17. Agreement between the Corporation of the Town and Aylmer and NRGL dated April 11, 2016 relating to radio and receiving transmission equipment on top of the Aylmer water tower.

18. Emerson Process Management Annual Support Solution (agreement) between Lakeside Process Controls Inc. and NRGL dated January 25, 2016 relating to emergency response, technical support and maintenance for well and pipeline sites.

19. Gas Delivery Agreement between IGPC Ethanol Inc. and NRGL dated June 30, 2015 relating to the delivery of natural gas to an ethanol facility in the Town of Aylmer.

20. Nerdcare Technology Assurance Agreement between Nerds On Site Inc. and NRGL dated December 2, 2014 relating to monitoring, maintenance backup verification of hardware and software.

21. Property Maintenance Contract Agreement between Vallier Property Maintenance Inc. and NRGL dated March 14, 2016 relating to grounds maintenance services.

22. Software License Agreement between Continental Utility Solutions, Inc. and NRGL dated April 15, 2016 relating to the use/licensing of mapping software.

23. Software License Agreement between Novotx, LLC and NRGL dated April 15, 2016 relating to the use/licensing of mapping software.

24. Irrevocable Standby Letter of Credit under Reference No. P436644T04117 from Royal Bank of Canada dated as of November 4, 2013, in support of certain obligations of IGPC's obligations to the NRGL, in the principal amount of $232,666.84.

25. Irrevocable Standby Letter of Credit under Reference No. P436644T04117 from Royal Bank of Canada dated as of November 9, 2015, in favour of NRGL in support of certain obligations of IGPC's obligations to the NRGL, in the principal amount of $3,491,731.00.

26. The leases and easements described in Schedule 4.1.20.

27. Franchise Agreement between the Corporation of the Town of Aylmer and NRGL dated February 28, 2012 relating to the distribution, storage and transmission of gas in the Municipality of Aylmer.

28. Franchise Agreement between the Corporation of the Municipality of Bayham and NRGL dated April 17, 2014 relating to the distribution, storage and transmission of gas in the Municipality of Bayham.

29. Franchise Agreement between the Corporation of the County of Elgin and NRGL dated February 1, 2016 relating to the distribution, storage and transmission of gas in the County of Elgin.

30. Franchise Agreement between the Corporation of the Norfolk County and NRGL dated September 18, 2014 relating to the distribution, storage and transmission of gas in Norfolk County.

31. Franchise Agreement between the Corporation of the Township of South-West Oxford and NRGL dated May 9, 2014 relating to the distribution, storage and transmission of gas in the Township of South-West Oxford.

32. Franchise Agreement between the Corporation of the Municipality of Thames Centre and NRGL dated August 11, 2014 relating to the distribution, storage and transmission of gas in the Municipality of Thames Centre.

33. Franchise Agreement between the Corporation of the Municipality of Central Elgin and NRGL dated August 14, 2014 relating to the distribution, storage and transmission of gas in the Municipality of Central Elgin.

34. Franchise Agreement between the Corporation of the County of Middlesex and NRGL dated May 19, 2016 relating to the distribution, storage and transmission of gas in the County of Middlesex.

35. Franchise Agreement between the Corporation of the City of London and NRGL dated August 14, 2014 relating to the distribution, storage and transmission of gas in the City of London.

36. Franchise Agreement between the Corporation of the Township of Malahide and NRGL dated October 15, 2015 relating to the distribution, storage and transmission of gas in the Township of Malahide.

37. Franchise Agreement between the County of Oxford and NRGL dated June 14, 1989, relating to the distribution, storage and transmission of gas in the County of Oxford. Agreement is expired but is to be assigned to the Purchaser.

38. Installation contract between Ayerswood Development Corporation and NRGL dated as of April 5, 2016 referencing RFP#01-2016 in respect of, *inter alia*, the installation of approximately 13.5 km of 3” and 4” pipeline.

39. Installation contract between Ayerswood Development Corporation and NRGL dated as of July 7, 2016 referencing RFP#02-2016 in respect of, *inter alia*, the installation of approximately 15.3 km of 4” gas line.

SCHEDULE 4.1.25

VENDOR'S INTELLECTUAL AND INDUSTRIAL PROPERTY

1. Merchant Services package acquired from Continental Utility Solutions, Inc. pursuant to a Sales Agreement dated as of March 30, 2016 with total associated license and maintenance fees of US$[redacted]

2. An unregistered copyright in the corporate logo.

3. Ownership of the domain, and a copyright in the website nrgas.ca.

4. Additionally, the Company holds licenses in shrink wrapped, off the shelf software, none of which have associated licensing fees in excess of $2,000.

SCHEDULE 4.1.28

EMPLOYEES

Employee	Position/Title	Date of Hire	Location of Employment	Hours of Work	Remun-eration	Type	Salary Review Date	Other Remun-eration	Target Bonus	Annual Vacation Entitlement (hours)	Current Unused	Written Contract (Y/N)	Oral Contract (Y/N, if yes with basic terms)	Participant in Benefit Plan (Y/N)	Other Agreements with Employee
[redacted]															
[redacted]															
[redacted]															
[redacted]															
[redacted]															

Employee	Position/Title	Date of Hire	Location of Employment	Hours of Work	Remun-eration	Type	Salary Review Date	Other Remun-eration	Target Bonus	Annual Vacation Entitlement (hours)	Current Unused	Written Contract (Y/N)	Oral Contract (Y/N, if yes with basic terms)	Participant in Benefit Plan (Y/N)	Other Agreements with Employee
													[redacted]		
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Employee	Position/Title	Date of Hire	Location of Employment	Hours of Work	Remun-eration	Type	Salary Review Date	Other Remun-eration	Target Bonus	Annual Vacation Entitlement (hours)	Current Unused	Written Contract (Y/N)	Oral Contract (Y/N, if yes with basic terms)	Participant in Benefit Plan (Y/N)	Other Agreements with Employee
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[1] [redacted]

SCHEDULE 4.1.29

EMPLOYEE BENEFIT PLANS

The existing employee plans are set out below, but shall not be assigned as part of the Closing.

1. Basic Life Insurance

[redacted]

2. Accidental Death & Dismemberment

[redacted]

3. Dependent Life

[redacted]

4. LTD

[redacted]

5. Extended Health Care

[redacted]

[redacted]

6. Dental Care

[redacted]

SCHEDULE 4.1.30

ENVIRONMENTAL MATTERS

1. Permit from the Upper Thames River Conservation Authority approving the installation of an NPS 4” natural gas pipeline undercrossing a variety of watercourses along Cromarty Drive from Dorchester Road to Pigram Road in the Municipality of Thames Centre, date July 28, 2016. Installation to be completed by October 2016.

SCHEDULE 4.1.31

INSURANCE POLICIES

1. Type: Commercial General Liability
Provider: Ambris
Policy # P500741500
Duration: September 30, 2015-September 30, 2016
Limits on Liability:
    - Bodily Injury and Property Damage: $10 million
    - Personal Advertising Injury: $10 million
    - Medical Payments: $25,000
    - Tenants Legal Liability: $500,000
    - Employee Benefits Extension: $1 million
    - Non-owned Automobile Liability SPF 6: $10 million
    - Civil liability resulting from damage to Hired Automobiles SEF No 94: $50,000
    - SPF 7 Excess Auto Liability: $8 million excess of $2 million

    Deductible: $5,000 bodily injury/property damage each and every claim excluding costs and expenses and $1,00 in respect of Tenants Legal Liability and SEF 94
    Territorial Scope: Worldwide excluding USA
    Jurisdiction: Worldwide excluding USA
    Premium: $30,000

2. Type: Directors and Officers Liability
Provider: HDI Gerling
Policy #: 01860458-14009
Duration: September 30, 2015-September 30, 2016
Limits on Liability:
    - Per claim limit: $10 million
    - Aggregate Limit: $10 million
    - Underlying Limit: $10 million

    Premium: $9,500

3. Type: Directors and Officers
Provider: Liberty International
Policy # PRTOAAWTPB003
Duration: September 30, 2015-September 30, 2016
Limits on Liability:
    - Executive/Insured Entity Wrong doing: Each loss and aggregate for $10 million policy period

- Wrongful Employment: Each loss and aggregate for $10 million policy period
- Fiduciary Wrongdoing: Each loss and aggregate for N/A policy period

Deductible: • Executive/Insured Entity: $25,000, Wrongful Employment: $25,000 US
Wrongful Employment: $25,000
Annual Premium: $13,375

4. Type: Excess Liability
Provider: Ambris
Policy # P500751500
Duration: September 30, 2015-September 30, 2016
Limits on Liability: $15 million any one occurrence and in the annual aggregate
Premium: $16,000

5. Type: Environmental Liability
Provider: QBE
Policy # PTCBQ0004
Duration: October 1, 2015-September 30, 2016
Limits on Liability:
- Policy Limit on liability: $5million
- Own clean-up costs: $5 million
- Third-party liability: $5million

Territorial limits: Canada
Premium: $8,700

6. Type: Excess Liability
Provider: Lloyd's
Policy # PPAX0204
Duration: September 30, 2015-September 30, 2016
Limits on Liability:
- Policy Limit on liability: $20 million

Territorial limits: Canada
Premium: $17,500

7. Type: Fleet
Provider: Intact
Policy # 730512080
Duration: September 30, 2015-September 30, 2016
Limits on Liability:
- Policy Limit on liability: $2 million

Premium: $8,320

8. Type: Office and Building
Provider: Intact
Policy # Accell 501321234
Duration: September 30, 2015-September 30, 2016
Limits on Liability:

- Building: $1,379,170
- Contents: $154,534
- Contractor's equipment broad form: $203,016

Premium: $5,233

9. Type: Transfer Stations and Business Interruption
Provider: Lloyd's
Policy # PR0452
Duration: September 30, 2015-September 30, 2016
Locations insured: i) 89 Progress Dr., Aylmer, ON, N5H 3J1 ii) 2793 Bradley Ave., Thames Centre, ON, N6M 1H6 iii) West Side Rogers Rd., Township of Malahide, ON N5H 2R4

Limits on Liability:

- Gross earnings: $1,650,000
- Transfer stations (3): $1,785,000

Territorial limits: Canada
Premium: $53,310

SCHEDULE 4.1.32

LEGAL PROCEEDINGS

1. *Natural Resource Gas Limited v. Ontario Energy Board and Union Gas Limited*, in respect of an appeal of certain orders of the Ontario Energy Board relating to penalties imposed on the Company in respect of the 2013-2014 gas year.

2. *Wilson v. Natural Resource Gas Limited*, under File Number CV-07-52833; action appears to have been abandoned, with no activity since March 12, 2009.

SCHEDULE 4.2.3

REGULATORY APPROVALS (Purchaser)

Nil.

SCHEDULE 5.1.3

CONDUCT OF THE BUSINESS

Section 5.1.3(b)(ii)(A) - Capital Expenditure Plan

2017 Capital Plan

Main Extensions

Project	Estimated cost	Distance	Pipe size	In rate case	Timeframe
Springwater Rd	$292,000	3800M	4”	Yes*	November, 2016
Salford-Dereham Loop	$170,000	7500M	2”	Yes	Summer, 2017
Glencolin Line	$132,000	2700M	4”	Yes	Spring, 2017
Small main extensions	Total <$ 50,000	TBD	1.25 -2”	Yes	Fiscal 16-17

*Project cost on Springwater increased based on drilling & TWP requirements; Mt. Elgin project down from original estimates

Mains Replacements

Project	Estimated cost	Distance	Pipe size	In rate case	Timeframe
Westchester Bourne	$55,000	300M	2”	yes	Spring 2017
Beech St. W	$7500	150M	2-3”	yes	TBD
Plank Road	$50,000	150M	4”	yes	Summer 2017
Gerard St. Aymer	>$3500	100M	2”	yes	Spring 2017
Various Sections*	$10,000	100M	2”	yes	Fiscal 16-17

*Contingency – Annually sections are found to be degraded or at risk of damage/exposure are replaced as required

Services – New Additions

Number of Services	Estimated cost	Distance	Pipe size	In rate case	Timeframe
250-300	$200,000	n/a	0.5”	yes	Fiscal 16-17

SCHEDULE 5.2.1

EMPLOYEES TO BE OFFERED EMPLOYMENT



SCHEDULE 6.1.14

NOTICES RE EASEMENTS

1. Notice is required pursuant to Section 5 of Schedule B of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated March 25, 2002.

2. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425613 on May 16, 2003 on PIN 35303-0105(LT).

3. Notice is required pursuant to Section 5 of Schedule B of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated March 25, 2002.

4. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425605 on May 16, 2003 against PIN 35303-0106(LT).

5. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425608 on May 16, 2003 against PIN 35303-0107(LT).

6. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425610 registered on May 16, 2003 against PIN 35303-0108(LT).

7. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425601 on May 16, 2003 against PIN 35304-0101(LT).

8. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425599 on May 16, 2003 against PIN 35304-0104(LT).

9. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425611 on May 16, 2003 against PIN 35304-0105(LT).

10. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425609 on May 16, 2003 against PIN 35304-0107(LT).

11. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425604 on May 16, 2003 against PIN 35304-0108(LT).

12. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425612 on May 16, 2003 against PIN 35304-0109(LT).

13. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425607 on May 16, 2003 against PIN 35304-0110(LT).

14. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425614 on May 16, 2003 against PIN 35301-0111(LT).

15. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425598 on May 16, 2003 against PIN 35304-0112(LT).

16. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425597 on May 16, 2003 against PIN 35304-0113(LT).

17. Notice if required pursuant to Section 5 of Schedule B to of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated March 8, 2002.

18. Notice if required pursuant to Section 5 of Schedule B to of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated March 8, 2002.

19. Notice if required pursuant to Section 5 of Schedule B to of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated March 8, 2002.

20. Notice if required pursuant to Section 5 of Schedule B to of the Agreement to Grant Easement and Right of Way between NRGL and [redacted] dated October 27, 2005.

21. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. LT048306 on June 4, 2004 against PIN 35315-0007(LT).

22. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425600 on May 16, 2003 against PIN 35297-0022(LT).

23. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425602 on May 16, 2003 against PIN 35297-0020(LT).

24. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425606 on May 16, 2003 against PIN 35297-0021(LT).

25. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389110 on October 19, 1998 against PIN 35280-0126(LT).

26. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389108 on October 19, 1998 against PIN 35280-0127(LT).

27. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389110 on October 19, 1998 against PIN 35280-0142(LT).

28. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389107 on October 19, 1998 against PIN 35281-0146(LT).

29. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389109 on October 19, 1998 against PIN 35281-0148(LT).

30. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E389112 on October 19, 1998 against PIN 35281-0176(LT).

31. Notice is required pursuant to Section 16 of the Schedule to the Easement registered as Instrument No. E389111 on October 19, 1998 against PIN 35300-0216(LT).

32. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E425603 on May 16, 2003 against PIN 35304-0106(LT).

33. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E412261 on November 6, 2001 against PIN 35316-0153(LT).

34. Notice is required pursuant to Section 5 of the Schedule to the Easement registered as Instrument No. E411228 on September 25, 2001 against PIN 35317-0206(LT).

35. Notice is required pursuant to Section 15 of the Agreement to Grant Easement and Right of Way dated March 7, 2002 between NRGL and [redacted].

ATTACHMENT 6

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2012-0072

IN THE MATTER OF the *Municipal Franchises Act,* R.S.O. 1990, c. M.55, as amended;

AND IN THE MATTER OF an application by Natural Resource Gas Limited for an order renewing or extending the right to operate works for the distribution of gas under section 10 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended.

BEFORE: Ken Quesnelle
Presiding Member

Cynthia Chaplin
Vice Chair

Marika Hare
Member

DECISION WITH REASONS

December 13, 2012

Introduction

Natural Resource Gas Limited ("NRG") filed an application dated February 22, 2012 with the Ontario Energy Board (the "Board") under section 10 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended (the "Act"), for an order of the Board renewing NRG's right to operate works and add to works for the distribution of gas in the Town of Aylmer ("Town") for a period of 20 years.

In addition, NRG requested an order of the Board extending the term of its existing Municipal Gas Franchise Agreement with the Town beyond its expiry date of February 27, 2012 to permit sufficient time to process this application. The Board assigned file number EB-2012-0072 to the application.

On February 27, 2012 the Board issued an Interim Decision and Order extending the Municipal Gas Franchise Agreement between NRG and the Town dated February 27, 1984[1] until such time that the Board makes a final determination on the franchise renewal application.

NRG holds a Certificate of Public Convenience and Necessity to operate works and add to works for the distribution of gas in the geographical area comprising the Town of Aylmer (E.B.C. 111).

The form of the franchise agreement proposed by NRG is the 2000 Model Franchise Agreement ("MFA").

The Town has not passed a by-law authorizing a franchise agreement between the Corporation of the Town and NRG.

By way of this Decision and Order the Board approves the application for the proposed MFA with the Town, for the term of 20 years as proposed by NRG.

Proceeding

On March 29, 2012, the Board issued a Notice of Application. NRG served and published the Notice of Application as directed by the Board. The Town and Integrated

[1] On February 27, 2009, the Board approved a three year extension of NRG's existing franchise agreement on for a limited three year term (EB-2008-0413).This decision was appealed at the Divisional Court by NRG; the appeal was dismissed.

Grain Processor's Cooperative ("IGPC") requested intervenor status and the Board granted those requests. Neither party requested eligibility for cost awards.

NRG's prefiled evidence indicated that there had been negotiations between NRG and the Town related to the MFA.

On May 1, 2012, the Board issued Procedural Order No. 1 ordering NRG to report to the Board on the progress of its settlement discussions with intervenors by May 11, 2012.

On May 11, 2012, NRG reported that the negotiations were still ongoing and proposed that a further update to the Board be filed in the week of May 21, 2012.
On May 15, 2012 the Board issued Procedural Order No. 2 ordering NRG to file a further report on the status of negotiations by May 25, 2012. On May 25, 2012 NRG informed the Board that it had been unable to reach an agreement with the intervenors.

On June 7, 2012, the Board issued Procedural Order No. 3 directing NRG to provide a proposed issues list for the proceeding, and inviting comments by intervenors and Board staff. NRG was also provided an opportunity to reply to any comments. The Board issued a final Issues List with Procedural Order No. 4 on July 26, 2012.

Procedural Order No. 4 also set out the timeline for written interrogatories and responses. The discovery process was concluded on August 23, 2012.

Procedural Order No. 5 was issued on September 17, 2012 and set the timeline for written submissions. NRG filed Argument in Chief on October 5, 2012. Board staff and intervenors filed written submissions on October 26, 2012. The record was completed with NRG's reply submissions filed on November 9, 2012.

Scope of the Proceeding

The following issues were approved by the Board for consideration in NRG's application:

1. Is there any reason, based on the following factors, that the standard terms and conditions in the Model Franchise Agreement should not be used in this case?
    a) regulatory compliance by Natural Resources Gas Limited (NRG); and

b) NRG's security deposit policy

2. What conditions of approval, if any, are to be attached to Board's order, if the Board approves the application?
3. If the Board approves the application, what is the appropriate term for the Board's order?
4. If the Board does not approve the application, what are the implications?
5. Who should bear the costs of this proceeding?

When determining the issues list the Board considered a number of additional issues proposed by the Town and IGPC, which the Board determined were beyond the scope of the proceeding:

> In the Board's view, the following proposed issues are beyond the scope of a franchise agreement proceeding: limiting the geographic territory of the franchise within the municipality (IGPC proposed issue 6); issues related to the development of a new cost allocation study, issues related to the "retractable" feature of NRG's Class "C" shares" and complete separation of NRG's utility gas distribution business from its non-utility ancillary businesses as proposed by the (Town proposed issue 5). These issues have either been reviewed and decided by the Board in recent proceedings or are more appropriately addressed in other proceedings such as NRG rate proceedings.[2]

In addition, the Board determined that it would not reconsider the 2009 Franchise Decision as proposed by the Town.

As part of its submissions the Town summarized its overall position indicating that it would not sign a franchise agreement with NRG until:

> (a) NRG takes significant steps to address the current issues respecting IGPC's proposed expansion of the Ethanol plant and related gas supplies;
> (b) NRG takes significant steps to address the current disparities between NRG's price and quality of gas supply within the Town of Aylmer and that provided elsewhere in the Province; and

[2] EB-2012-0072, Decision on Issues List and Procedural Order No. 4, July 26, 2012.

(c) The alignment of the periods of all franchises in the NRG service area has been achieved.[3]

IGPC raised similar issues as the Town, including the alignment of the term of other municipal franchise agreements in the area with that of the Town's, the current commodity prices being paid by NRG's customers, the cost of the existing pipeline to serve IGPC, future distribution service requirements, and NRG's ownership structure.

NRG in its reply submitted that issues related to rates, construction costs of the pipeline serving the ethanol plant, future service to the plant and NRG's corporate structure are outside the scope of the current proceeding or are being addressed as part of other proceedings.

The Board finds that Issues related to NRG's rates, commodity prices, its corporate structure, and future service to IGPC ethanol plant are outside of the scope of this proceeding. There are other ongoing proceedings related to many of the concerns raised by the Town and IGPC, and these matters are more appropriately resolved through those other proceedings. The proceedings include the annual IRM rate filing, the Board's motion on pipeline construction contributions from IGPC, and IGPC's application with respect to its capital contribution and future service from NRG.[4] NRG was also directed by the Board in the company's last cost of service proceeding to undertake an independent review of its local gas supply arrangements.[5]

Issue 1. Is there any reason, based on the following factors, that the standard terms and conditions in the MFA should not be used in this case?

(a) regulatory compliance by Natural Resources Gas Limited (NRG); and
(b) NRG's security deposit policy

[3] EB-2012-0072, Legal Submissions by the Town of Aylmer, paragraph 48, page 19, October 26, 2012.
[4] NRG's annual rate filing under IRM EB-2012-0342; Board Motion on determining customer contributions to pipeline construction costs EB-2012-0396; IGPC application for gas distribution service and compliance matters related to pipeline construction costs EB-2012-0406.
[5] EB-2010-0018

NRG submitted that there are no reasons to depart from the standard terms and conditions of the MFA. NRG pointed out that it has made the changes to its security deposit policy as directed by the Board in its franchise renewal granted in 2009 and that it has met its regulatory compliance obligations. NRG also noted that no other party led evidence with respect to these issues.

The Town and IGPC opposed the approval of the MFA. The Town cited a general lack of customer support and continued interference with the development of the IGPC ethanol plant as reasons for its opposition to the approval of the MFA.

IGPC challenged both the quality and service reliability of NRG. IGPC cited the historical issues of NRG's conduct towards IGPC as well as past proceedings and outstanding issues that it has with NRG. Board staff submitted that the purpose of the MFA is to ensure coordination between the municipality and the utility with respect to construction, operation and maintenance of the system and that the standard terms and conditions in the MFA serve that purpose. Board staff submitted that the issues of regulatory compliance and NRG's security deposit policy have largely been addressed within the context of other regulatory proceedings before the Board.

Board staff also submitted that it may be more appropriate to address new or outstanding regulatory compliance matters and the company's customer service policies through other regulatory filings or audits.

Board Findings

NRG applied to the Board under Section 10 of the Act for an order of the Board renewing the term of the right to operate works for the distribution of gas for a period of 20 years, upon such terms and conditions as set out in the NRG Preferred Agreement, which is based upon the MFA developed by the Board and modified to include one of the conditions being sought by the Town.

Section 10 of the Act states:

> **10.** (1) Where the term of a right referred to in clause 6 (1) (a), (b) or (c) that is related to gas or of a right to operate works for the distribution of gas has expired or will expire within one year, either the municipality or the party having the right may apply to the Ontario Energy Board for an order for a renewal of or an extension of the term of the right.
>
> (2) The Ontario Energy Board has and may exercise jurisdiction and power necessary for the purposes of this section and, if public convenience and necessity appear to require it, may make an order renewing or extending the term of the right for such period of time and upon such terms and conditions as may be prescribed by the Board, or if public

convenience and necessity do not appear to require a renewal or extension of the term of the right, may make an order refusing a renewal or extension of the right.

(3) The Board shall not make an order under subsection (2) until after the Board has held a public hearing upon application therefor and of which hearing such notice shall be given in such manner and to such persons and municipalities as the Board may direct.

(4) Despite subsection (3), where an application has been made under subsection (1) and the term of the right has expired or is likely to expire before the Board disposes of the application, the Board, on the written request of the applicant, and without holding a public hearing, may make such order as may be necessary to continue the right until an order is made under subsection (2).

(5) An order of the Board heretofore or hereafter made under subsection (2) renewing or extending the term of the right or an order of the Board under subsection (4) shall be deemed to be a valid by-law of the municipality concerned assented to by the municipal electors for the purposes of this Act and of section 58 of the *Public Utilities Act*.

(6) An application may not be made under this section in respect of a right that has expired before the 2nd day of December, 1969. R.S.O. 1990, c. M.55, s. 10 (6).

Under the Act the Board can approve a franchise agreement over the objections of the parties if that agreement, in the view of the Board meets the test of public convenience and necessity. The Board has established standard terms and conditions under a model franchise agreement which it has found in many previous cases to meet this test.

The Board first developed a standard municipal franchise agreement through a proceeding in 1987 (E.B.O. 125) which was revised in 2000 as the 2000 Model Franchise Agreement. The purpose of both of these proceedings was to standardize franchise agreements, with a focus on the year to year operational arrangements between the municipality and the utility, including issues related to rights of way, construction schedules, and communications between the municipality and the utility. The Board saw merit in applying a consistent approach to franchise renewals given the hundreds of municipalities which have agreements with gas utilities. The MFA has served as the basis for new and renewed franchise agreements over that period.

The MFA sets out the obligations of the franchise holder in regard to the technical, construction, safety, and operational aspects of the distribution system within the municipality. The Board finds that adherence to the conditions of the 2000 MFA will ensure that these functions are properly carried out.

The Board finds that there is no reason for the Board to deviate from the standard provisions of the MFA to address issues related to the security deposit policy or regulatory compliance, or the other matters raised by the Town and IGPC. As Board staff pointed out, these issues have been resolved or are being addressed through other proceedings. Future compliance issues, if they arise, are also appropriately dealt with through the Board's compliance process and not through modifications to the MFA.

Issue 2. What conditions of approval, if any, are to be attached to Board's order, if the Board approves the application?

The Town took the position that it would not sign the franchise agreement unless NRG met conditions to resolve outstanding concerns regarding expansion of the ethanol plant; address "alleged pricing disparities for its services in contrast to the prices offered by other distributors"; and align the terms of all franchise agreements in NRG's service area.

Board staff submitted that section 10(2) of the Act is clear that the Board "…may make an order renewing or extending the term of the right for such period of time and upon such terms and conditions as may be prescribed by the Board …" In Board staff's view no additional conditions should be attached to the Board's order approving this application. In staff's view, the standard conditions and terms contained in the MFA are sufficient for the purpose of franchise agreements between gas utilities and municipalities and have been relied upon across the province since the MFA was developed in 2000.

Board Findings

The Board finds that no additional conditions, other than those of the MFA are required. Earlier in this Decision, the Board has determined that the issues and proposed conditions raised by the Town and IGPC are not within the scope of the Franchise Agreement and are better addressed elsewhere.

Issue 3. If the Board approves the application, what is the appropriate term for the Board's order?

NRG submitted that a 20 year renewal period is the standard that the Board has held under MFA and there is no reason to depart from this standard. In addition NRG

indicated that there would be potential consequences to a shorter period, such as increased financial risk to borrow funds, reduced amortization periods and the undermining of any incentive to add capital assets to its system.

Board staff supported NRG's request for a 20 year renewal period based on the standard established in the MFA.

Both the Town and IGPC opposed the approval of a 20 year term. The Town and IGPC submitted that a shorter term will not and has not affected NRG's ability to raise any required capital or expand its system as necessary.

The Town also sought a shorter term in order to align the renewal period of Aylmer's franchise with those of the surrounding municipalities.[6] The Town submitted that the three year approval granted by the Board in its 2009 franchise renewal for the Town was in part to allow for Aylmer's franchise renewal period to coincide with several other municipalities with pending renewals. Aligning the franchise renewal period with other municipalities being served by NRG would, according to the Town, allow those municipalities to exercise greater collective influence upon NRG.

The Town suggested two ways that the Board could align the Aylmer franchise with those of other municipalities being served by NRG:

(c) Adjourn the current proceeding and allow the current extension Order to remain in place until such time as it could be joined with the other municipalities seeking a renewal
(d) Set an expiry date for the franchise renewal in this proceeding that coincides with expiry date of the last of the franchise agreements within NRG's service area (extending any other franchise renewals that came up in the intervening period to the same date). [7]

IGPC supported the Town with respect to the alignment of the franchise renewal period with other municipalities served by NRG.

NRG submitted that the Town and IGPC mischaracterized the Board's 2009 franchise renewal findings. NRG submitted that while the Board accepted alignment as an issue,

[6] Please note that the sub-issue of franchise agreement term alignment for all municipalities within NRG's service area is addressed here under Issue 3 and not under Issue 4.
[7] EB-2012-0072, Legal Submissions by the Town of Aylmer, paragraph 36, pages 12-13, October 26, 2012.

the Board did not set the three year renewal period to align Alymer's franchise with those of the other municipalities being served by NRG.

Board Findings

The Board finds that a 20 year franchise renewal period as established in the MFA is appropriate in this case. No other party has come forward to support the Town's position regarding alignment. The Board finds there is no compelling reason to expose NRG to the uncertainty of a shorter term.

Issue 4. If the Board does not approve the application, what are the implications?

As the Board has approved the application, this issue is moot.

Issue 5. Who should bear the costs of this proceeding?

Board staff did not take any position on the issue of who should bear the costs of the proceeding.

NRG submitted that the cost of the proceeding should be borne entirely by the Town and IGPC. NRG argued that the Town's and IGPC's participation did not add value to the proceeding and that "their actions and choices caused the costs to be incurred" and that both the Town and IGPC advanced certain issues which were determined not to be part of this application "…despite the Board's clear rulings on what is - and what is not - in scope of the proceeding". NRG concluded that it should not have to pay the costs of the proceeding and should not bear the cost of the intervenors' participation.

The Town stated that the municipal taxpayers should not bear the cost of this proceeding. The Town also noted that costs should be paid by NRG and not passed on to the NRG's ratepayers.

IGPC submitted that it was NRG's actions and refusal to respond through the discovery phase that was the cause of delays and increased costs. IGPC also asked in their submissions that under these circumstances that the Board reconsider IGPC's eligibility for a cost award. NRG objected to this request.

Board Findings

The Board finds that NRG should pay its own costs for this application, as would any other gas distributor filing for a franchise renewal with the Board. The Board does not find that NRG should pay for either the Town's or IGPC's costs. These entities are not normally eligible for cost awards, and the Board sees no reason in this case to deviate from that policy.

IT IS ORDERED THAT:

1. By this order the Board grants to Natural Resource Gas Limited the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works, within the Town of Aylmer, pursuant to terms and conditions, and the period that are set out in the franchise agreement attached as Appendix A.

DATED at Toronto, **December 13, 2012**

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

To

Decision with Reasons

Natural Resource Gas Limited

EB-2012-0072

Franchise Agreement

December 13, 2012

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 28th day of February, 2012.

BETWEEN:

CORPORATION OF THE TOWN OF AYLMER
hereinafter called the "**Corporation**"

-and –

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "**By-law**"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 – RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at

least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

4.7 Cost Allocation Study

NRG will complete and file a new cost allocation study for consideration and determination by the Ontario Energy Board by no later than the second cost-of-service rate proceeding following the date of the Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE TOWN OF AYLMER

By: _____

By: _____

NATURAL RESOURCE GAS LIMITED

By: _____
J. Robert Cowan, Co-Chair

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 17th day of April, 2014.

BETWEEN:

THE **CORPORATION OF THE MUNICIPALITY OF BAYHAM**
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act.* The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act.*

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE MUNICIPALITY OF BAYHAM

By: Paul Ens

By: Lynda Millard

NATURAL RESOURCE GAS LIMITED

By:

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 14th day of August, 2014.

BETWEEN:

CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act.*

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

By: _____
R. William Walters, Mayor

By: _____
Donald N. Leitch CAO/Clerk

NATURAL RESOURCE GAS LIMITED

By: _____

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 15 day of OCTOBER, 2015.

BETWEEN:

CORPORATION OF THE TOWNSHIP OF MALAHIDE
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year

term this Agreement, the Model Franchise Agreement is changed, then on the 7th anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA

standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance

where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the

gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE TOWNSHIP OF MALAHIDE

By: _____
Dave Mennill, Mayor

By: _____
Michelle Casavecchia-Somers, Clerk

NATURAL RESOURCE GAS LIMITED

By: _____

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 9th day of May, 2014.

BETWEEN:

CORPORATION OF THE TOWNSHIP OF SOUTH-WEST OXFORD
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE TOWNSHIP OF SOUTH-WEST OXFORD

By: _____

By: _____

NATURAL RESOURCE GAS LIMITED

By: _____

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 11th day of August, 2014

BETWEEN:

CORPORATION OF THE MUNICIPALITY OF THAMES CENTRE
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE MUNICIPALITY OF THAMES CENTRE

By: _____
D. Mandsley, Mayor

By: _____
M. Lewis, Clerk

NATURAL RESOURCE GAS LIMITED

By: _____
ANTHONY GRAAT

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 14th day of August, 2014.

BETWEEN:

THE CORPORATION OF THE CITY OF LONDON
Hereinafter called the "**Corporation**"

- and –

NATURAL RESOURCE GAS LIMITED
Hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "**By-law**"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) **"decommissioned"** and **"decommissions"** when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purpose of the *Assessment Act;*

(b) **"Engineer/Road Superintendent"** means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) **"gas"** means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE CITY OF LONDON

By: _____
~~J. Baechler, Mayor~~
J. Baechler, Mayor

By: _____
Catharine Saunders, City Clerk

NATURAL RESOURCE GAS LIMITED

By: _____
Anthony Graat
President

CITY SOLICITOR'S OFFICE
CITY OF LONDON
DATE: Nov 11/2019
APPROVED AS TO FORM ONLY

FRANCHISE AGREEMENT

THIS AGREEMENT effective this **18th** day of **September, 2014**.

BETWEEN:

CORPORATION OF NORFOLK COUNTY
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

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The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF NORFOLK COUNTY

By: _____

By: _____

NATURAL RESOURCE GAS LIMITED

By: _____

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 1st day of February, 2016

BETWEEN:

CORPORATION OF THE COUNTY OF ELGIN
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

4.5 Franchise Handbook

The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

[Signature page follows]

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE COUNTY OF ELGIN

By: _____

By: _____

NATURAL RESOURCE GAS LIMITED

By: _____

FRANCHISE AGREEMENT

THIS AGREEMENT effective this 19th day of May, 2016.

BETWEEN:

CORPORATION OF THE COUNTY OF MIDDLESEX
hereinafter called the "**Corporation**"

- and -

NATURAL RESOURCE GAS LIMITED
hereinafter called the "**Gas Company**"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 In this Agreement:

(a) "**decommissioned**" and "**decommissions**" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the *Assessment Act*;

(b) "**Engineer/Road Superintendent**" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

(c) "**gas**" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

(d) "**gas system**" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

(e) "**highway**" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

(f) "**Model Franchise Agreement**" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the *Municipal Franchises Act*. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

(g) "**Municipality**" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

(h) "**Plan**" means the plan described in Paragraph 3.1 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

(i) whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

ARTICLE 2 - RIGHTS GRANTED

2.1 To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

2.2 To Use Highways.

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

2.3 Duration of Agreement and Renewal Procedures.

(a) The rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law provided that, if during the 20-year term this Agreement, the Model Franchise Agreement is changed, then on the 7th

anniversary and on the 14th anniversary of the date of the passing of the By-law, this Agreement shall be deemed to be amended to incorporate any changes in the Model Franchise Agreement in effect on such anniversary dates. Such deemed amendments shall not apply to alter the 20-year term.

(b) At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the *Municipal Franchises Act*.

ARTICLE 3 – CONDITIONS

3.1 Approval of Construction

(a) The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

(b) Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

(c) The Plan filed by the Gas Company shall include geodetic information for a particular location:

(i) where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

(ii) when requested, where the Corporation has geodetic information for its own services and all others at the same location.

(d) The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

(e) Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed

by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

(f) In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

(g) Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the *Drainage Act*, or such other person designated by the Corporation as responsible for the drain.

(h) The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

(i) The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

(j) The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

3.2 As Built Drawings.

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

3.3 Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

3.4 Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

3.5 Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

3.6 Insurance

(a) The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 3.5. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

(b) The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

(c) Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

3.7 Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas

Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 3.8 of this Agreement.

3.8 Pipeline Relocation

(a) If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

(b) Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

(c) Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

(i) the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

(ii) the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

(iii) the amount paid by the Gas Company to contractors for work related to the project,

(iv) the cost to the Gas Company for materials used in connection with the project, and

(v) a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

(d) The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened

road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

ARTICLE 4 – PROCEDURAL AND OTHER MATTERS

4.1 Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

4.2 Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

4.3 Disposition of Gas System

(a) If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

(b) If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 3.1 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event Paragraph 3.8 applies to the cost of relocation.

4.4 Use of Decommissioned Gas System

(a) The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

(i) the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

(ii) the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

(b) The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

(i) the third party has entered into a municipal access agreement with the Corporation; and

(ii) the Gas Company does not charge a fee for the third party's right of access to the highways.

(c) Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

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4.6 Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

[Signature page follows]

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

THE CORPORATION OF THE COUNTY OF MIDDLESEX

By: _____

By: _____

NATURAL RESOURCE GAS LIMITED

By: _____





THIS AGREEMENT made this 14th day of June, 1989

B E T W E E N :

THE MUNICIPAL CORPORATION OF THE COUNTY OF OXFORD

hereinafter called the "County"

-and-

NATURAL RESOURCE GAS LIMITED

hereinafter called the "Gas Company"

WHEREAS by By-law No.2931-89of the Council of the County, the Warden and the Clerk have been authorized and directed to execute this Agreement on behalf of the County;

THEREFORE the County and the Gas Company agree as follows:

I DEFINITIONS

1. In this Agreement:

(a) "gas" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline.

(b) "gas system" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the supply, transmission and distribution of gas.

(c) "highway" means the entire right-of-way of all public highways, including bridges and structures, which are now, or at any time during the term of this agreement, under the jurisdiction of the County;

(d) "Engineer" means Director of Engineering for the County.

II RIGHTS GRANTED

1. To Use County Highways

The consent of the County is hereby granted to the Gas Company to enter upon all highways under the jurisdiction of the County, and to lay, construct, maintain, replace, remove, operate and repair a system for the supply, distribution and transmission of gas.

2. Duration of Agreement and Renewal Procedures

The rights hereby given and granted shall be for a term of twenty years from the date of final passing of the by-law.

At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue.

Nothing herein stated shall preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the Municipal Franchises Act.

III CONDITIONS:

1. Approval of Construction

No construction of or any extension or change to the gas system in the highway shall be carried out until the Gas Company has submitted and received the Engineer's approval of a plan detailing the location of the works within the highway. The timing, terms and conditions relating to the installation of such works shall be to the Engineer's satisfaction. The Engineer may require sections of the gas system to be laid at a greater depth than required by CAN/CSA-Z184-M86 to facilitate other works.

If the Gas Company proposes to affix a part of the gas system to a bridge, viaduct or structure, the Engineer may require special conditions or a separate agreement.

The Gas Company may appeal to the Council of the County in the event they deem the Engineer's approval is being withheld unreasonably.

2. Conformity with Plans; As-Built Drawings

The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer to do so is received. After completion of the construction, the Gas Company shall file a plan detailing the actual location of the works, "as built", or certify that the works have been constructed in exact accordance with the approved plan.

3. Emergencies

In the event of an emergency involving the gas system, the Gas Company will proceed with the necessary repair work , and shall immediately notify the Engineer and/or the police department as to the location and nature of the emergency and the work being done.

4. Restoration

The Gas Company shall restore, to the satisfaction of the Engineer, all highways, municipal works or improvements which it may excavate or interfere with in the course of constructing, repairing or removing its gas system. If the Gas Company fails at any time to do any work required by this paragraph within a reasonable period of time, the County may do or cause such work to be done and the Gas Company shall, on demand, pay any reasonable account therefor as certified by the Engineer.

5. Indemnification

The Gas Company shall, at all times, indemnify and save the County harmless from and against all claims arising out of the Gas Company operating, constructing, and maintaining its gas system on County highways, except for such claims as may result from the negligence or wrongful act of the County, its servants, agents or employees.

6. Alternative Easement

In the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, the County agrees to give the Gas Company reasonable notice of such proposed sale or closing and to provide to the Gas Company, where feasible, such easements as may be required to preserve the affected part of the gas system in its then existing location. In the event that such easements cannot be provided, the County will share in the cost of relocating or altering the affected parts of the gas system, as provided in clause III, 7 of this Agreement.

7. Relocation

The Gas Company shall, upon notice to do so, remove and/or relocate, within a reasonable period of time, such part of the gas system as may be required to facilitate construction, reconstruction, repairs or improvements to the highway.

The entire cost of relocation of any part of the gas system located on a bridge or structure, shall be borne by the Gas Company.

The cost of relocation of other parts of the gas system, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation, shall be shared between the County and the Gas Company, based on the following costs:

(a) wages and fringe benefits paid to Gas Company employees, up to and including field supervisors, for the hours worked on the project, plus

(b) charges for all equipment used by the Gas Company on the project, plus

(c) the amount paid by the Gas Company to contractors for work related to the project, plus

(d) the cost to the Gas Company for materials used in connection with the project, plus

(e) a surcharge of 22.5 percent for project engineering and administrative costs.

The entire cost of alteration or relocation of any part of the gas system that was constructed or installed prior to January 1, 1981, shall be borne by the Gas Company.

The County shall pay a percentage of the cost of alteration or relocation of parts of the gas system constructed or installed on or after January 1, 1981, as follows:

a) for work carried out in 1989, the County shall pay 15%

b) for work carried out in 1990, the County shall pay 20%

c) for work carried out in 1991, the County shall pay 25%

d) for work carried out in 1992, the County shall pay 30%

e) for work carried out in 1993, and thereafter, the County shall pay 35%

IV PROCEDURAL AND OTHER MATTERS

1. Giving Notice

Notices may be given by prepaid registered post, to

Natural Resource Gas Limited,
P.O. Box 3117, Terminal "A",
London, Ontario
N6A 4J4

or to

The Clerk of the County of Oxford,
Post Office Box 397,
Woodstock, Ontario
N4S 7Y3.

2. Disposition of Gas System

The Gas Company shall, at its sole expense, remove any abandoned part of its gas system affixed to a bridge or structure.

Other abandoned parts of the gas system may be removed by the Gas Company at its expense, or may remain in place, subject to the County's right to subsequently destroy and remove any portion thereof as may be required to facilitate the County's or other utilities' work within the highway.

3. Assignment

The Gas Company shall notify the County, in writing, of its intention to sell, transfer or assign to another company, any of the rights provided under this Agreement.

4. Agreement Binding Parties

This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively.

IN WITNESS WHEREOF the parties have hereunto signed, sealed and executed these presents under the hands of their officers duly authorized in that behalf.

MUNICIPAL CORPORATION OF THE
COUNTY OF OXFORD

Ernie Hardeman, Warden

J. Harold Walls, Clerk

NATURAL RESOURCE GAS LIMITED

President

ATTACHMENT 7

IN THE MATTER OF the Municipal Franchises Act, R.S.O. 1980, c. 309;

AND IN THE MATTER OF applications by Natural Resources Gas Limited for certificates of public convenience and necessity to construct works to supply and to supply gas in the Townships of Southwest Oxford, North Dorchester, South Dorchester, Westminster, Norfolk and Bayham, the Villages of Belmont, Port Burwell, Springfield and Vienna and the Town of Aylmer.

BEFORE: R. H. Clendining, Chairman and Presiding Member; H. R. Chatterson, Member; R. R. Perdue, Member — October 15, 1981

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

UPON the applications of Natural Resource Gas Limited ("NRG") for certificates of public convenience and necessity to construct works to supply gas in the municipalities referred to above;

AND UPON the applications having been heard in Toronto on September 9, 1981, in the presence of counsel for NRG, for Union Gas Limited and for the Board, no one else appearing, and Reasons for Decision having been delivered on October 15, 1981:

IT IS ORDERED THAT a certificate of public convenience and necessity be and the same is hereby granted to NRG to construct works to supply and to supply gas in:

1. the Village of Belmont
2. the Township of South Dorchester
3. the Village of Port Burwell
4. the Town of Aylmer
5. the Village of Springfield
6. the Village of Vienna
7. those areas of the Townships of Southwest Oxford, North Dorchester, Westminister, Norfolk and Bayham set out in Appendix "A" to this Order.

ISSUED at Toronto this 5th day of May, 1982.

ONTARIO ENERGY BOARD

Imelda Walker

Imelda Walker
Assistant Board Secretary

E.B.C. 111 and 119 dated May 5th, 1982.

Imelda Walker

Imelda Walker
Assistant Board Secretary

TOWNSHIP OF WESTMINSTER

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of Westminster, in the Country of Middlesex, and being composed of the following:

1. The whole of Lots 3, 4, 5 and 6 in Concession 8.

2. The whole of Lots 1, 2, 3, 4, 5 and 6, in Concession 7.

3. The whole of Lots 1, 2 and 3 in each of Concessions 3, 4, 5 and 6.

4. The south halves of Lots 4, 5 and 6, in Concession 6.

5. Those parts of Lots 1, 2, 3 and 4 in Concession 2 lying south of Highway 401.

6. That part of the east half of Lot 5 in Concession 2 lying south of Highway 401.

7. Those customers on the west side of Highway 74 to a depth of 200 feet from the said Highway, from the dividing line between the north and south halves of Lot 1 in Concession 1 to Highway 401 lying in Lot 1 in Concession 2.

8. The north half of Lot 1 in Concession 1.

9. The whole of Lot 1 in the Broken Front Concession.

TOWNSHIP OF NORTH DORCHESTER

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of North Dorchester, in the County of Middlesex, and being composed of the following:

1. The whole of Lot 24 in Concession A.

2. The north half of Lot 24, in Concession B.

3. Those customers along the east side of Highway 74 to a depth of 200 feet from the said Highway, from the dividing line between the north and south halves of Lot 24, in Concession B to Highway 401 lying in Lot 24, in Concession 1.

4. Those parts of Lots 21, 22, 23 and 24, in Concession 1 lying south of Highway 401.

5. The whole of Lots 21, 22, 23 and 24 in each of Concessions 2, 3, 4, 5 and 6.

6. The west half of the southerly quarter of Lot 20 in Concession 5.

7. The whole of Lot 20, in Concession 6, save and except the northeasterly quarter thereof.

8. The south halves of Lots 11, 12, 13, 14, 15, 16, 17, 18 and 19, in Concession 6.

9. The whole of Lots 6, 7, 8, 9 and 10 in each of Concessions 2, 3, 4, 5 and 6.

10. Those parts of Lots 6, 7, 8, 9 and 10 in Concession 1 lying South of Highway 401.

11. The south halves of Lots B, 1, 2, 3, 4 and 5, in Concession 6.

12. The whole of Lot A in each of Concessions 2, 3, 4, 5 and 6.

13. That part of Lot A, in Concession 1 lying south of Highway 401.

TOWNSHIP OF SOUTHWEST OXFORD

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of Southwest Oxford in the County of Oxford, formerly in the Township of Dereham in the County of Oxford, and being composed of the following:

1. The whole of Lots 15 to 23, both inclusive, in Concession 1.

2. The whole of Lot 24, in Concession 1, save and except that part of the said Lot lying north of Highway 401.

3. The whole of Lots 15 to 28, both inclusive, in each of Concessions 2 to 12, both inclusive.

4. The southerly quarter of Lot 14, in Concession 10.

5. The southerly quarter of Lot 14, in Concession 11.

TOWNSHIP OF BAYHAM

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Township of Bayham, in the County of Elgin, and being composed of the whole of the said Township of Bayham, saving and excepting therefrom the following:

1. The whole of Lots 15, 16, 17, 18, 19, 20 and 21, in Concession 11.

2. The whole of Lots 20, 21, 22, 23, 24 and 25, in Concession 10.

3. The whole of Lots 20, 21, 22, 23, 24, 25, 26, 27 and 28, in Concession 9.

4. The southerly 200 feet of Lots 17, 18 and 19, in Concession 9.

5. The northerly 200 feet of Lots 17, 18 and 19 in Concession 8.

6. The north half of Lot 20, in Concession 8.

7. Those parts of Lots 21, 22, 23 and 24, in Concession 8 lying north of the road which runs in a generally easterly and westerly direction through such Lots and commonly known as Ridge Road. However, the property of Mr. John Siemens Jr., R.R.1, Eden, Ontario (part of Lot 23, Concession 8) is to continue to be served by Natural Resource Gas Limited.

8. The whole of Lots 26, 27 and 28, in Concession 8.

TOWNSHIP OF NORFOLK

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of Norfolk, in the Regional Municipality of Haldimand-Norfolk (formerly in the Township of Houghton, in the County of Norfolk) and being composed of all of the lands and premises situate, lying and being in the lands formerly known as the Township of Houghton, save and except the following:

1. The whole of Gore Lot A.

2. The north half of Gore Lot B.

(FORMERLY MIDDLETON)

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of

Norfolk, in the Regional Municipality of Haldimand-Norfolk, formerly in the Township of Middleton, in the County of Norfolk, and being composed of the following:

1. The south quarters of Lots 1 and 2, in Concession 1, North of Talbot Road.

2. The whole of Lots 1 and 2, in each of Concessions 1 and 2, South of Talbot Road.

(FORMERLY NORTH WALSINGHAM)

ALL AND SINGULAR those certain parcels of tracts of land and premises situate, lying and being in Township of Norfolk, in the Regional Municipality of Haldimand-Norfolk, formerly in the Township of North Walsingham in the County of Norfolk, and being composed of the following:

1. The whole of Lot 1 in each of Concessions 11, 12, 13 and 14.

2. The whole of Lot 1 in Concesson 10, save and except all of the southerly 200 feet of the said Lot except the westerly 200 feet of the said southerly 200 feet.

3. The whole of Lot 1 in Concession 9, save and except all of the northerly 200 feet of the said lot except the westerly 200 feet of the said northerly 200 feet.

4. The whole of Lots 1 in each of Concessions 7 and 8.

5. The south halves of each of Lots 2, 3, 4 and 5 in Concession 7.

(FORMERLY SOUTH WALSINGHAM)

ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the Township of Norfolk, in the Regional Municipality of Haldimand-Norfolk, formerly in the Township of South Walsingham, in the County of Norfolk, and being composed of the following:

1. The whole of Lots 1, 2, 3, 4 and 5, in each of Concessions 1, 2, 3, 4, 5 and 6.

2. The whole of Lots 1, 2, 3, 4 and 5, in each of Ranges A and B.

3. The whole of Marsh Lots 1, 2, 3, 4 and 5.

4. The whole of Gore Lot E, in Concession 3.

5. The whole of Gore Lot D in Concession 2.

6. The whole of Gore Lot C in Concession 1.

7. The whole of Gore Lot B, in Range A.

8. The whole of Gore Lot A, in Range B.

9. The whole of Marsh Lot in front of Gore Lot A, Range B.

IN THE MATTER OF the Municipal Franchises Act, R.S.O.1990, c. M.55;

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for a certificate of public convenience and necessity to construct works to supply gas and to supply gas to the inhabitants of the County of Middlesex.

BEFORE: J. C. Allan
Presiding Member

E. J. Robertson
Member

P. Vlahos
Member

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Natural Resource Gas Limited ("NRG") filed with the Ontario Energy Board ("the Board") an Application dated June 8, 1995 ("the Application") under s.8 of The Municipal Franchises Act, for a certificate of public convenience and necessity to construct works to supply gas, and to supply gas in the County of Middlesex.

The Board's Notice of Application was published and also served upon the Clerk-Treasurer of The Corporation of the County of Middlesex.

A hearing date was set, and the Notice of Hearing was served on all parties. The Application was heard in Toronto on October 6, 1995 in the presence of counsel for NRG, and counsel for Board Staff.

The Board issued an oral decision at the conclusion of the hearing wherein the Board approved the Application.

THEREFORE THE BOARD ORDERS THAT:

1. a Certificate of Public Convenience and Necessity is granted to NRG to construct works to supply gas and to supply gas in the County of Middlesex.

2. the Board's costs shall be paid by NRG forthwith upon the issuance of the Board's Invoice.

ISSUED at Toronto, October 16, 1995.

ONTARIO ENERGY BOARD

P. O'Dell

Peter H. O'Dell
Assistant Board Secretary

IN THE MATTER OF the Municipal Franchises Act, R.S.O. 1990, c. M.55;

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for a certificate of public convenience and necessity to construct works to supply gas and to supply gas to the inhabitants of the County of Elgin.

BEFORE: J. C. Allan
Presiding Member

E. R. Robertson
Member

P. Vlahos
Member

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Natural Resource Gas Limited ("NRG") filed with the Ontario Energy Board ("the Board") an Application dated February 17, 1994 ("the Application") under section 8 of the Municipal Franchises Act, for a certificate of public convenience and necessity to construct works to supply gas and to supply gas in the County of Elgin.

The Board's Notice of Application was published and also served upon the Clerk-Treasurer of the Corporation of the County of Elgin.

The Application was heard in Toronto on October 6, 1995 in the presence of counsel for NRG and counsel for Board Staff.

The Board issued an oral decision at the conclusion of the hearing wherein the Board approved the Application.

THEREFORE THE BOARD ORDERS THAT:

1. A Certificate of Public Convenience and Necessity is granted to NRG to construct works to supply gas and to supply gas in the County of Elgin.

2. The Board's costs shall be paid by NRG forthwith upon the issuance of the Board's Invoice.

ISSUED at Toronto, February 9, 1996.

ONTARIO ENERGY BOARD

Paul Pudge
Board Secretary

IN THE MATTER OF the Municipal Franchises Act, R.S.O.1990, c. M.55;

AND IN THE MATTER OF an Application by Natural Resource Gas Limited for a Certificate of Public Convenience and Necessity to construct works to supply gas and to supply gas to the inhabitants of the Township of Yarmouth.

BEFORE: P.W. Hardie
Presiding Member

C. Elwell
Member

ORDER

Natural Resource Gas Limited ("NRG") filed with the Ontario Energy Board ("the Board") an Application dated December 8, 1995 ("the Application") under section 8 of the Municipal Franchises Act, for a Certificate of Public Convenience and Necessity to construct works to supply gas and to supply gas to the Township Yarmouth.

The Board's Notice of Application, dated January 4, 1996, was served upon the Clerk of the Corporation of Township of Yarmouth. The Board issued a Notice of Hearing on May 6, 1996.

The Application was heard in Toronto on May 10, 1996 in the presence of counsel for NRG and counsel for Board Staff. The Board issued a decision on June 3, 1996 finding the Application to be in the public interest.

THEREFORE THE BOARD ORDERS THAT:

1. a Certificate of Public Convenience and Necessity is granted to NRG to construct works to supply gas and to supply gas in the Township of Yarmouth in the areas specified in Appendix "A" to this Order;

2. if NRG should fail to substantially complete construction of the gas mains proposed in the Application within twenty-four months following the issuance of the Board's Certificate, the Certificate shall expire;

3. NRG shall file with the Board, before commencing construction, confirmation that the Catfish Creek Conservation Authority has no environmental concerns; and

4. the Board's costs shall be paid by NRG forthwith upon the issuance of the Board's invoice.

ISSUED at Toronto, September 6, 1996

ONTARIO ENERGY BOARD

Paul B. Pudge
Board Secretary

Appendix "A" to Board
Order E.B.C. 242 dated
September 6, 1996

Paul B. Pudge
Board Secretary

(i) All those parts of Lots 27 and 28 in Concession 3 lying north-east of Catfish Creek which runs in a north-westerly direction through such lots.

(ii) All those parts of Lots 25, 26, 27 and 28 Concession 4 lying east of Catfish Creek which runs in a general northerly direction through such lots.

(iii) All those parts of Lots 24, 25, 26, 27 and 28 Concession 5 lying east of Catfish Creek which runs in a general northerly direction through such lots.

(iv) All those parts of Lots 25, 26, 27 and 28 Concession 6 lying east of Catfish Creek which runs in a general northerly direction through such lots.

(v) All those parts of Lots 24, 25, 26, 27 and 28 Concession 7 lying east of Catfish Creek which runs in a general northerly direction through such lots.

(vi) All those parts of Lots 69, 70, 71, 72 and 73 Concession 8 lying east of the east branch of Catfish Creek which runs in a general north-easterly direction through such lots.

(vii) All of Lots 27 and 28 Concession 9.

(viii) All of Lots 23 and 24 in Range I South of Edgeware Road, in Range I North of Edgeware Road, in Range II North of Edgeware Road and in Concession 10.

(ix) All of Lot 17 in Concessions 14 and 15.

ATTACHMENT 8



Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2015-0115

NATURAL RESOURCE GAS LIMITED

Application for an approval of rates and other charges for the sale, distribution, transmission and storage of gas effective October 1, 2015

BEFORE: **Allison Duff**
Presiding Member

September 10, 2015

1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) in response to an application filed by Natural Resource Gas Limited (NRG) to set rates for the distribution of natural gas and other charges effective October 1, 2015[1].

NRG is a natural gas storage, distribution and transmission company regulated by the OEB. It is a privately owned utility that sells and distributes natural gas in the Town of Aylmer and surrounding areas to approximately 8,000 customers.

NRG's last cost of service application was filed for 2011 rates (EB-2010-0018). Since 2011, NRG's rates have been adjusted in accordance with the OEB's Incentive Ratemaking (IRM) framework[2] using the Price Cap Incentive Rate-Setting option (Price Cap IR). The Price Cap IR provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service proceedings.

In EB-2014-0274, NRG requested an extension of the Price Cap IR option for two more years, from October 1, 2014 to September 30, 2016, rather than file a cost of service application. The Board approved NRG's request. The current IRM application represents the last year of the Price Cap IR extension.

The OEB approves the proposed Price cap IR adjustment which results in an annual rate increase for a typical residential customer of $8.64 for the period October 1, 2015 to September 30, 2016.

2 THE PROCESS

NRG filed its application on July 9, 2015. Union Gas Limited (Union) was the only intervenor in the proceeding and OEB staff participated.

OEB staff filed a submission on August 25, 2015 supporting NRG's proposed rate adjustments. OEB staff was satisfied with the Excel model generator submitted by NRG and the proposed calculations including income tax changes. Union did not file a submission.

NRG filed its reply submission on August 27, 2015 agreeing to the submissions of OEB staff.

[1] The Application was made under section 36 of the OEB Act that states that an Order of the OEB is required for any gas transmitter, gas distributor or storage company to sell gas or charge for the transmission, distribution or storage of gas.
[2] EB-2014-0274

3 OEB DECISION

The OEB has reviewed the evidence and the submissions.

Under IRM, distribution rates are adjusted by a Price Cap IR adjustment. The adjustment is defined as an annual percentage change in an inflation factor, less the sum of a productivity factor and a stretch factor. For 2015[3] rates, the OEB has set the inflation factor at 1.6% and the productivity factor at zero percent. In NRG's previous IRM rates proceeding[4], the OEB approved a stretch factor of 0.4%, which was 0.1% above the 0.3% mid-point applicable to electricity distributors in 2015. Consequently, NRG proposed a net Price Cap IR adjustment of 1.20% (i.e. 1.6 % - (0% + 0.4%)) for distribution rates effective October 1, 2015.

Apart from the formulaic change, NRG has requested recovery of additional costs related to changes in tax rates. NRG indicated that it no longer qualifies for the lower provincial tax rate applicable to companies with taxable capital less than $15 million. This change has resulted in NRG paying higher income taxes in 2016 as compared to the amount included in rates. In accordance with the IRM Settlement Agreement in EB-2010-0018, changes in income tax are to be shared equally between NRG and its customers. Consequently, NRG has proposed to recover 50% of the $34,103 increase in income taxes as a rate rider over a one year period. The OEB approves NRG's proposal.

In a prior decision[5], the OEB expressed concerns with NRG's request for procuring natural gas from a related company, NRG Corp., at higher than market rates. The OEB directed NRG to file an independent study with a robust sensitivity analysis to determine volumes required from NRG Corp. to maintain system integrity within NRG's franchise area and to identify other potential natural gas suppliers that could supply NRG in a competitive market.

The OEB reminds NRG to file a complete study as per the OEB's directions in its next rates application, which should be on a cost of service basis.

The OEB is satisfied that the proposed rate adjustments reflect the IRM framework and Price Cap IR rate setting parameters approved by the OEB for 2015. The OEB approves the proposed rate changes effective October 1, 2015.

[3] Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (December 4, 2013)
[4] EB-2014-0274
[5] EB-2010-0018 Decision and Order, May 17, 2012, pages 3-11

4 ORDER

THE BOARD ORDERS THAT:

1. NRG shall file with the OEB and shall forward to Union a draft Rate Order attaching a proposed tariff of rates and charges on or before September 14, 2015.

2. OEB staff and Union shall file any comments on the draft Rate Order with the OEB and send to NRG by September 16, 2015

3. NRG shall file with the OEB and send to Union responses to any comments on its draft Rate Order by September 18, 2015

4. Pursuant to Section 30 of the *Ontario Energy Board Act, 1998*, NRG shall pay the OEB's costs of and incidental to this proceeding immediately upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, **EB-2015-0115** and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at www.pes.ontarioenergyboard.ca/eservice/. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available, parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, September 10, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Ontario Energy Board
Commission de l'énergie de l'Ontario

RATE ORDER

EB-2015-0115

NATURAL RESOURCE GAS LIMITED

Application for an approval of rates and other charges for the sale, distribution, transmission and storage of gas effective October 1, 2015

BEFORE: **Allison Duff**
Presiding Member

September 24, 2015

BACKGROUND

Natural Resource Gas (NRG) filed an application on July 9, 2015 with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act*, 1998, for an order approving changes to rates and other charges effective October 1, 2015. The proposed rate adjustments were based on the Incentive Ratemaking framework.

The OEB issued its Decision on September 10, 2015 approving NRG's proposed rate adjustments as filed. In its Decision, the OEB directed NRG to file a draft Rate Order with the proposed tariff of rates and charges.

DRAFT RATE ORDER

NRG filed a draft Rate Order on September 14, 2015. OEB staff reviewed the draft Rate Order and indicated that the distribution rates appropriately reflected the OEB's Decision.

NRG filed a Quarterly Rate Adjustment Mechanism (QRAM) application dated September 11, 2015 to change commodity rates effective October 1, 2015 (EB-2015-0191). In its QRAM application, NRG included a customer notice that provided information on changes to both, commodity and distribution rates. OEB staff supported NRG's proposal to issue a single customer notice as both rates will be effective October 1, 2015. The OEB accepts NRG's proposal to communicate changes in one customer notice as filed in the QRAM application.

No other parties filed comments in response to the draft Rate Order.

The OEB has reviewed the draft Rate Order and approves it as filed.

No cost awards were sought in the proceeding.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Rate Order is approved, effective October 1, 2015 for natural gas consumed or estimated to have been consumed on and after such date.

2. The Tariff of Rates and Charges set out in Appendix "A" of this Rate Order supersedes all previous distribution rate schedules approved by the OEB for NRG and is final in this respect. NRG's commodity rates will continue to be interim as determined in OEB's EB-2015-0191 decision.

3. Pursuant to section 30 of the Ontario *Energy Board Act, 1998*, NRG shall pay the OEB's costs of and incidental to, this proceeding immediately upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, **EB-2015-0115** and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at www.pes.ontarioenergyboard.ca/eservice/. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available, parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary
E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, September 24, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX "A"

TO

BOARD ORDER EB-2015-0115

DATED: September 24, 2015

NATURAL RESOURCE GAS LIMITED

RATE 1 - General Service Rate

Rate Availability

The entire service area of the Company.

Eligibility

All customers.

Rate

a)	Monthly Fixed Charge	$13.50
	Rate Rider for Shared Tax Changes - effective until September 30, 2016	$0.13
b)	Delivery Charge	
	First 1,000 m^3 per month	16.2312 cents per m^3
	All over 1,000 m^3 per month	10.9099 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)	Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

RATE 2 - Seasonal Service

Rate Availability

The entire service area of the company.

Eligibility

All customers.

Rate

For all gas consumed from:		April 1 through October 31:	November 1 through March 31:
a)	Monthly Fixed Charge	$15.00	$15.00
	Rate Rider for Shared Tax Changes - effective until September 30, 2016	$0.24	
b)	Delivery Charge		
	First 1,000 m^3 per month	15.8212 cents per m^3	19.9424 cents per m^3
	Next 24,000 m^3 per month	9.4826 cents per m^3	15.6960 cents per m^3
	All over 25,000 m^3 per month	6.1698 cents per m^3	15.2899 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

RATE 3 - Special Large Volume Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

a) for a minimum term of one year;
b) that specifies a combined daily contracted demand for firm and interruptible service of at least 700 m^3; and
c) a qualifying annual volume of at least 113,000 m^3.

Rate

1. Bills will be rendered monthly and shall be the total of:

a) A Monthly Customer Charge:

A Monthly Customer Charge of $150.00 for firm or interruptible customers; or
A Monthly Customer Charge of $175.00 for combined (firm and interruptible) customers.

Rate Rider for Shared Tax Changes - effective until September 30, 2016 $10.53

b) A Monthly Demand Charge:

A Monthly Demand Charge of 29.0974 cents per m^3 for each m^3 of daily contracted firm demand.

c) A Monthly Delivery Charge:

(i) A Monthly Firm Delivery Charge for all firm volumes of 4.0357 cents per m^3,

(ii) A Monthly Interruptible Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 10.9612 cents per m^3 and not to be less than 7.9412 per m^3.

d) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

e) Overrun Gas Charges:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then,

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 3 Firm Delivery Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year.

Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any Gas Supply Charge applicable.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include:

a) The volume of gas for which the customer is willing to contract;
b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;
c) Interruptible or curtailment provisions;
d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 3.1530 cents per m^3 for firm gas and 5.4412 cents per m3 for interruptible gas.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 5.7163 cents per m^3 and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this clause will not contribute to the minimum volume.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

RATE 4 - General Service Peaking

Rate Availability

The entire service area of the company.

Eligibility

All customers whose operations, in the judgment of Natural Resource Gas Limited, can readily accept interruption and restoration of gas service with 24 hours notice.

Rate

For all gas consumed from:		April 1 through December 31:	January 1 through March 31:
a)	Monthly Fixed Charge	$15.00	$15.00
	Rate Rider for Shared Tax Changes - effective until September 30, 2016	$0.69	
b)	Delivery Charge		
	First 1,000 m^3 per month	15.8149 cents per m^3	20.1755 cents per m^3
	All over 1,000 m^3 per month	10.5218 cents per m^3	16.9052 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

RATE 5 - Interruptible Peaking Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

a) for a minimum term of one year;
b) that specifies a daily contracted demand for interruptible service of at least 700 m^3; and
c) a qualifying annual volume of at least 50,000 m^3.

Rate

1. Bills will be rendered monthly and shall be the total of:

a) Monthly Fixed Charge $150.00.

Rate Rider for Shared Tax Changes - effective until September 30, 2016 $3.81

b) A Monthly Delivery Charge:

A Monthly Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 8.4612 cents per m^3 and not to be less than 5.4612 per m^3.

c) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

d) Overrun Gas Charge:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any applicable Gas Supply Charge.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c) above, the matters to be considered include:

a) The volume of gas for which the customer is willing to contract;

b) The load factor of the customer's anticipated gas consumption and the pattern of annual use and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;

c) Interruptible or curtailment provisions;

d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas of 50,000 m^3. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this annual minimum shall be 7.1995 cents per m^3 for interruptible gas.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

RATE 6 – Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility

Rate Availability

Rate 6 is available to the Integrated Grain Processors Co-Operative, Aylmer Ethanol Production Facility only.

Eligibility

Integrated Grain Processors Co-Operative's ("IGPC") ethanol production facility located in the Town of Aylmer

Rate

1. Bills will be rendered monthly and shall be the total of:

a) Monthly Customer Charge of $150.00 for firm services

Rate Rider for reduction in Aid to Construct - effective until September 30, 2016	$(41,786.54)
Rate Rider for Shared Tax Changes - effective until September 30, 2016	$380.13

b) A Monthly Demand Charge:

A Monthly Demand Charge of 18.8392 cents per m^3 for each m^3 of daily contracted firm demand.

c) A Monthly Delivery Charge:

(i) A Monthly Firm Delivery Charge for all firm volumes of 3.8894 cents per m^3,

(ii) A Monthly Interruptible Delivery Charge for all interruptible volumes to be negotiated between the company and IGPC not to exceed 10.9612 cents per m^3 and not to be less than 7.9412 per m^3.

d) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

e) Overrun Gas Charges:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, IGPC should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to IGPC on such day, or if, on any day, IGPC fails to comply with any curtailment notice reducing IGPC's take of gas, then,

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 6 Firm Delivery Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year.

Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any Gas Supply Charge applicable.

For any unauthorized overrun gas taken, IGPC shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include:

a) The volume of gas for which IGPC is willing to contract;
b) The load factor of IGPC's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which IGPC is willing to contract to take or in any event pay for;
c) Interruptible or curtailment provisions;
d) Competition.

3. In each contract year, IGPC shall take delivery from the company, or in any event pay for it if available and not accepted by the IGPC, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 3.1530 cents per m^3 for firm gas and 5.4412 cents per m3 for interruptible gas.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the IGPC during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 5.7163 cents per m^3 and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this clause will not contribute to the minimum volume.

Bundled Direct Purchase Delivery

Where IGPC elects under this rate schedule to directly purchase its gas from a supplier other than NRG, IGPC or its agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to IGPC if it elects said Bundled T transportation service.

Unless otherwise authorized by NRG, IGPC, when delivering gas to NRG under direct purchase arrangements, must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

SCHEDULE A – Gas Supply Charges

Rate Availability

Entire service area of the company.

Eligibility

All customers served under Rates 1, 2, 3, 4, 5 and 6.

Rate

The Gas Supply Charge applicable to all sales customers shall be made up of the following charges:

PGCVA Reference Price	(EB-2015-0191)	20.1173 cents per m^3
GPRA Recovery Rate	(EB-2015-0191)	0.6337 cents per m^3
System Gas Fee	(EB-2010-0018)	0.0363 cents per m^3
Total Gas Supply Charge		20.7873 cents per m^3

Note:
PGCVA means Purchased Gas Commodity Variance Account
GPRA means Gas Purchase Rebalancing Account

Effective: July 01, 2015
Implementation: All bills rendered on or after July 01, 2015
EB-2015-0191

NATURAL RESOURCE GAS LIMITED

RATE BT1 – Bundled Direct Purchase Contract Rate

Availability

Rate BT1 is available to all customers or their agent, who enter into a Receipt Contract for delivery of gas to NRG. The availability of this option is subject to NRG obtaining a satisfactory agreement or arrangement with Union Gas and NRG's gas supplier for direct purchase volume and DCQ offsets.

Eligibility

All customers electing to purchase gas directly from a supplier other than NRG must enter into a Bundled T-Service Receipt Contract with NRG either directly or through their agent, for delivery of gas to NRG at a mutually acceptable delivery point.

Rate

For gas delivered to NRG at any point other than the Ontario Point of Delivery, NRG will charge a customer or their agent, all approved tolls and charges incurred by NRG to transport the gas to the Ontario Point of Delivery.

Note:

Ontario Point of Delivery means Dawn or Parkway on the Union Gas System as agreed to by NRG and NRG's customer or their agent.

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115

NATURAL RESOURCE GAS LIMITED

Transmission Service

Availability
Transmission Service charges shall be applied to Natural Resource Gas Corp.

Eligibility
Only Natural Resource Gas Corp. shall be charged the Transmission Service Rate. Fees and Charges will be applied only in
those months that NRG Corp. delivers gas to a delivery point on NRG's system.

Administrative Charge	$250/month
Transportation Rate	$0.95/mcf

Effective: October 01, 2015
Implementation: All bills rendered on or after October 01, 2015
EB-2015-0115



Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2016-0266

NATURAL RESOURCE GAS LIMITED

Application for quarterly rate adjustment mechanism commencing October 1, 2016

By Delegation, before: Pascale Duguay

September 22, 2016

INTRODUCTION AND PROCESS

Natural Resource Gas Limited (NRG) filed an application dated September 9, 2016, with the Ontario Energy Board (OEB) for an order or orders approving or fixing just and reasonable rates and other charges for the sale and distribution of natural gas commencing October 1, 2016 (the application).

The application was made pursuant to section 36(1) of the Act and in accordance with the Quarterly Rate Adjustment Mechanism established by the Board for dealing with changes in gas costs.[1]

NRG provided written evidence in support of the proposed changes outlined in the application. NRG provided the application and pre-filed evidence to all parties of record in NRG's last rates proceeding.[2]

Parties wishing to comment on the application were required to file their submissions to the OEB by September 14, 2016. No comments were filed.

OEB FINDINGS

The application is approved as filed. NRG's rates will be adjusted effective October 1, 2016 to reflect the projected changes in gas costs and prospective recovery of the projected twelve-month balances of the gas supply deferral accounts for the period ending September 2017. The reference price shall also be adjusted to reflect the projected changes in gas costs.

The resulting bill impact for a typical residential customer who uses 2,009 cubic meters of gas per year and who purchases gas supply from NRG is an increase of $22.10 on an annual basis.

IT IS ORDERED THAT:

1. The rates approved for NRG as part of decision and order EB-2016-0190, dated June 23, 2016, shall be superseded by the rates as provided in Appendix "A" and attached to this Decision and Order.

[1] EB-2008-0106.
[2] EB-2015-0115

2. The rates shall be effective October 1, 2016 and shall be implemented in NRG's first billing cycle commencing in October 2016.

3. The reference price for use in determining the amounts to be recorded in the Purchase Gas Commodity Variance Account (Account No.179-27) shall increase by $0.014093 per m^3 from the previous OEB approved level of $0.150838 per m^3 to **$0.164931** per m^3 as shown in Schedule "A" of Appendix "A" attached to this Decision and Order.

4. The balance in the Gas Purchase Rebalancing Account shall be prospectively cleared. The resulting gas supply charge will increase from the previous OEB approved level of $0.155848 per m^3 to **$0.166850** per m^3 as noted in Schedule "A" of Appendix "A" attached to this Decision and Order.

5. The appropriate form of customer notice as set out in Appendix "C" shall accompany each customer's first bill or invoice following the implementation of this Decision and Order.

All filings to the OEB must quote file number **EB-2016-0266** and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format filed through the OEB's web portal at https://www.pes.ontarioenergyboard.ca/eservice/. Filings must clearly state the sender's name, postal address and telephone number and, if available, a fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found on the "e-Filing Services" webpage of the OEB's website at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to BoardSec@ontarioenergyboard.ca.

ISSUED at Toronto, September 22, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX "A" TO

DECISION AND ORDER

OEB FILE NO. EB-2016-0266

DATED: September 22, 2016

NATURAL RESOURCE GAS LIMITED

RATE 1 - General Service Rate

Rate Availability

The entire service area of the Company.

Eligibility

All customers.

Rate

a)	Monthly Fixed Charge	$13.50
	Rate Rider for Shared Tax Changes - effective until September 30, 2016	$0.13
b)	Delivery Charge	
	First 1,000 m^3 per month	16.2312 cents per m^3
	All over 1,000 m^3 per month	10.9099 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)	Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE 2 - Seasonal Service

Rate Availability

The entire service area of the company.

Eligibility

All customers.

Rate

For all gas consumed from:		April 1 through October 31:	November 1 through March 31:
a)	Monthly Fixed Charge	$15.00	$15.00
	Rate Rider for Shared Tax Changes - effective until September 30, 2016		$0.24
b)	Delivery Charge		
	First 1,000 m^3 per month	15.8212 cents per m^3	19.9424 cents per m^3
	Next 24,000 m^3 per month	9.4826 cents per m^3	15.6960 cents per m^3
	All over 25,000 m^3 per month	6.1698 cents per m^3	15.2899 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE 3 - Special Large Volume Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

a) for a minimum term of one year;
b) that specifies a combined daily contracted demand for firm and interruptible service of at least 700 m^3; and
c) a qualifying annual volume of at least 113,000 m^3.

Rate

1. Bills will be rendered monthly and shall be the total of:

a) A Monthly Customer Charge:

A Monthly Customer Charge of $150.00 for firm or interruptible customers; or
A Monthly Customer Charge of $175.00 for combined (firm and interruptible) customers.

Rate Rider for Shared Tax Changes - effective until September 30, 2016 $10.53

b) A Monthly Demand Charge:

A Monthly Demand Charge of 29.0974 cents per m^3 for each m^3 of daily contracted firm demand.

c) A Monthly Delivery Charge:

(i) A Monthly Firm Delivery Charge for all firm volumes of 4.0357 cents per m^3,

(ii) A Monthly Interruptible Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 10.9612 cents per m^3 and not to be less than 7.9412 per m^3.

d) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

e) Overrun Gas Charges:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then,

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 3 Firm Delivery Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year.

Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any Gas Supply Charge applicable.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include:

a) The volume of gas for which the customer is willing to contract;
b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;
c) Interruptible or curtailment provisions;
d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 3.1530 cents per m^3 for firm gas and 5.4412 cents per m3 for interruptible gas.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 5.7163 cents per m^3 and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this clause will not contribute to the minimum volume.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE 4 - General Service Peaking

Rate Availability

The entire service area of the company.

Eligibility

All customers whose operations, in the judgment of Natural Resource Gas Limited, can readily accept interruption and restoration of gas service with 24 hours notice.

Rate

For all gas consumed from:		April 1 through December 31:	January 1 through March 31:
a)	Monthly Fixed Charge	$15.00	$15.00
	Rate Rider for Shared Tax Changes - effective until September 30, 2016		$0.69
b)	Delivery Charge		
	First 1,000 m^3 per month	15.8149 cents per m^3	20.1755 cents per m^3
	All over 1,000 m^3 per month	10.5218 cents per m^3	16.9052 cents per m^3
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE 5 - Interruptible Peaking Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

a) for a minimum term of one year;
b) that specifies a daily contracted demand for interruptible service of at least 700 m^3; and
c) a qualifying annual volume of at least 50,000 m^3.

Rate

1. Bills will be rendered monthly and shall be the total of:

a) Monthly Fixed Charge $150.00.

Rate Rider for Shared Tax Changes - effective until September 30, 2016 $3.81

b) A Monthly Delivery Charge:

A Monthly Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 8.4612 cents per m^3 and not to be less than 5.4612 per m^3.

c) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

d) Overrun Gas Charge:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any applicable Gas Supply Charge.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c) above, the matters to be considered include:

a) The volume of gas for which the customer is willing to contract;

b) The load factor of the customer's anticipated gas consumption and the pattern of annual use and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;

c) Interruptible or curtailment provisions;

d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas of 50,000 m^3. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this annual minimum shall be 7.1995 cents per m^3 for interruptible gas.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than NRG, the customer or their agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by NRG, customers who are delivering gas to NRG under direct purchase arrangements must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE 6 – Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility

Rate Availability

Rate 6 is available to the Integrated Grain Processors Co-Operative, Aylmer Ethanol Production Facility only.

Eligibility

Integrated Grain Processors Co-Operative's ("IGPC") ethanol production facility located in the Town of Aylmer

Rate

1. Bills will be rendered monthly and shall be the total of:

a) Monthly Customer Charge of $150.00 for firm services

Rate Rider for reduction in Aid to Construct - effective until September 30, 2016	$(41,786.54)
Rate Rider for Shared Tax Changes - effective until September 30, 2016	$380.13

b) A Monthly Demand Charge:

A Monthly Demand Charge of 18.8392 cents per m^3 for each m^3 of daily contracted firm demand.

c) A Monthly Delivery Charge:

(i) A Monthly Firm Delivery Charge for all firm volumes of 3.8894 cents per m^3,

(ii) A Monthly Interruptible Delivery Charge for all interruptible volumes to be negotiated between the company and IGPC not to exceed 10.9612 cents per m^3 and not to be less than 7.9412 per m^3.

d) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

e) Overrun Gas Charges:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, IGPC should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to IGPC on such day, or if, on any day, IGPC fails to comply with any curtailment notice reducing IGPC's take of gas, then,

(i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

(ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 6 Firm Delivery Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year.

Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any Gas Supply Charge applicable.

For any unauthorized overrun gas taken, IGPC shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include:

a) The volume of gas for which IGPC is willing to contract;
b) The load factor of IGPC's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which IGPC is willing to contract to take or in any event pay for;
c) Interruptible or curtailment provisions;
d) Competition.

3. In each contract year, IGPC shall take delivery from the company, or in any event pay for it if available and not accepted by the IGPC, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 3.1530 cents per m^3 for firm gas and 5.4412 cents per m3 for interruptible gas.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the IGPC during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 5.7163 cents per m^3 and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this clause will not contribute to the minimum volume.

Bundled Direct Purchase Delivery

Where IGPC elects under this rate schedule to directly purchase its gas from a supplier other than NRG, IGPC or its agent, must enter into a Bundled T-Service Receipt Contract with NRG for delivery of gas to NRG. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to IGPC if it elects said Bundled T transportation service.

Unless otherwise authorized by NRG, IGPC, when delivering gas to NRG under direct purchase arrangements, must obligate to deliver said gas at a point acceptable to NRG, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

SCHEDULE A – Gas Supply Charges

Rate Availability

Entire service area of the company.

Eligibility

All customers served under Rates 1, 2, 3, 4, 5 and 6.

Rate

The Gas Supply Charge applicable to all sales customers shall be made up of the following charges:

PGCVA Reference Price	(EB-2016-0266)	16.4931 cents per m^3
GPRA Recovery Rate	(EB-2016-0266)	0.1556 cents per m^3
System Gas Fee	(EB-2010-0018)	0.0363 cents per m^3
Total Gas Supply Charge		16.6850 cents per m^3

Note:
PGCVA means Purchased Gas Commodity Variance Account
GPRA means Gas Purchase Rebalancing Account

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

RATE BT1 – Bundled Direct Purchase Contract Rate

Availability

Rate BT1 is available to all customers or their agent, who enter into a Receipt Contract for delivery of gas to NRG. The availability of this option is subject to NRG obtaining a satisfactory agreement or arrangement with Union Gas and NRG's gas supplier for direct purchase volume and DCQ offsets.

Eligibility

All customers electing to purchase gas directly from a supplier other than NRG must enter into a Bundled T-Service Receipt Contract with NRG either directly or through their agent, for delivery of gas to NRG at a mutually acceptable delivery point.

Rate

For gas delivered to NRG at any point other than the Ontario Point of Delivery, NRG will charge a customer or their agent, all approved tolls and charges incurred by NRG to transport the gas to the Ontario Point of Delivery.

Note:

Ontario Point of Delivery means Dawn or Parkway on the Union Gas System as agreed to by NRG and NRG's customer or their agent.

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

NATURAL RESOURCE GAS LIMITED

Transmission Service

Availability
Transmission Service charges shall be applied to Natural Resource Gas Corp.

Eligibility
Only Natural Resource Gas Corp. shall be charged the Transmission Service Rate. Fees and Charges will be applied only in those months that NRG Corp. delivers gas to a delivery point on NRG's system.

Rate

Administrative Charge	$250/month
Transportation Rate	$0.95/mcf

Effective: October 01, 2016
Implementation: All bills rendered on or after October 01, 2016
EB-2016-0266

APPENDIX "B" TO

DECISION AND ORDER

OEB FILE NO. EB-2016-0266

DATED: September 22, 2016

NATURAL RESOURCE GAS LIMITED

Accounting Entries for the Purchased Gas Commodity Variance Account

Note: Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

To record monthly as a debit (credit) in Deferral Account No. 179-27 (PGCVA) the decrease (increase) to reflect the projected changes in gas costs and prospective recovery of the balances of the gas supply deferral accounts approved by the Board for rate making purposes.

Debit/Credit Account No. 179-27 Purchased Gas Commodity Variance

Account (PGCVA) Credit/Debit Account No. 623 Cost of Gas

To record as a debit (credit) in Deferral Account No. 179-28, interest on the balance in

Deferral Account Debit/Credit Account No. 179-28 Purchased Gas Commodity

Variance Account (PGCVA) Credit/Debit Account No. 323 Other Interest Expense

Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

APPENDIX "C" TO

DECISION AND ORDER

OEB FILE NO. EB-2016-0266

DATED: September 22, 2016

IMPORTANT INFORMATION ABOUT YOUR GAS BILL

Gas Commodity:

On all bills rendered by Natural Resource Gas Limited ("NRG") on or after October 1, 2016, the price we charge for the gas commodity and transportation portion of your bill will be increasing by $0.011002 per cubic meter to $0.166850 per cubic meter. The Ontario Energy Board ("OEB") has approved this change to reflect the prices that NRG expects that it will be paying to its gas suppliers through to the end of September 2017. On your gas bill this cost is on the line it entitled "Gas Commodity".

As a regulated utility, NRG is permitted to recover what it pays for the purchase of gas plus any costs reasonably associated with this purchase but with no mark up or 'profit'. The price the utility charges you is based on the forecasted gas and transportation costs to NRG, which are periodically reviewed by the OEB and reconciled with actual costs. The gas commodity portion gets adjusted regularly throughout the year as the price of the gas commodity changes.

How will the price change impact you? That will depend on the amount of gas that you use. For a typical residential customer who consumes approximately 2,009 cubic meters of gas annually, this price change will cause your annual heating costs to increase by approximately $22 per year. For customers who have arranged to have their gas supplied by a gas marketer/broker, the price may or may not change depending on the terms of the contract the customer has with the gas marketer/broker.

If you have any questions about the changes in rates or any other item that appears on your bill, please feel free to call our office at 519-773-5321.

We would like to thank you for choosing to make natural gas your energy of choice.

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2016-0236

Natural Resource Gas Limited

Application for approval to change rates for the sale, transmission and distribution of natural gas effective October 1, 2016

PROCEDURAL ORDER NO. 1
September 28, 2016

Natural Resource Gas Limited (NRG) filed an application with the Ontario Energy Board (OEB) on August 9, 2016 seeking approval to charge new rates for the sale, transmission and distribution of natural gas effective October 1, 2016 on a cost-of-service basis.

NRG is a privately owned utility that sells and distributes natural gas in southwestern Ontario. The company provides natural gas to over 8,000 customers.

NRG's last cost of service proceeding was in 2010 for 2011 rates (EB-2010-0018). In the rebasing proceeding, NRG requested an incentive rate-setting mechanism (IRM) to set distribution rates for a period of four years ending September 30, 2014. In August 2014, NRG filed an application[1] requesting a two-year extension of its IRM framework ending September 30, 2016 which was approved by the OEB.

In the current proceeding, NRG has requested approval of an IRM framework for a four-year period ending September 30, 2021.

A Notice was issued on August 30, 2016 and was served and posted as per the direction of the OEB.

By letter dated September 15, 2016, NRG requested existing OEB approved distribution rates to be declared interim effective October 1, 2016. The OEB has determined that it will approve this request, and that pursuant to section 21(7) of the OEB Act, NRG's rates will be declared interim effective October 1, 2016. This will allow (but not require) the OEB to retrospectively adjust rates back to October 1 when the OEB's final rate order in this proceeding is issued. A determination on the effective date of the final rates arising from this proceeding will be made when the OEB issues its final rate order.

[1] EB-2014-0274

The OEB considers it necessary to make provision for the following matters related to this proceeding. The OEB may issue further procedural orders from time to time.

THE OEB ORDERS THAT:

1. NRG's existing distribution and transportation rates as approved in NRG's October 2016 QRAM Decision (EB-2016-0266) are declared interim effective October 1, 2016. The OEB expects that final distribution rates will be set after the OEB has reviewed NRG's current rates application.

All filings to the OEB must quote the file number, EB-2016-0236 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at https://www.pes.ontarioenergyboard.ca/eservice/. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, September 28, 2016

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Ontario Energy Board
Commission de l'énergie de l'Ontario



EB-2016-0296
EB-2016-0300
EB-2016-0330

Union Gas Limited
Enbridge Gas Distribution Inc.
Natural Resource Gas Limited

Applications for approval of the cost consequences of cap and trade compliance plans and for interim rates effective January 1, 2017

INTERIM RATE ORDER

November 24, 2016

Union Gas Limited (Union Gas), Enbridge Gas Distribution Inc. (Enbridge) and Natural Resource Gas Limited (NRG) (collectively the Gas Utilities) each filed an application with the Ontario Energy Board (OEB) on November 15, 2016 seeking approval of the forecast costs arising from their Cap and Trade Compliance Plan for the January 1 - December 31, 2017 time period. The Gas Utilities filed their applications in accordance with the OEB's *Report of the Board – Regulatory Framework for Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities* (Cap and Trade Framework)[1].

The OEB assigned the following file numbers to the applications: EB-2016-0296 (Union Gas), EB-2016-0300 (Enbridge) and EB-2016-0330 (NRG).

Background

The *Climate Change Mitigation and Low-carbon Economy Act, 2016* (*Climate Change Act*) was passed by the Ontario Legislature and received Royal Assent on May 18, 2016. On May 19, 2016, Ontario Regulation 144/16*, The Cap and Trade Program* (*Cap and Trade Regulation*), was issued. The *Climate Change Act* and the *Cap and Trade Regulation* set forth the details of a Cap and Trade program for the purposes of reducing greenhouse gas (GHG) emissions in Ontario. The *Climate Change Act*

[1] EB-2015-0363

established that the first compliance period for the Cap and Trade program will run from January 1, 2017 until December 31, 2020, with subsequent three-year compliance periods.

Under the *Climate Change Act*, the Gas Utilities will need to develop strategies to meet their *Climate Change Act* compliance obligations. New costs will be incurred by the Gas Utilities to comply with the *Climate Change Act* and the OEB is responsible for assessing the cost consequences of the Gas Utilities' compliance plans for the purpose of approving recovery of the costs through rates.

The Applications

On November 15, 2015, the Gas Utilities each filed their Cap and Trade Compliance Plan as required by the Cap and Trade Framework. As part of each application, the Gas Utilities' are seeking approval to recover the forecast costs of their Cap and Trade Compliance Plan.

As part of the Cap and Trade Framework, the OEB indicated that it expected to establish interim rates for each of the Gas Utilities by January 1, 2017 for recovery of the projected costs of their respective Cap and Trade Compliance Plan. Consistent with the OEB's expectation, the Gas Utilities have requested that the OEB approve the cost consequences of their respective Cap and Trade Compliance Plan on an interim basis effective January 1, 2017. An OEB decision approving interim rates would allow the Gas Utilities to begin to recover the projected costs of the Cap and Trade Compliance Plans until the OEB issues its final decision on rates which will happen after the OEB has thoroughly reviewed and tested the applications.

The costs that the Gas Utilities will incur as part of their respective Cap and Trade Compliance Plan are related to the procurement of compliance instruments in order to ensure they are compliant with the *Climate Change Act* and the *Cap and Trade Regulation*. The bill impact for a typical residential customer is an estimated increase of approximately $6 to $7 per month on average. The exact amount of the increase will depend on the amount of gas that a customer uses and the particular gas utility.

Further information about the OEB's Cap and Trade Framework can be found on the OEB's website at http://www.ontarioenergyboard.ca/oeb/Industry/Regulatory%20Proceedings/Policy%20Initiatives%20and%20Consultations/Cap%20and%20Trade%20Compliance%20Plans%20%28EB-2015-0363%29.

Combined Proceeding

Due to the similarity of the requests in the applications filed by the Gas Utilities, pursuant to Section 21(5) of the *Ontario Energy Board Act, 1998* (the Act), the OEB has determined that it will hear the applications in a combined proceeding.

The file number for the combined proceeding will be EB-2016-0296 / EB-2016-0300 / EB-2016-0330 and must be referenced in all correspondence concerning this proceeding.

Findings

Pursuant to section 21(7) of the Act, the OEB will approve, on an interim basis, the proposed rates of each of the Gas Utilities to recover the cost consequences of their Cap and Trade Compliance Plans effective January 1, 2017. This determination of interim rates is consistent with the OEB's expectations outlined in the Cap and Trade Framework and will lessen the need for any significant variances in the rates charged to customers once the OEB completes its review of the Gas Utilities' Cap and Trade Compliance Plans and approves the rates on a final basis. This will also allow the Gas Utilities to participate in the market and meet their Cap and Trade obligations.

The OEB's determination to make rates interim is without prejudice to the OEB's decision on the Gas Utilities' Cap and Trade Compliance Plans and should not be construed as predictive, in any way whatsoever, of the OEB's final determination with regards to the rates arising from the applications. The setting of interim rates will allow the OEB to adjust rates back to January 1, 2017 once the OEB has issued its final rate order in this proceeding. The establishment of interim rates in no way fetters the OEB's discretion to determine the rates to be ultimately set. A determination of the final rates arising from this proceeding will be made when the OEB issues its final rate order.

The OEB considers it necessary to make provision for the following matter related to this proceeding.

IT IS THEREFORE ORDERED THAT:

1. Union Gas Limited's proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Union Gas Limited are outlined in Appendix A. The OEB will set final rates after the OEB has reviewed and fully tested the current application.

2. Enbridge Gas Distribution Inc.'s proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Enbridge Gas Distribution Inc. are outlined in Appendix B. The OEB will set final rates after the OEB has reviewed and fully tested the current application.

3. Natural Resource Gas Limited's proposed rates to recover the cost consequences of its Cap and Trade Compliance Plan are approved on an interim basis effective January 1, 2017. These interim rates for Natural Resource Gas Limited are outlined in Appendix C. The OEB will set final rates after the OEB has reviewed and fully tested the current application.

All filings to the OEB must quote the file number, EB-2016-0296 / EB-2016-0300 / EB-2016-0330 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at https://www.pes.ontarioenergyboard.ca/eservice/. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **November 24, 2016**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
Union Gas Limited
Interim Rate Order (EB-2016-0296)

Cap and Trade Compliance Plan Unit Rate Summary by Rate Class

Union South In-Franchise[1]

Rate Class	Non-Large Final Emitter (¢/m^3)	Large Final Emitter (¢/m^3)
Rate M1	3.3478	0.0297
Rate M2	3.3390	0.0209
Rate M4[2]	3.3461	0.0280
Rate M5[3]	3.3430	0.0249
Rate M7	3.3469	0.0288
Rate M9	3.3429	0.0248
Rate M10	3.3439	0.0258
Rate T1	3.3348	0.0167
Rate T2	3.3296	0.0115
Rate T3	3.3416	0.0235

Union North In-Franchise

Rate Class	Non-Large Final Emitter (¢/m^3)	Large Final Emitter (¢/m^3)
Rate 01	3.3690	0.0509
Rate 10	3.3559	0.0378
Rate 20	3.3263	0.0082
Rate 25	3.3198	0.0017
Rate 100	3.3185	0.0004

Notes:

(1) Unauthorized overrun rates for all Union South rate classes are based on Rate M1 delivery and include the Rate M1 Cap and Trade unit rates, with exception to Rate M9 and Rate T3, which are based on the Cap and Trade unit rates for those rate classes above.
(2) Rate M4 unit rates are for firm delivery service. Rate M4 interruptible delivery service is based on Rate M5 delivery rates and includes the Rate M5 Cap and Trade unit rates.
(3) Rate M5 firm delivery service is based on Rate M1, Rate M2, or Rate M4 delivery rates and includes the respective Cap and Trade unit rates of those rate classes.

APPENDIX B
Enbridge Gas Distribution Inc.
Interim Rate Order (EB-2016-0300)

Cap and Trade Compliance Plan Unit Rate Summary by Rate Class

Rate Class	Non-Large Final Emitter (¢/m^3)	Large Final Emitter[1] (¢/m^3)
Rate 1	3.3518	0.0337
Rate 6	3.3518	0.0337
Rate 9	3.3518	0.0337
Rate 100	3.3518	0.0337
Rate 110	3.3518	0.0337
Rate 115	3.3518	0.0337
Rate 125	3.3471	0.0290
Rate 125 Dedicated	3.3199	0.0018
Rate 135	3.3518	0.0337
Rate 145	3.3518	0.0337
Rate 170	3.3518	0.0337
Rate 200	0.0337	0.0337
Rate 300	3.3471	0.0290
Rate 300 Interruptible	3.3471	0.0290
Rate 315	0.0048	0.0048
Rate 316	0.0048	0.0048
Rate 320	0.0000	0.0000
Rate 325	0.0066	0.0066
Rate 330	0.0066	0.0066
Rate 331	0.0018	0.0018
Rate 332	0.0018	0.0018

APPENDIX C
Natural Resource Gas Limited
Interim Rate Order (EB-2016-0330)

Cap and Trade Compliance Plan Unit Rate Summary by Rate Class

Rate Class	Non-Large Final Emitter (¢/m^3)	Large Final Emitter (¢/m^3)
Rate 1	3.3945	0.0448
Rate 2	3.3945	0.0448
Rate 3	3.3945	0.0448
Rate 4	3.3945	0.0448
Rate 5	3.3945	0.0448
Rate 6	3.3945	0.0448

ATTACHMENT 9

NATURAL RESOURCE GAS LIMITED
SYSTEM MAP

Pipe diameters and wells locations

- Service (pipe) 6" Diameter
- Service (pipe) 4" Diameter
- Service (pipe) 3" Diameter
- Service (pipe) 2" Diameter
- Service (pipe) 1.25" Diameter
- Service (pipe) 1.00" Diameter
- DEDICATED 6" LINE - IGPC

- NRG CORP WELLS.
- NRG FRANCHISE.
- NRG / UNION GAS STATIONS
- Above Ground Shut off Valves
- Bellow Ground Shut off Valves

PUTNAM STATION
RELMONT STATION
UNION STATION
HARRIETSVILLE STATION
BROWNSVILLE STATION
EDEN STATION
BAYHAM STATION
NORTH WALSINGHAM STATION
TILLSONBURG
Salford
Nilestown
Mossley
Verschoyle
Mount Elgin
Gladstone
Harrietsville
Dereham Centre
Avon
Culloden
Belmont
Mount Vernon
Delmar
Brownsville
Lyons
Springfield
Corinth
Mapleton
North Hall
Kingsmill
Glencolin
Eden
Mabee
New Sarum
Orwell
Aylmer
Summers Corner
Richmond
Guyaborough
Jaffa
Luton
Straffordville
Glen Meyer
Dunboyne
Mount Selom
Calton
Kingsale
SPARTA
Copenhagen
Lakeview
Vienna
Frogmore
Port Bruce
Port Burwell
Fairground
Cultus
Hemlock
Houghton
Jacksonburg
Clear Creek
Erieview
Lake Erie

Natural Resource Gas Limited

Scale
2000m 1000m 0 2km 4km 6km 8km 10km

2013-Feb-11

ATTACHMENT 10

EPCOR Utilities Inc.

Investor Presentation

June 2016



Guy Bridgeman
Senior Vice President & Chief Financial Officer
John Elford
Senior Vice President, Water Canada
Duane Sommerfeld
Treasurer
Pam Zrobek
Corporate Controller

Forward-Looking Information

Certain information in this presentation and in oral answers to questions may contain forward-looking information statements or forward-looking information together, "forward-looking information together". Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by EPCOR. Forward-looking information is based on the estimates and opinions of management at the time the information is presented. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained in the most recent interim and annual Management Discussion and Analysis filed on SEDAR (www.sedar.com) and EPCOR's website (www.epcor.com).

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR assumes no obligation to update any forward-looking information, should circumstances or management's estimates or opinions change, or any other reason.

EPCOR Overview

EPCOR – Corporate Snapshot

- Stand-alone corporation, owned solely by City of Edmonton – no reliance on shareholder to fund investments.
- Governed by independent Board of Directors.
- Long-life, high quality, infrastructure asset in North America.
- Predominantly rate regulated business with limited commercial exposure, carried under long-term contract with investment grade counterparties.
- Regulatory and geographic diversity.
- Strong, stand-alone investment grade credit ratings.
- Issuer of public and private debt.



EPCOR Operations

- Builder, owner, operator of electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure and provider of retail energy products.



PROVIDING MORE EPCOR

EPCOR Financial Profile

- Excellent risk profile
  - Exposure to power generation significantly reduced since spin-off in 2009.
  - Mostly rate regulated.
  - Good sector and geographic diversity.
- Excellent credit profile
  - Strong balance sheet.
  - Strong operating cash flow and related solvency metrics.
  - Cash from operations is sufficient to fund organic growth and dividend.
- Excellent growth profile
  - 2/3 of capital investment is in regulated businesses – funded from operations.
  - 1/3 related to business development – funded by debt issuance.
    - Focus on development projects (P3, selenium, greenfield natural gas).
  - Disciplined development process within Risk Appetite Framework.

Management and Governance

Strategic Positioning:

- Annual in-depth planning process.
- Delivered on stated strategy to sell down interest in Capital Power and invest in regulated and long-term contracted assets.

Risk Management:

- Comprehensive financial management policies and enterprise risk management system geared to identifying, understanding and mitigating risk.
- Disciplined approach to operations, business development and capital placement.
- Fully staffed Regulatory and Government Relations teams.

Organizational Effectiveness:

- Experienced management team with considerable expertise.

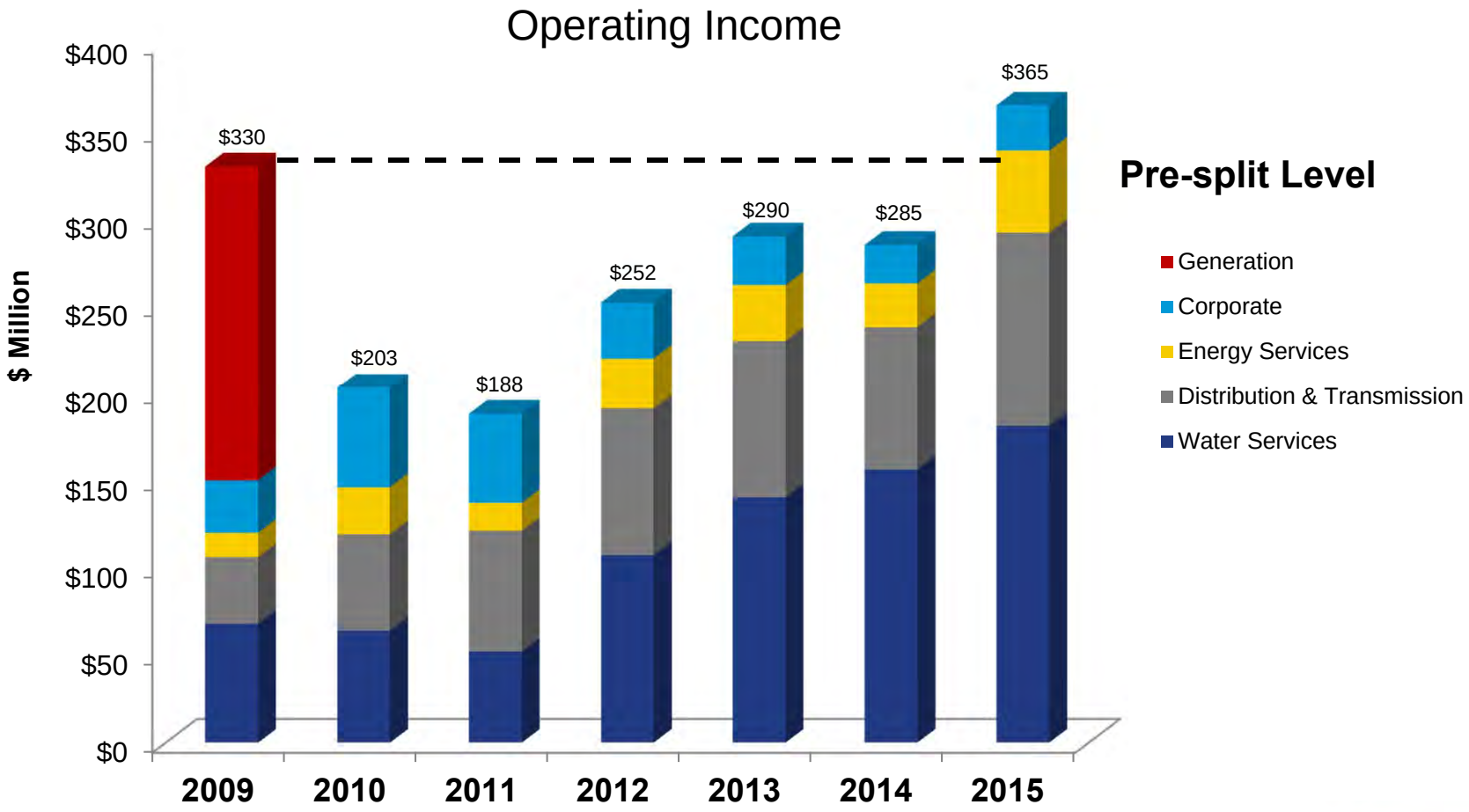
Governance:

- Independent and experienced Board of Directors.
- New perspectives and skills added with three new directors in two years.

Financial Overview

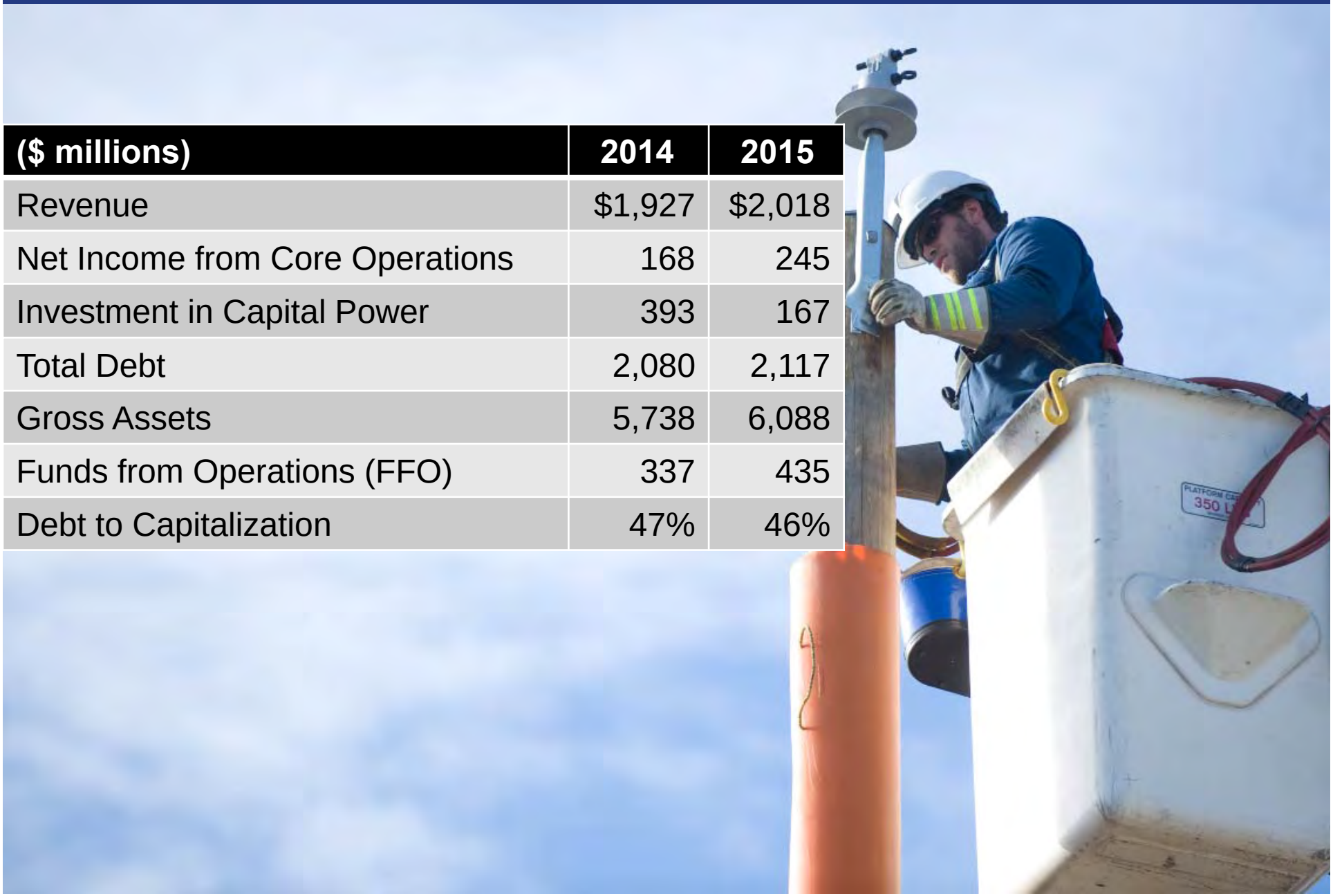
Risk Re-orientation

- Sold majority of the power generation business, re-investing in lower risk wires and water utility infrastructure.

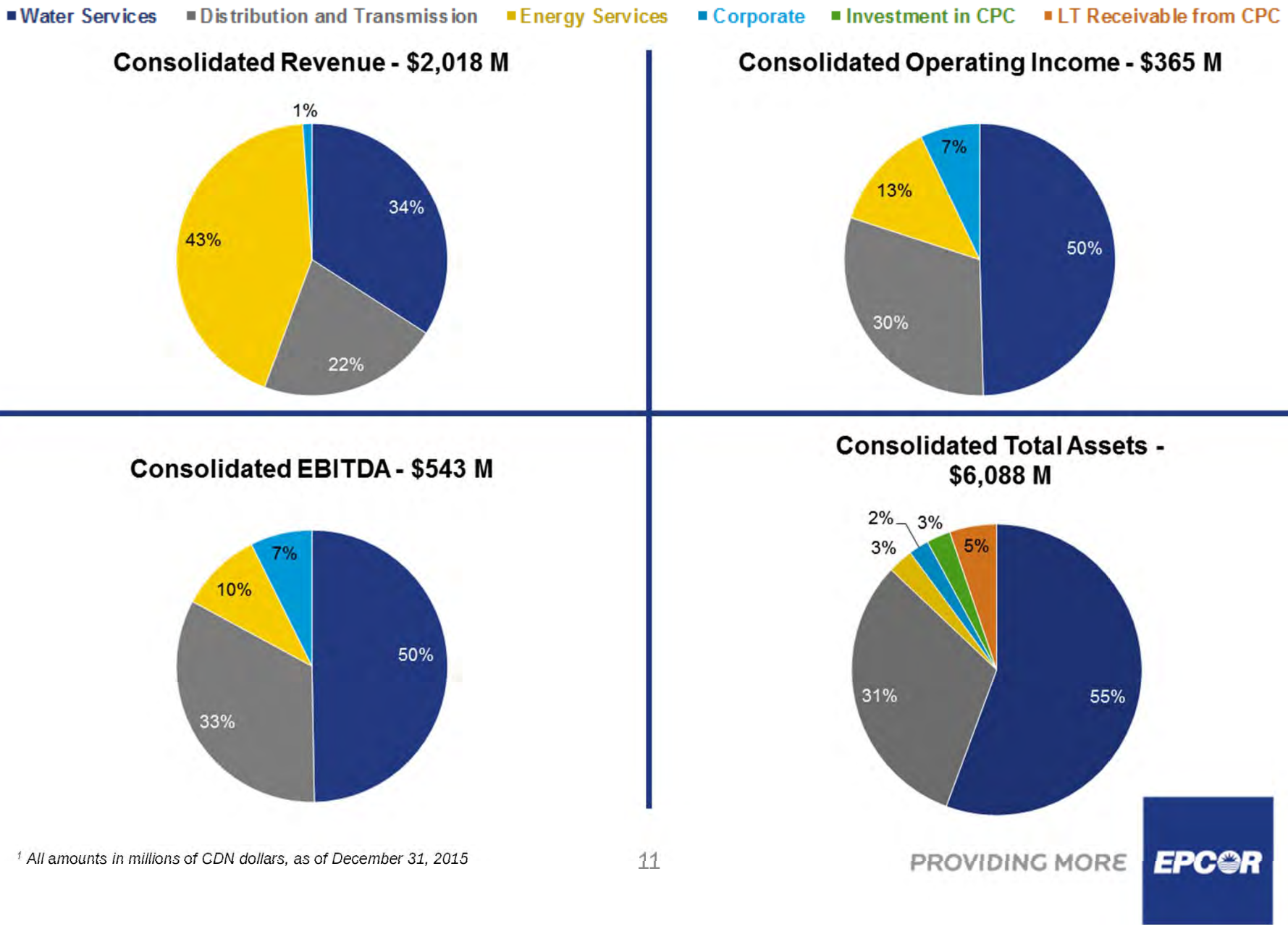


Overview of Full Year 2015 Results

($ millions)	2014	2015
Revenue	$1,927	$2,018
Net Income from Core Operations	168	245
Investment in Capital Power	393	167
Total Debt	2,080	2,117
Gross Assets	5,738	6,088
Funds from Operations (FFO)	337	435
Debt to Capitalization	47%	46%



2015 – Financial Overview



[1] *All amounts in millions of CDN dollars, as of December 31, 2015*

Credit Profile

Strong Business Risk Profile

- Concentration in rate-regulated businesses.
- Multiple business lines, with regulatory and geographic diversification.
- Prudent exposure to contracted business.

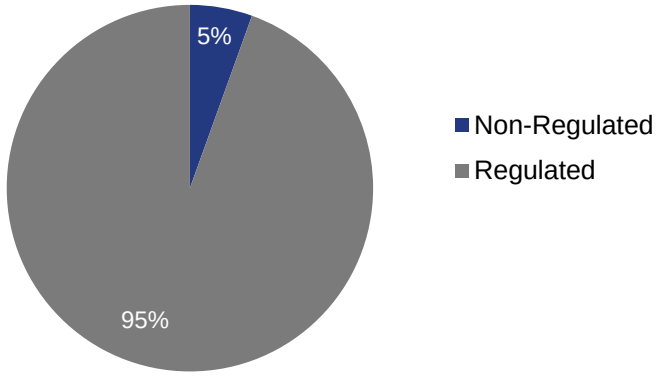
Strong Financial Risk Profile

- Strong and growing cash flow.
- Strong balance sheet.
- Solid credit metrics.
- Excellent debt maturity profile.
- Prudent pacing of capital expenditure program.

Credit Ratings

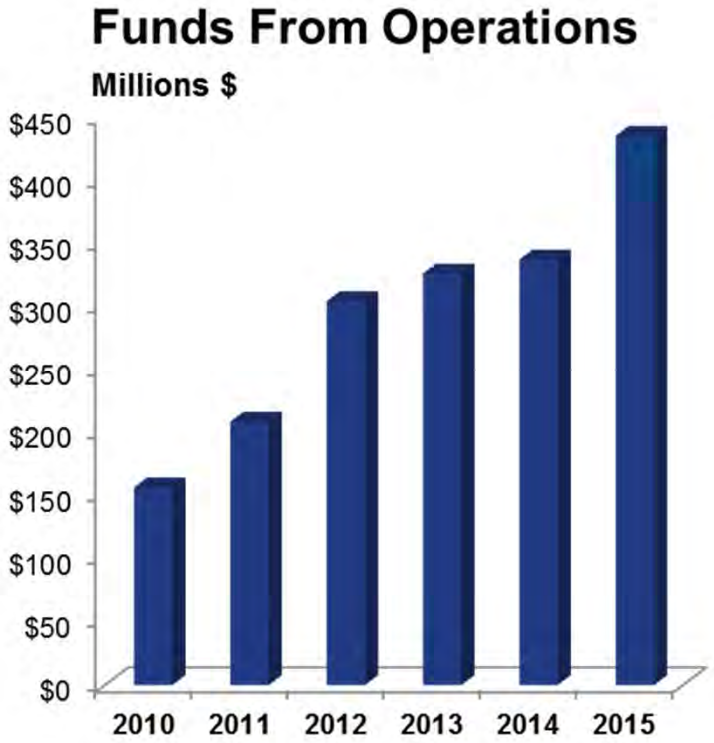
- **S&P:** A-; stable outlook.
- **DBRS:** A (low); stable outlook.

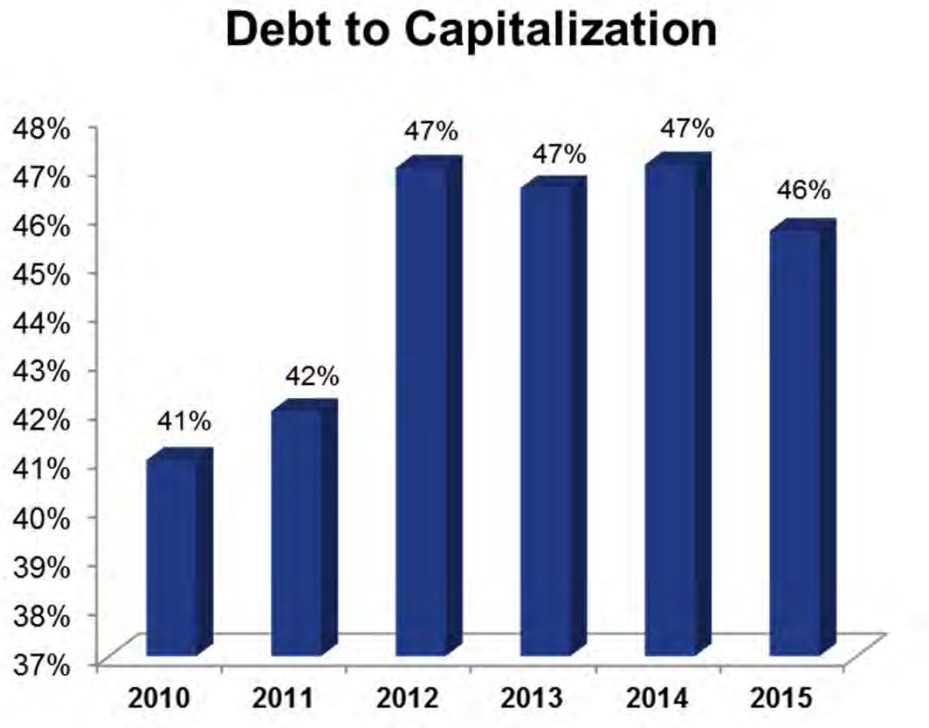
2015 EBITDA %



Note: Excludes income from Capital Power.

Cash Flow and Leverage

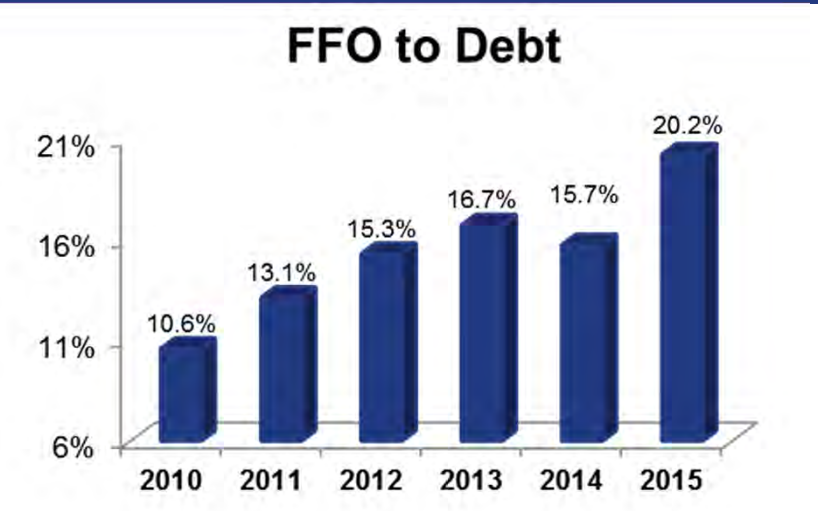


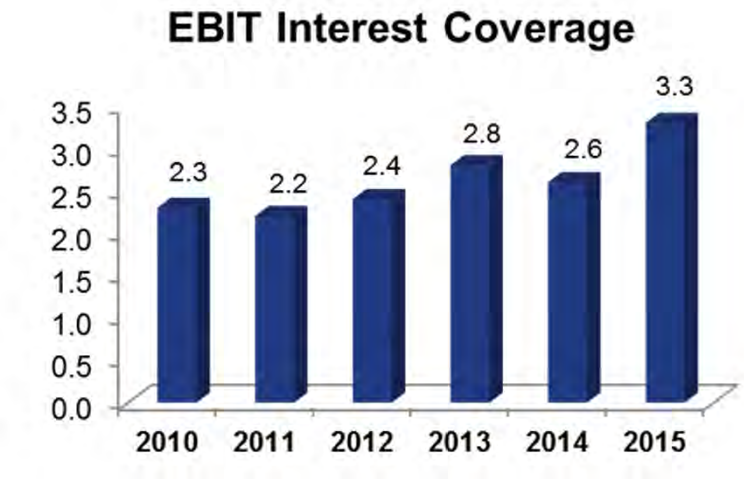


- FFO compound average annual rate of 23% since 2010.
- FFO largely funding sustainable capital program and dividends.

- Prudent leverage provides capacity to add debt.

Improving Solvency

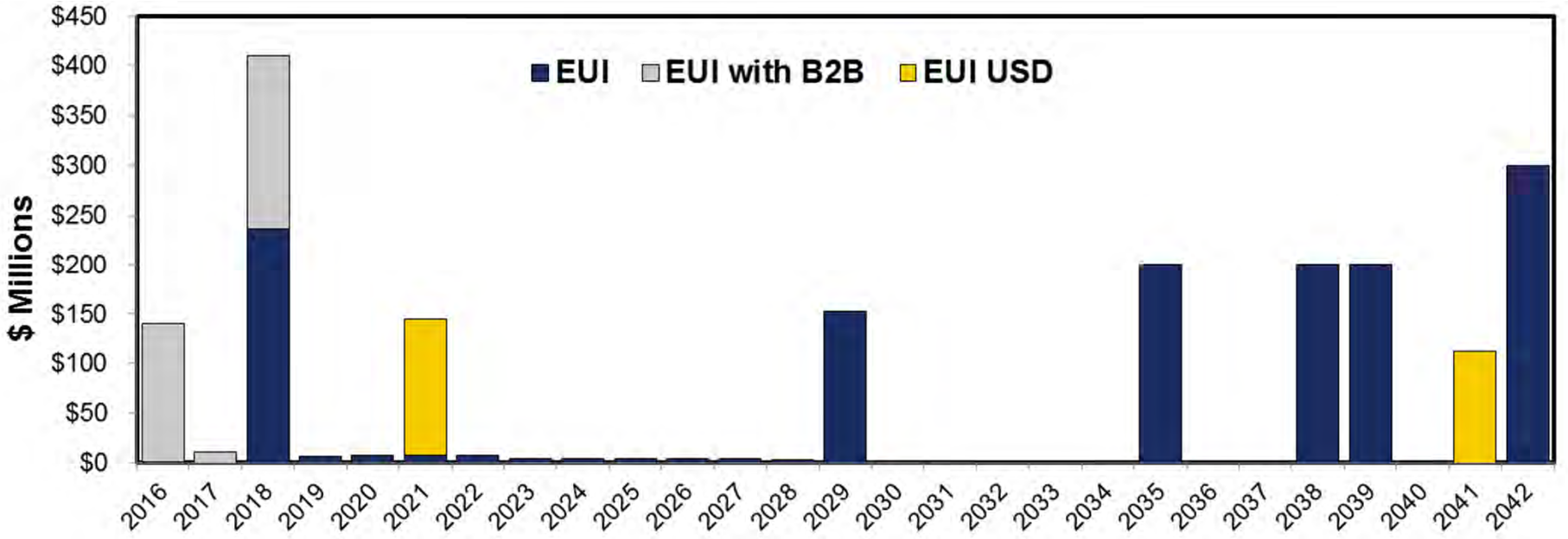




Interest Coverage net of impacts from Capital Power

- Financial capacity and flexibility evident with improving coverage ratios.
- Strengthening cash flow and earnings, driven by BU performance.
- Reinvestment of Capital Power divestiture into core businesses.
- Diminishing impact from Back-to-Back debt with Capital Power; end in sight.

Debt Maturities



- Debt maturities are well spaced without any notable pressure points.
- 2016 maturity was paid March 22, 2016.
- 2018 debt maturity is $236 million, not inclusive of Capital Power's backing obligation.

Financing Summary

- Good access to capital and short-term liquidity.
  - Committed credit facilities of $550 million – supporting $350 million commercial paper program.
  - Unutilized $1 billion Short Term Base Shelf.
- Dividend obligation of $141 million until a change is recommended by the Board and approved by the Shareholder.
- Debt maturities generally align with asset lives financed with debt profile laddered appropriately.
- Debt is denominated in currency to match cash flow and sourced at lowest economic cost.
- Expecting to issue debt to fund development growth.
- As circumstances dictate, preferred shares / hybrid financing will be considered as well as further sell down of Capital Power equity stake.

Regulatory Update

Water

Water Canada – Regulatory Update

- Approved ROE for Edmonton Water and Wastewater remains at 10.875%.
- Approved capital structure remains 60% debt to 40% equity.
- Submitted 2017-2021 PBR application in the second quarter of 2016.

Water USA – Regulatory Update

- Regulatory tone remains positive.
- Improved regulatory mechanism brings assets into rate base with minimal lag.

Business Unit	Equity Capital	2016 Approved ROE
Arizona	40%	9.91%
New Mexico	46%	9.64%
Chaparral	86%	8.21%

Distribution & Transmission

Regulatory Update

- Utility Asset Disposition ruling upheld original decision regarding stranded assets – no rating downgrades occurred because of it or are expected.
- Distribution received very favorable decision on its 2016-2017 capital tracker application, including Advanced Meter Infrastructure.
- Distribution filed its second generation PBR proposal on March 23, 2016.
- Generic Cost of Capital proceedings will conclude this year, deciding the 2016 and 2017 return-on-equity rates. The rates for 2013, 2014 and 2015 were:

Entity	Equity Capital	ROE Rate
Transmission	36%	8.3%
Distribution	40%	8.3%

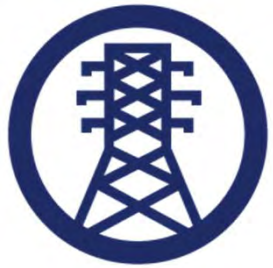
Energy Services

Regulatory Update - Energy Price Setting Plan Amendment

- February 2014 - AUC approved the corporate reorganization resulting in significant cash tax savings through utilization of tax loss carry forwards.
- 2014 – 2018 Energy Price Setting Plan Compliance filing approved by the regulator with implementation in August 2016.
- Approval provides reduced exposure to energy risk and compensation for commodity losses.
- Next Energy Price Setting Plan Application anticipated in Q3 of 2016 – covering period after April 30, 2018.

Strategy & Growth

Strategic Direction



Balanced growth profile

- Investments more weighted towards regulated utility infrastructure.
- Scale of commercial and industrial investment will not jeopardize current credit ratings.



Development

- 2/3 of capital development in organic growth.
- Develop a new operating hub - greenfield natural gas in Ontario.
- Partner with municipalities for new water / wastewater needs.
- Public–private partnership (P3) / concession projects.



Market reputation

- Continue to build reputation as a trusted developer and operator of utility assets.
- Zero injury culture.
- Service reliability.
- Environmental responsibility.

Water – Municipal

P3 Development

- Continue to build on success in P3 space.
- Regina Wastewater Treatment Plant expansion upgrade costing $158 million with EPCOR providing long-term financing of $79 million at completion in 2016.
- Evan-Thomas Water and Wastewater Facility contract with Alberta Infrastructure on $37.6 million expansion and upgrade completed in 2014.

Water and Wastewater – Municipal

- Significant opportunity to invest in municipal infrastructure which the federal government has identified as a top priority.



Water – Commercial

Water treatment opportunity in mining sector

- Mining is a battered industry; low point in commodity cycle.
- Environmental pressure to manage the release of Selenium caused by mining into waterways is another heavy burden.
  - Selenium is a harmful element to fish.
  - The U.S. EPA is expressing urgency.
  - EPCOR succeeded in removal of heavy metals from the Britannia mine site.
- Possibilities exist for EPCOR to place capital in water treatment facilities focused on selenium removal.

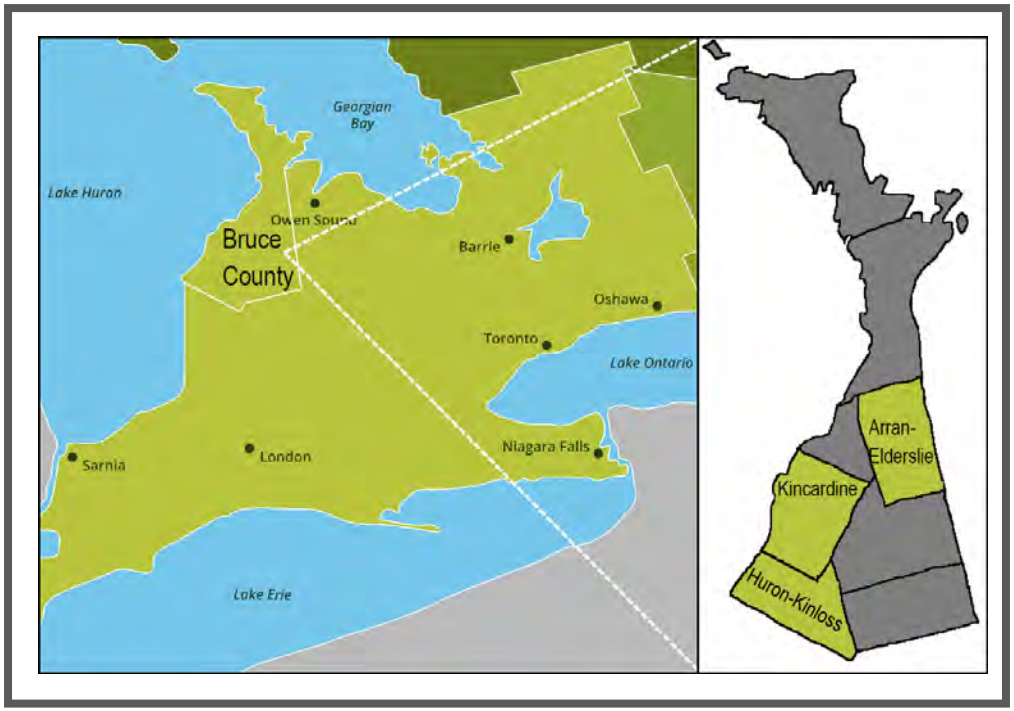


Texas Water Pipeline

- Opportunity to purchase existing contracted water pipeline operations in Texas.
- **Low Risk** - Service to municipal customers under long-term contracts.
  - Water supply also under long-term contract.
- **Attractive Returns** - Potential to increase returns by signing up additional customers.
- **Growth Potential** - New business platform without development risks.
  - Huge water infrastructure need in Texas to meet long-term demands.
- Project to be funded by a U.S. private debt issue of $40 million.

New Hub – Ontario Natural Gas

- **Expansion into natural gas distribution**
  - EPCOR successful in bid for rights to develop and operate a rate regulated natural gas distribution utility.
  - Initially to three municipalities in the South Bruce region of Ontario.
    - Kincardine
    - Arran-Elderslie
    - Huron-Kinloss
  - Franchise agreements in place with all three municipalities.
  - Rate regulated by Ontario Energy Board (OEB).
  - Subject to OEB approval.



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Drainage Services

- Opportunity for City of Edmonton to transfer drainage services, which conveys sewage and storm water runoff from approximately 250,000 customers.
- Would bolster resume to bid on future collection system projects.
- City of Edmonton Council voted to study pros and cons.
- Decision expected Q4 2016.

($ Millions)	**City Drainage** *2014A*	**EPCOR -** *2015A*		
		Water	*Waste Water*	*Total*
Net Income	**47**	52	12	**64**
Funds from Operations	**70**	90	26	**116**
Capital Spend	**132**	102	46	**148**
Fixed Assets*	**862**	1,048	316	**1,364**
Debt	**447**	627	211	**838**
Staffing	**769**	477	174	**651**

**Net of contributed assets*

Final Thoughts

EPCOR firing on all cylinders!

- Strong financial performance across all business units.
- Healthy balance sheet is strengthening; credit metrics are improving.
- Regulatory wins:
  - Arizona regulatory environment continues to improve.
  - Favorable PBR capital tracker decision.
  - Energy Price Setting Plan performing well.
- Non-deferrable, regulated capital placement is increasing.
- Improved business development deal flow and outlook.
- Adding Drainage would enhance EPCOR's regulated business activities.



Thank you for your time

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Appendix

PROVIDING MORE EPCOR

Water Services Operations

Municipal Water and Wastewater City of Edmonton

Water Treatment & Distribution

- Two large water treatment plants on the North Saskatchewan river – capacity of 680 million liters/day.
- Rates regulated by City of Edmonton under a PBR covering 2012-2017.
- Serves population over 800,000 plus bulk water sales to over 65 Alberta capital region communities and counties.

Wastewater Treatment

- Enhanced primary treatment – 1,200 million liters/day.
- Rates regulated by City of Edmonton under PBR covering 2012-2017.

Municipal Water and Wastewater Alberta/British Columbia/Saskatchewan/USA

Alberta

- Operating contracts in Canmore, Chestermere, Okotoks, Red Deer County, Strathmore, Taber.

British Columbia Utility

- Regulated water in French Creek.
- Operating contract in Sooke.

Saskatchewan

- Wastewater facility expansion and operating contract in Regina - assumed operations and commenced construction in 2015.

Arizona and New Mexico

- Regulated water utility – Chaparral City Water Company, EPCOR Water Arizona, EPCOR Water New Mexico.
- Provide water and wastewater services to approximately 305,000 customer through more than 203,000 service connections across 22 communities and seven counties.

Industrial Water and Wastewater

Alberta

- Own three water treatment and three wastewater treatment facilities at Suncor's Fort McMurray Oil Sands operations under long-term contracts.
- Operate three water treatment and four wastewater treatment facilities at Suncor and Shell Albian Sands oil sands operations in Fort McMurray.

British Columbia

- Operate the Britannia Mine wastewater treatment facility, and the Sparwood facility at the Teck Resources (Teck) site.

Electricity Operations

Electricity Distribution and Transmission	Technologies
▪ Distribute to approximately 370,000 sites within Edmonton with high reliability. ▪ Approximately 5,500 km of distribution and 260 km of transmission lines, both aerial and underground. ▪ 51,000 poles with 11,500 aerial transformers and more than 19,400 underground transformer. ▪ Own and operate 35 transmission and five distribution substations. ▪ Regulated by the Alberta Utilities Commission (AUC) – Distribution (PBR) /Transmission (cost of service).	▪ Provide design, construction and maintenance services for street lighting, traffic signals and Light Rail Transit systems in Edmonton, Calgary and other municipalities.







Energy Services

Regulated Operations	Encor by EPCOR
▪ Provide RRO (procurement, billing and customer care) for approximately 600,000 Edmonton and Fortis Alberta energy customers. ▪ Regulated by AUC on a cost-of-service based framework. ▪ Provide billing and customer care for approximately 265,000 EPCOR water customers in Edmonton and City of Edmonton drainage and waste collection services. ▪ Owing to market conditions and low RRO rates, EPCOR has returned to net site growth not experienced since the 2009-2011 period, and gained 7,500 RRO customers in 2015.	▪ Competitive Retail energy provider under Encor by EPCOR. Provide procurement, billing and customer care services to Alberta retail electricity and gas customers under competitive contract. ▪ Currently offers fixed and floating electricity and gas contracts with all commodity risk transferred to the third party. ▪ Introduced new green competitive product offerings for gas and electricity contracts. Encor green energy is sourced from 100% Canadian renewable energy projects.

Encor
Choice energy plans.



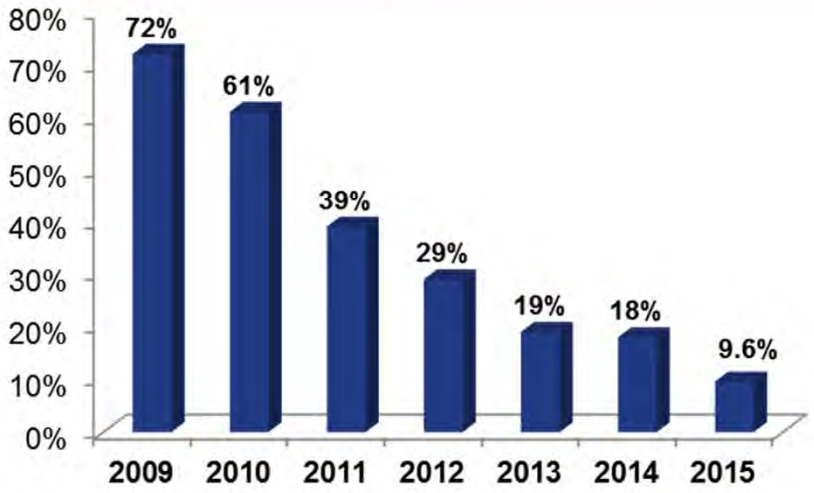


PROVIDING MORE EPCOR

Interest in Capital Power

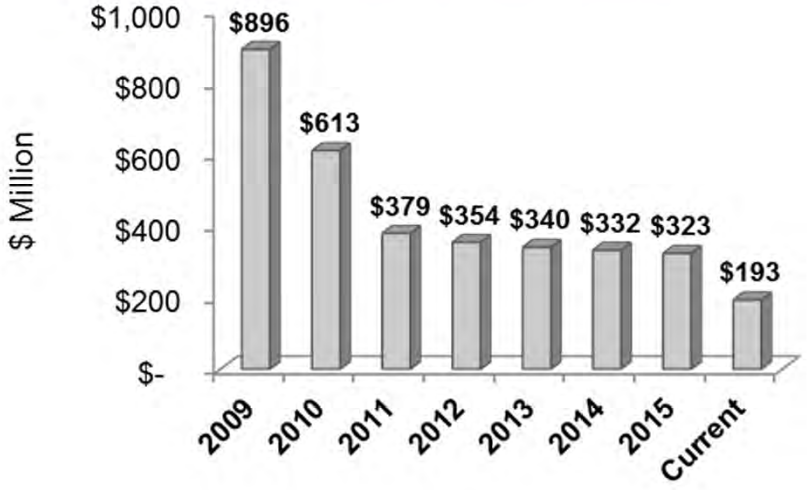
EPCOR plans to divest all or a significant portion of its interest in Capital Power over time according to capital requirements and as market conditions permit.

Equity Interest



- Sale of Capital Power LP units in 2010, 2011, 2012, 2013 and 2015.
  - Approximately $1.1 billion in total gross proceeds.
- Dilution in 2011 and 2014 by Capital Power.

Back-to-Back Debt (B2B)



- Back-to-back debt owed to EPCOR by Capital Power relates to generation assets transferred to Capital Power LP in 2009.
- Remainder to be repaid in full by June 2018.
  - Significant repayment: 2018 - $184 million.